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**FREEDOM FROM HUNGER**

**PARTNERSHIP GRANT**

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**FOURTH ANNUAL REPORT**

**TO THE**

**AGENCY FOR INTERNATIONAL DEVELOPMENT**

**MAY 1992**

**FREEDOM FROM HUNGER**

**1644 DaVinci Court**

**P.O. Box 2000**

**Davis, CA 95617**

**(916) 758-6200**

**(916) 758-6241**

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## SUMMARY

Freedom from Hunger continues to develop and expand poverty-lending programs in five countries on four continents for the purpose of delivering credit with education for women. Three things are noteworthy about Freedom from Hunger's performance during the grant period to date. The first is the institutional willingness to transform its program portfolio in order to obtain better program performance. The second is the adoption by a hunger-prevention agency of a credit-led approach, an unusual step for a PVO whose previous interventions had more to do with nutrition and primary health. The third noteworthy trait is that Freedom from Hunger is the first agency to systematically exploit the relationship between poverty lending to raise income and its application to improve nutrition and health.

During the second half of 1991, Freedom from Hunger programs were the subject of two major evaluations: the *USAID Partnership Grant* midterm assessment, led by Cheryl Lassen (including detailed analysis of the Honduras, Ghana, and Mali programs, as well as the Davis headquarters), and the *GEMINI* "scale-up" study of the Ghana and Mali programs, led by Jeffrey Ashe. These evaluations provide Freedom from Hunger with a sharpened focus and definition of our credit-with-education strategy and the work that needs to be done in the immediate future and beyond. The reports challenge us to build "high-performance programs." In addition to the benefits inherent in the model (increased income, empowerment, and improved health and nutrition practices), our programs will be at the high-performance level when they are characterized by:

- **scale** — thousands of beneficiaries,
- **cost-effective impact** — high impact at an affordable cost,
- **financial sustainability** — field operating costs covered with income from interest and fees, and
- **institutional development** — building/strengthening institutions to promote widespread benefits.

We have not used the term "high-performance program" before, but these four characteristics are very similar to the criteria for successful programs outlined in the Freedom from Hunger *Statement of Strategic Direction*. For the last three years at least, Freedom from Hunger has been working toward the building of high-performance programs. The evaluators have confirmed that we are heading in the right direction. They have also indicated that we still have a long way to go, that we need to clearly define and tackle the challenges along the way, and that we need to pick up the pace.

The reason Freedom from Hunger is willing to put such emphasis on the difficult tasks involved in creating high-performance programs is that we are committed to building a programming approach that can really have an impact that is commensurate with the scale of the chronic hunger problem. We believe that only by showing that our demonstration programs can operate at the high-performance level will we be able to demonstrate the feasibility of widespread replication throughout whole nations.

## **I. BACKGROUND TO GRANT AND PROJECT CONTEXT**

Founded in 1946 as a nongovernmental, nonprofit organization dedicated to action against world hunger and malnutrition, Freedom from Hunger has had several program approaches in its five decades of existence. By the mid-1980s, the approach of the entire program portfolio had two characteristics. First, it was based on the premise that no master solution existed to the problems of hunger and malnutrition, and that the best way to attack them was to let local people determine their own priorities and for Freedom from Hunger to support these small, self-help initiatives. Projects could be about anything local beneficiaries considered relevant to improving their nutrition and health status: agricultural production, housing, latrines, clean water, income generation, community infrastructure, and so on. Freedom from Hunger called this small-projects approach the “applied nutrition program” (ANP).

The second characteristic of Freedom from Hunger programs was the use of growth monitoring and promotion (GMP) as the lead activity. Growth monitoring was used to discern the nutrition problems and hence to develop appropriate projects. GMP also helped to identify those at risk of malnutrition and served as a vehicle to deliver services such as immunizations and education about infant feeding, birth control, diarrhea management, and so on.

Although the ANPs tried to target malnourished families and to foster self-help, they were difficult to manage, sustain, or institutionalize. The main reason for this was the inherent lack of focus. For example, a catalogue of the ANP 1986-88 projects of Freedom from Hunger Bolivia revealed 28 different projects being carried out, including GMP, agricultural extension, animal husbandry, health education, vocational training, and appropriate technology. A characteristic weakness of ANPs was low cost-effectiveness. They called for large staffs in order to have the skills available for the diverse projects. It was also hard to scale up and sustain ANP programs since there were few economies of scale, and no common method to cumulate and replicate. While external evaluations praised the quality of the ANPs, their small scale, high cost, and lack of sustainability was a concern.

In July 1988, USAID signed a five-year cooperative agreement with Freedom from Hunger for the purpose of developing local institutional capacities in six countries to overcome malnutrition, with an emphasis on building sustainable, replicable operational systems for supporting self-managed action by the poor, especially those most vulnerable to hunger and malnutrition.

In the proposal for this grant, Freedom from Hunger stated its intention to replace the portfolio of program activities that existed at the start of this grant with one that would be more cost-effective and sustainable. It vowed: 1) to provide technical assistance, seed capital, and other resources to local service agencies but not to deliver services directly; 2) to demonstrate that programs can be scaled up and sustained with a large scope of beneficiaries; and 3) to strengthen or create indigenous institutions to pursue broad, long-term program dissemination throughout the country.

### ***A New Credit-Led Approach to Hunger and Malnutrition***

In more than four decades of experience in developing programs to reduce hunger and malnutrition, Freedom from Hunger came to realize that such programs have to provide both resources and information that empower the poorest families and communities to help themselves. In the last few years, Freedom from Hunger has concluded that cash credit can be an unusually effective tool against hunger and malnutrition among the very poor—for three reasons:

- First: Credit provides a tangible resource that most poor people can put to immediate use in an income-generating activity they already know how to do.
- Second: The offer of credit can attract even the poorest of the economically active poor to participate in a program that provides not only credit but also education, including nutrition education to promote changes in behaviors that cause malnutrition, particularly among women and children.
- Third: Credit provides a mechanism to enable massive expansion of a program, because credit systems generate revenues through interest charges that can cover most, if not all, the costs of delivering credit and education to the very poor.

There has been a lively debate about the relationship between increasing income and decreasing malnutrition (not just hunger). Freedom from Hunger has studied the literature of this debate carefully and drawn four conclusions about the kinds of income and income-generating programs that most contribute to improved nutritional status.

#### **Income Leads to Nutrition Improvement When**

1. Income is Earned by the Poorest People
2. Income is Earned by Women
3. Income is Earned in Small, Steady Amounts
4. Income Generation is Combined with Nutrition and Health Education for Women

These conclusions have led Freedom from Hunger to experiment with poverty-lending programs in five countries on four continents over the last three years for the purpose of delivering credit with education for women.

There are several variants of poverty lending, the most famous of which is the Grameen Bank of Bangladesh. The version we have chosen to follow for the most part is the village banking model developed in Central America by John Hatch of the Foundation for International Community Assistance, better known as FINCA.

The generic features of poverty lending are small loans for short periods to very poor people for individual income-generating activities they already know how to do. Loan size is no more than \$300, but usually much less, for no more than one year at a time, but more often four to six months. Interest rates charged are often higher than the commercial rate to compensate for the extra cost of reaching out to the poor. In lieu of collateral requirements and expensive feasibility studies,

loans are made on the basis of joint liability undertaken by solidarity groups of borrowers. Payments of principal and interest are frequent, as often as weekly. The rules of the system help ensure unusually high repayment rates in good poverty-lending programs.

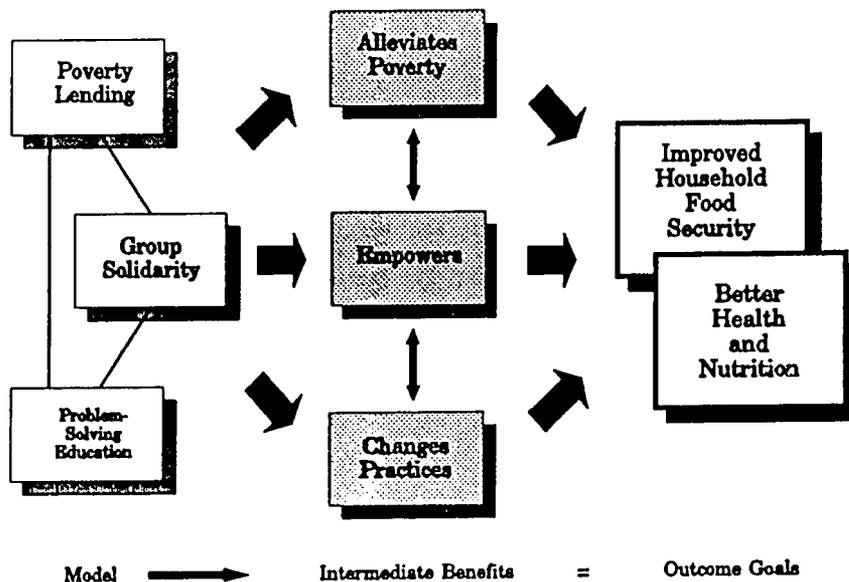
This has been called “minimalist credit,” because there is little technical assistance provided or technical feasibility assessed. The borrowers already know the activities supported by the loans, and they screen each other through the joint liability mechanism. The result is the system has very low cost per loan, allowing for many small loans.

The system is attractive mainly to the poor, especially poor women, who have no alternative sources of credit other than moneylenders. The better-off, who have other options, prefer not to bother with forming solidarity groups and paying extra interest for very small loans requiring weekly repayment. This means that poverty lending screens out those less vulnerable to chronic hunger. It selects very poor women, just the target group Freedom from Hunger wishes to reach.

In the case of village banking, borrowers organize themselves into self-managed savings and loan groups of about 20 to 50 people, mostly or solely women. FINCA calls these groups “village banks”; Freedom from Hunger calls them “credit associations,” but they are more or less the same. These village banks or credit associations meet weekly, or every two weeks, or monthly, depending on the country and season of the year.

Freedom from Hunger’s innovation is to use these regular meetings as a forum for education and the solidarity within the groups as a motive force to promote learning, problem solving, and behavior change to improve nutrition and health.

Three things are noteworthy about Freedom from Hunger’s performance during the grant period to date. The first is the institutional willingness to transform its program portfolio in order to obtain a high-performance approach. The second is the adoption by a hunger-prevention agency of a credit-led approach, an unusual step for a PVO whose previous interventions had more to do with nutrition and primary health. The third noteworthy trait is that Freedom from Hunger is the first agency to systematically exploit the relationship between poverty lending to raise income and its application to improve nutrition and health.



## II. PROJECT METHODOLOGY

Freedom from Hunger conducts programs worldwide, providing credit and education to poor rural women in developing countries, giving them both the resources and information they need to make positive changes in their lives. Our programs address two of the major causes of chronic hunger: lack of income to buy food, and insufficient knowledge and use of good health and nutrition practices. Freedom from Hunger operates Credit with Education programs in five countries: Bolivia, Honduras, Ghana, Mali, and Thailand. We are working with indigenous agencies, building their capacity to eventually operate the programs without our assistance, ensuring the programs will be sustained and replicated.

The Credit with Education programs are effective because they:

- enable women to earn money that can be used to purchase food and address the hunger-related needs of their families;
- inspire women to believe that they *can* make choices that will improve their lives and the lives of their families; and
- empower women to define their problems and discover solutions to address their problems with the resources available to them.

### *Credit for the Poorest Women*

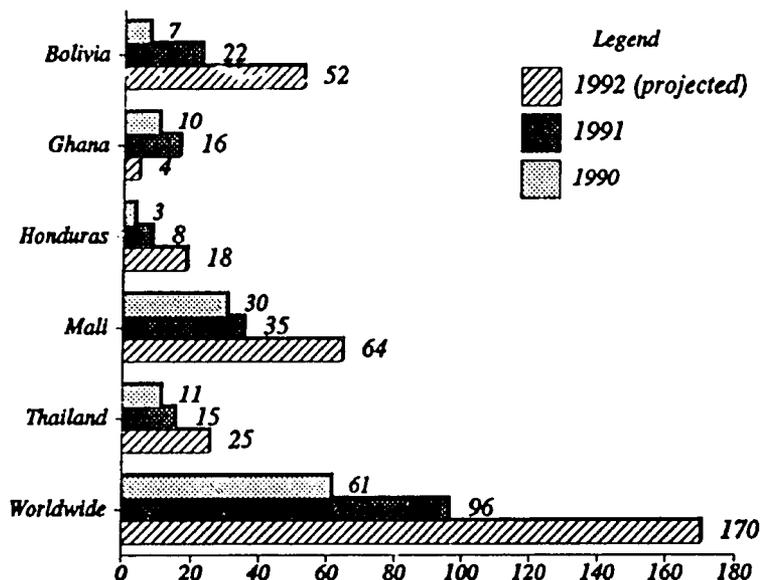
In most developing countries, the poor have the skills necessary to undertake income-generating projects, but they do not have access to the resources needed to begin and expand them. Local banks view the poor, especially women, as bad credit risks because they have no experience with credit and no collateral. Often, the only available source of credit for the poor is the local moneylender, who charges exorbitant interest rates. Freedom from Hunger's programs are based on the belief that the poor are good credit risks, and that they have the ability to successfully establish and maintain their own small businesses. **Our belief in the poor has been justified: the repayment rate for the loans in all of our programs is very high.**

The Credit with Education programs are targeted specifically at women because women are the direct providers of care for their families. Women in developing countries often have the primary obligation for producing, purchasing, and preparing food and obtaining health care for their families. In addition, studies have shown that income earned and controlled by women is more likely to be spent on food and health care than that earned by men. The successful development of long-lasting solutions to the problem of chronic hunger necessarily involves the targeting of women.

Women interested in receiving loans come together to form credit associations. They divide themselves into borrower groups of four to seven members each, with three to seven

borrower groups in each credit association. Self-selected borrower groups help to ensure high loan repayment because the members of the groups are mutually responsible for the repayment of the loans. The members of the borrower groups must approve the activities in which each woman wishes to invest her loan, taking into account her abilities and the demand for her product. The women invest in activities that they already know how to do, thus eliminating the need for expensive training and technical assistance. Many borrowers invest in activities that also increase the local availability of food. In Mali and Ghana, women are

*Number of Credit Associations at Year End*



marketing millet, rice, bread, smoked fish, and consumer goods. In Bolivia, women weave blankets and raise flowers and vegetables for sale. Honduran women raise vegetables and poultry, and Thai women manage small stores, raise pigs and poultry, and produce silk. By the end of 1992, we will have started 170 credit associations worldwide.

Each credit association selects officers who run the meetings and keep the record books. The women learn to run and manage a credit association in addition to their own small businesses. This leadership experience builds community confidence in women and may eventually assist in elevating women's social status. In addition, this experience builds self-esteem, self-confidence, and solidarity among the women, helping them to realize that they can improve their lives.

Savings accounts are another important service offered to members of the credit associations. As our experience with the credit associations has grown, Freedom from Hunger has discovered that the savings system provided by the associations has been very attractive to the participants. Some women join the associations only for the purpose of saving, and all of the members have established savings accounts. They recognize that savings provide the opportunity to have money for emergencies or for use during leaner times of the year.

Since Freedom from Hunger first introduced the Credit with Education approach in 1988, enthusiasm for the programs has grown and the demand for credit now exceeds our ability to

provide it. At the end of December 1991, there were 1,988 borrowers participating in our programs worldwide.

**Status of Credit Association Loans by Country  
 December 1991**

	<i>BOLIVIA</i>	<i>GHANA</i>	<i>HONDURAS</i>	<i>MALI</i>	<i>THAILAND</i>	<i>WORLDWIDE</i>
<i>Date of First Loan</i>	<i>3/90</i>	<i>4/90</i>	<i>5/90</i>	<i>12/88</i>	<i>7/89</i>	
<i>Number of Credit Associations</i>	<i>22</i>	<i>16</i>	<i>8</i>	<i>35</i>	<i>15</i>	<i>96</i>
<i>Number of Borrowers</i>	<i>581</i>	<i>444</i>	<i>129</i>	<i>589</i>	<i>245</i>	<i>1,988</i>
<i>Average Loan Size</i>	<i>\$53</i>	<i>\$108</i>	<i>\$65</i>	<i>\$38</i>	<i>\$68</i>	<i>\$64</i>
<i>Outstanding Loans</i>	<i>\$29,875</i>	<i>\$17,956</i>	<i>\$8,344</i>	<i>\$20,653</i>	<i>\$16,541</i>	<i>\$93,369</i>
<i>Repayment Rate</i>	<i>99%</i>	<i>74%</i>	<i>100%</i>	<i>99%</i>	<i>99%</i>	<i>93%</i>

***Education to Address the Causes of Chronic Hunger***

The purpose of the education component is to provide credit association members with information, motivation, and skills to identify and solve problems that cause chronic hunger. Development agencies have been attempting to address these issues for decades, but often have found it difficult to reach the poorest women, and to ensure adoption of nontraditional health practices. Poor women are extremely busy; they are constantly working to feed and care for their families, so they have little time and motivation to participate in education projects. An innovative aspect of the programs supported by Freedom from Hunger is that credit is used as a vehicle for delivering health and nutrition education. Poor women are motivated to come together to receive credit and establish savings, providing a forum for delivering the education.

The credit associations meet regularly to receive and pay back loans and make savings deposits. This is a remarkable experience for most poor rural women who for the first time in their lives are joining a support group, and—even more remarkable—are being offered cash credit. This creates a positive, receptive environment for the education sessions that are integrated into the credit association meetings. Nonformal adult education techniques that give the women the opportunity to “own” the solutions are used, rather than “canned” solutions that are usually remote to their daily lives.

Our education model is based on a problem-posing approach. Credit association members, with assistance from staff, identify a hunger-related problem or concept presented in interesting, concrete, and often amusing ways to engage participants. The staff uses role plays, pictures, symbols, and stories to introduce the problem in the context of the local environment. They pose questions to stimulate participation, and personalize the problem to encourage analysis and facilitate discovery of practical solutions.

The process, occurring as it does within the supportive atmosphere of the credit association meeting, enhances decision-making skills and promotes commitment by credit association members to solve the problems identified.

Staff members act as facilitators, not as solution providers. Once appropriate actions to solve the problems have been identified by the group, they are reinforced by well-targeted, simple, “homegrown” messages created by the credit association members and repeated at subsequent meetings.

The topics addressed at the meetings vary from country to country, and even from one credit association to the next, reflecting the local needs. But all the topics fall into four broad categories:

- surviving periodic, predictable periods of food shortage;
- meeting the nutritional needs of family members, especially infants, children, and pregnant or breastfeeding women;
- using available health services that provide family planning advice such as spacing births and determining family size, oral rehydration therapy for management of diarrhea, and immunization against life-threatening diseases; and
- management of credit and savings to increase income and to repay loans.

The problem-posing educational method allows women to identify hunger-related problems in their lives and determine realistic solutions for addressing these problems. When women identify their own problems and discover their own solutions, there is a greater chance that they will take action to eliminate these problems. The advantages of this technique are:

- local solutions are developed by the participants that are more likely to be “owned” and practiced by them;
- new knowledge or information can be provided by program staff; and
- group solidarity within the credit associations can motivate members to practice the solutions.

This educational approach is already proving successful. When a credit association member in Mali was asked to comment on the program, she said:

I have learned how to analyze my business and give ORT (oral rehydration therapy) to my child with diarrhea, and I can see that porridge makes my baby grow bigger.

### III. MONITORING AND EVALUATION

During the second half of 1991, Freedom from Hunger programs were the subject of two major evaluations: the *USAID Partnership Grant* midterm assessment, led by Cheryl Lassen (including detailed analysis of the Honduras, Ghana, and Mali programs, as well as the Davis headquarters) and the *GEMINI* “scale-up” study of the Ghana and Mali programs, led by Jeffrey Ashe. Full copies of these reports have been sent separately to AID/FHA/PVC, which paid the major portion of

costs for both studies. The executive summaries are attached to this report as attachments A and B, respectively.

Attachment C is the “Summary Results of the Partnership Evaluation Surveys,” which is an excerpt of chapter 4 of the Partnership Grant midterm assessment report. This includes a diagram of the hypothesized benefit process for the credit-with-education strategy.

The midterm assessment recommends a complete revision of the logical framework for this grant. The revised logical framework (along with the original) is included as attachment H. It shows the revised targets, critical indicators of effectiveness, and benchmarks of project progress during the five-year grant period.

Freedom from Hunger has developed—or is in the process of developing—a monitoring and evaluation system to assess progress towards the stated objectives above. The methodologies employed by this system range from participant self-evaluation to projection software. Information is collected and reported through a three-tier system of community associations, country programs, and Davis headquarters.

At the level of each association, members maintain a registry of borrowers, loan sizes, loan activities, repayment and savings rates, and internal loans. The credit-with-education promoter records the education topics covered and ranks the performance of each bank in a variety of areas including record keeping, solidarity, and community management. At the end of each loan cycle, the membership and facilitator conduct a self-evaluation by discussing topics such as repayment, profitability of activities, performance of bank officials, eligibility of members for additional loans, and so on. This discussion allows for reflection on areas of improvement for the next loan cycle.

At the level of the field program, information on the performance of each association is aggregated as well as a narrative of program activities and submitted to Davis headquarters on a quarterly basis. Each program also submits monthly financial reports tracking the flow of the loan funds and actual program expenses.

At the third tier, headquarters, the financial information regarding borrowers, loans, repayment rates, and program costs is used to project program growth and financial sustainability. Programmatic information is also reviewed by supervisory staff at Davis, who make periodic visits to the field programs to conduct training and to problem solve with the staff.

While it continues to be refined, this information system has proven itself effective at documenting program progress, maintaining a clear picture of the status of the credit program, and highlighting potential problem areas.

## IV. REVIEW AND ANALYSIS OF PROJECT RESULTS

### *Overall Review*

It is useful to read the evaluation reports from the perspective of an organization moving from small-scale testing of program effectiveness toward large-scale demonstration of cost-efficiency and replicability of programs. The activities of 1991 focused on preparing the organization to make this move in both our overseas and our domestic programs. The major tasks remaining in the pilot phase of the programs have been to establish:

- confidence that our design works and can be replicated,
- a working relationship with a local collaborator that shares our goal and will invest its personnel and resources to expand the program, and
- access to a source of funds that can support exponential expansion.

Evaluations carried out this past year give us the benefit of external observations and recommendations that can facilitate our progress toward these objectives.

### *Empirical Evidence that the Credit with Education Design Works*

By far the most extensive of all the evaluations was the Partnership Grant midterm assessment led by Cheryl Lassen. Dr. Lassen's review and recommendations covered the entire organization—field and headquarters—from 1985 to 1995. Perhaps one of the most exciting aspects of the assessment was the collection of the first systematic impact data on the credit-with-education strategy. The design of the survey instruments was based on the benefit process framework developed by Barbara Mknelly, our Technical Advisor, Evaluation. The credit-with-education activities are hypothesized to lead to the intermediate benefits—poverty alleviation, empowerment, and healthful behavior change—necessary to achieve the ultimate benefits of improved household food security and better nutrition and health. There were positive gains in all three intermediate benefits relative to the control groups.

The question of central importance to Freedom from Hunger is whether the model that combines increased income, solidarity, and hunger-prevention practices impacts on the ultimate outcome goals of improved household food security and better health and nutrition. Even at this early stage of implementation, there is evidence that the model is working. Self-reporting by the program participants vs. nonparticipants indicates that families in the program are eating better and their children are healthier.

The benefits section (chapter 4) of the Partnership Grant assessment report presents the survey results and their implications in detail. A summary of the key survey findings is in attachment C of this report.

### *Strategic Approach to Local Partnerships*

The variety of in-country partnerships among our programs provides a rich opportunity for exploration and learning. One model was to find a local nongovernmental organization (NGO) reaching its prime and ready to adopt the credit-with-education approach as a major focus for its field programs. This is the likely model in Thailand. There have been preliminary discussions with three candidate partners, two of which already operate village banking activities based on the same FINCA model we have adopted and adapted.

Partnership discussions with ODEF in Honduras and AMIPJ in Mali are other examples of our efforts to build partnerships with existing local NGOs. However, based on the results of negotiations with ODEF and AMIPJ, we are learning that our experience in Thailand may be the exception rather than the rule. We have found that it is highly unlikely that a young, upwardly mobile NGO reaching its prime with its own focus will buy into another organization's strategy unless it is almost exactly what they are already doing.

Another model is to introduce the program through a large, formal existing structure such as the Ministry of Health or a national government banking system. In Ghana, negotiations are moving forward with the Rural Banking System that is composed of more than 120 small, autonomous member banks. Freedom from Hunger proposes to work with select rural banks to implement Credit with Education in the areas served by these banks. Kathleen Stack and Ellen Vor der Bruegge were identifying and negotiating a working agreement with a rural bank in a new area of Ghana during their trip to West Africa in February.

However, the Ghana expansion strategy does not represent a connection into a single comprehensive national structure. We have not yet found a way to attach our programming to a large, existing structure in any of our current programs. Until the model becomes a standard, proven strategy, widely known throughout development circles (through a "diffusion of innovation" process), we will be building program units within smaller, more flexible organizations. These local units can later be brought together through the coordination and support of an apex institution.

The most effective partnership model may be to start a new, indigenous NGO totally focused on Credit with Education. This is the approach that has been used by other organizations such as ACCION and FINCA. Freedom from Hunger has experience, in Antigua and Arizona, in building new nonprofit organizations, but not as a way to create long-term partners. We are taking this route in Mali with CANEF, the new NGO being created from the MIEN program, and in Bolivia and Honduras with the current Freedom from Hunger program staff. This institution-building approach is very challenging but provides the greatest degree of methodological and quality control.

### *Access to Credit Funds by Linkage to Financial Institutions*

Recognizing that it will take large amounts of capital for the projects to expand, we began from the start to look for linkages into funding sources that could fuel the system. The first breakthrough occurred at the start-up of the credit-with-education project in Thailand when a commercial bank, the Bangkok Bank, made direct loans to the participating credit associations. Recently, a

government bank in Thailand, the Bank of Agriculture and Agricultural Cooperatives (BAAC), has agreed to make a few experimental loans directly to credit association participants. If a long-term agreement can be reached with BAAC, credit would be available directly to any participant at half the interest rate charged by the Bangkok Bank and with no guarantee fund required from Freedom from Hunger. BAAC would be a source of credit large enough to expand nationwide at a reasonable cost to the local implementing organization and the program participants.

A similar arrangement in Mali with the National Bank for Agricultural Development (BNDA) is in final negotiation. The BNDA would provide a line of credit to the newly created private development organization, CANEF, which would on-lend to credit associations.

In Ghana, our agreements with rural banks will include a requirement that they finance a significant amount of the loan portfolio.

The most recent and exciting financial news is that the Calvert Social Investment Fund has agreed to make a \$50,000 loan to Freedom from Hunger for one year at a 4% interest rate, with the expectation of annual rollover of the loan and additional investment in the future. We are currently determining which programs would most benefit from the loan and identifying the most appropriate mechanisms for using the loan money.

There was a clear consensus among the external evaluators that our program model is moving well through the pilot phase toward each of the three objectives reviewed above and that our organization is ready for expansion. The impact data indicates the program is making a positive difference, partnership formation—albeit not with any nationwide organization—is well underway, and some sophisticated grantmaking and financial institutions are prepared to make credit funds for loan portfolio expansion.

### *Review and Analysis by Country*

#### *BOLIVIA*

Freedom from Hunger's program is located on the shores of Lake Titicaca, in the Province of Manco Kapac, Department of La Paz. Until the end of the current reporting period, it incorporated two components, Child Survival and Credit with Education. The Child Survival grant that provided funds for the first component was completed in October of 1991, which marked the conclusion of the transition period to the Credit with Education model. The goals of this project are to promote income generation, prevent hunger, and improve health and nutrition practices by providing access to credit and participatory, problem-solving education.

The Credit with Education project continues to grow and develop in Manco Kapac, with 22 credit associations actively participating. The interactive methods used to register, orient, and train existing credit associations are being studied so that the lessons learned can be applied during the expansion of the project. Effective training for new staff and promoters, development of a performance incentive system, and installation of a monitoring and evaluation system to measure

progress and impact are high priorities. Development of a self-sustaining NGO from the current Bolivia program staff to deliver high-impact benefits to thousands of participants is the goal over the next few years.

### *Specific Outputs*

- The Credit with Education project has more than doubled the number of credit associations and nearly tripled the number of poor borrowers over the course of the current reporting period.
- Twenty-two credit associations have provided 581 women over \$88,000 of loans, with a repayment rate of 99%.
- These loans are being used by women to increase their family income through projects such as weaving, buying and selling prepared foods, preparation and sale of foods, and raising and selling livestock.
- Weekly meetings of the credit associations provide the forum for transmission of health and nutrition messages, discussions on their application, training in credit management, and investment of internal funds (savings and loan and interest payments) to further increase members' disposable incomes.
- Freedom from Hunger has transferred to Proyecto Pucarani and World Vision, in collaboration with local Ministry of Health personnel, the management of immunization, growth monitoring and promotion, distribution and training in the use of Oral Rehydration Packets and other child survival related interventions.

### *Summary of Accomplishments*

The Credit with Education model is becoming increasingly popular and increasingly effective in our program area. The Manco Kapac area pilot has provided a valuable opportunity to review, revise, and improve the model to effectively deal with credit management concerns, income generation and marketing issues, and training effectiveness.

These lessons will be applied to the expansion areas currently being initiated. Plans for 1992 include collaboration with UNICEF's PROANDES project to implement 20 new credit associations in the altiplano Provinces of Esteban Arce and Mizque in the Department of Cochabamba, and in increasing the number of credit associations in the original area of Manco Kapac. Emphasis will be placed on the establishment of effective training mechanisms, a promoter selection and incentive system, and development of an effective means to monitor and evaluate the project's impact.

### *HONDURAS*

Freedom from Hunger has been working in the Juticalpa area of the Province of Olancho for over 13 years. It had three components: The Maternal/Child Health Project, a collaborative preventative health care model utilizing community volunteers and Ministry of Health Center staff, management of which was transferred to the direct supervision of regional health personnel in 1991; the San Nicolás Training Center—conceived, constructed, and managed by local Freedom from Hunger staff, which provides training courses in sustainable agriculture to both local participants and agency personnel institutions aiming to promote these practices in other parts of Olancho; and the Credit with Education project, which works with poor women to provide loans to increase the availability

of family income which, in combination with participatory education, will increase the accessibility of food and reduce malnutrition.

The San Nicolás Training Center formally inaugurated training in April of 1991 and has trained representatives from local women's organizations, the National Agrarian Institute, and local agricultural leaders in soil and water management, alternative crops, and a variety of other sustainable agriculture topics. The Credit with Education project is working in nine villages with the same number of credit associations where members receive small loans to increase the profit of their income generating, and participate in problem-solving sessions to identify and solve hunger-related problems at their weekly meetings.

#### *Specific Outputs*

- 129 borrowers in 8 credit associations have received over \$20,000 in loans. Credit associations consistently save more than required, and many participate in communal income-generation activities to augment their individual and bank profits.
- The USAID-sponsored interim assessment conducted in October 1991 documented a variety of positive impacts of the Credit with Education project. Among these are: 84% of the participants reported increased income, 94% increased savings, and 83% improved health and nutrition for their small children.
- The Training Center at San Nicolás is offering a wide range of courses to community members and agency personnel in sustainable agriculture, soil and water management, and related topics.
- Freedom from Hunger is currently working with its staff in Honduras to form its own independent regional NGO, which will continue to manage and expand the training center and the Credit with Education projects in the department of Olancho.

#### *Summary of Accomplishments*

Eight credit associations are receiving participatory, problem-posing education to enable them to identify and solve their hunger-related problems. Repayment rates continue to be 100%, and savings rates remain high. Plans for the year include the inauguration of nine new credit associations, while maintaining and improving the current quality of credit management and participatory education.

The training center has developed and continues to develop a curriculum in sustainable agriculture that is applicable to the local area and within the capacity of area farmers using locally available resources. Results of these training and follow-up efforts have been increased agricultural yields at lower costs for local participants.

After preliminary negotiations to merge with an existing Honduran NGO failed to produce results, Freedom from Hunger personnel in Honduras have suggested and initiated action on the proposal to create their own local nongovernmental organization. This organization should become a legal reality before the end of the year.

## *THAILAND*

Freedom from Hunger's program in Thailand is located in the Chumpuang District of the Nakornratchasima (Korat) Province, located about four hours northeast of Bangkok. The program currently operates in 15 pilot villages, providing loans to members of self-managed credit associations, which along with participatory, problem-solving educational sessions provide participants the opportunity to earn more money to buy food and, at the same time, to learn how to improve the welfare and diet of their families. The program is operated in collaboration with the Provincial Government of Nakornratchasima. Once the pilot program has been tested to demonstrate its efficiency and effectiveness, a local non-governmental organization will become our local partner, to expand the project throughout the province and to replicate it in other regions of Thailand.

Fifteen credit associations are actively functioning in the program area, and the project maintains a repayment rate of 99%. Freedom from Hunger has been attempting to develop or improve an agreement with a local financial institution to provide more favorable interest rates to the credit associations. In addition, a partner organization is being identified, which will assume management of the project during the expansion phase of this program, when credit associations will be promoted, trained and inaugurated in much greater numbers. Once such a partnership is initiated, expansion of the program will begin.

### *Specific Outputs*

- Over \$45,000 has been lent through over 700 individual loans. Ninety-nine percent of the borrowers are poor women, and repayment rate is 99%.
- Five local nongovernmental organizations were selected and visited about the possibility of entering into a collaborative agreement to manage the Credit with Education project in Chumpuang. A formal collaborative agreement should be in place by June of 1992.
- Improved financial agreements with local lending institutions were also investigated, and a more favorable, lower interest loan fund should be available to borrowers by mid-1992.

### *Summary of Accomplishments*

The Credit with Education model is working well in Thailand. Our efforts to reach the poorest of the poor have been conscientious and effective, the pilot program is growing slowly but steadily in numbers of credit associations, as well as numbers of members, and the educational component is being successfully implemented. An in-country assessment of the project's impact in Chumpuang will be conducted in late 1992. Additionally, our efforts to locate a partner organization and to improve the quality of the credit funds available to the credit associations are coming to a productive conclusion, all of which prepares the way to the next phase—expansion.

## *GHANA*

Freedom from Hunger is pursuing two projects in Ghana. Working in collaboration with Freedom from Hunger, the Ministry of Health's Kintampo District Health Management Team has successfully carried out a Health and Nutrition Education project that includes growth monitoring and

immunization activities in twelve villages located in the Kintampo District of Brong-Ahafo Region. Medicines for minor ailments, and nutrition and health counseling and education have also been provided.

In the past year, Freedom from Hunger has been preparing for full transfer of this project to the Ministry of Health planned for April 1992. Freedom from Hunger has also been assisting the Ministry of Health to determine how to integrate the most effective elements of the program into their own health delivery system throughout the district. Staff have experimented with lowering the cost of program implementation through streamlining activities, while maintaining their effectiveness and high coverage rates. Freedom from Hunger and the DHMT have learned through these efforts that pre-session community mobilization is a key factor in achieving high coverage. They are currently exploring affordable alternatives for maintaining pre-session mobilization in the program.

Freedom from Hunger has decided to withdraw support for the Credit with Education program in Kintampo, which was begun in 1990 in collaboration with the DHMT. This is due to management problems which resulted in a serious drop in loan repayment rates from 100% to 74%. After considerable study and analysis, Freedom from Hunger has concluded that the problems stemmed in part from attempting to implement a credit program with staff whose primary training and previous experience was in community health and nutrition. In addition, the field staff were seconded staff whose first priority was their health duties and not credit management.

Another factor in Freedom from Hunger's withdrawal from Kintampo is the lack of a strong institutional home for the Credit-with-Education program. The Kintampo Rural Bank, originally identified to house the program, has had difficulty overcoming past mismanagement and corruption problems. It is now questionable whether the Kintampo Rural Bank will be able to meet Bank of Ghana requirements for relicensing at the end of 1992.

Despite the difficulties, members of the DHMT have demonstrated an interest in continuing to use village banking as a vehicle for health and nutrition education. They wish to build on their experience and to continue to support a reduced number of credit associations in the pilot area. They will also continue to pursue collection of outstanding loans.

Freedom from Hunger has learned much from the pilot effort in credit with education in Kintampo and plans to identify another region of Ghana in which to work. Freedom from Hunger staff have identified several well-managed and financially sound Rural Banks which have expressed an interest in implementing the credit-with-education approach. They are in the process of studying these potential bank partners to select one with which to partner by mid-1992.

### *Specific Outputs*

- The baseline severe malnutrition rate has been cut in half, from 1.2% last year to .6% this year, which compares very favorably with the national average of 7%. The moderate malnutrition rate is approximately 37%. An average of 65% of children monitored showed monthly weight gain.

- The immunization level for children between 0 and 5 years of age stands at 93.7%, an increase of more than 5% since the last report, and again comparing favorably with the national average of 43%. The number of children completely immunized by the growth monitoring and immunization program is 6,114.
- Since the program began, 3,615 women of child-bearing age have been immunized against tetanus.
- The number of village banks increased to 16 with a membership of 444 women. A total of \$69,903 has been lent through 22 association loans which were used to make 627 individual loans.
- Ongoing hunger education was provided to credit association members despite problems in loan repayment. Associations were encouraged to continue meeting in order to promote group solidarity and facilitate recovery of outstanding loans.
- The Partnership Grant Evaluation completed in January 1992 by Cheryl Lassen, an external consultant and Barbara Mkenly, Freedom from Hunger's Technical Advisor for Evaluation, contains results for a survey conducted in October 1991. The following are findings for program participants in Ghana:
  - 80% of borrowers have increased economic activity since participating in the program;
  - 90% have learned about nutritional foods specifically for young children;
  - 83% report improvements in the health and nutrition of preschool age children.

### *Summary of Accomplishments*

An effective model for growth monitoring and promotion and immunization has been developed by Freedom from Hunger working with the DHMT in Kintampo. Freedom from Hunger and the DHMT are working to integrate successful elements of the Freedom from Hunger strategy into Ministry of Health activities.

The credit-with-education project, while suffering some setbacks during its pilot phase, has the potential to significantly increase incomes and health and nutrition knowledge and practices of poor women and their families in project areas. Possible new zones of intervention have been identified, and plans for implementation are proceeding.

### *MALI*

The Freedom from Hunger credit-with-education program, which began in Mali in 1988, has enjoyed great success. Operating in 17 villages, the program staff have gained significant experience and are poised to expand the program into new regions in 1992. The program has functioned very smoothly this year, and the staff continue to demonstrate a willingness to learn, adapt, and adjust their working method to a variety of circumstances. They have been instrumental in encouraging credit associations to intensively analyze loan activities, as well as promoting group solidarity, and developing and documenting hunger education and credit management education sessions and participatory learning techniques.

An agreement has been negotiated with the Banque Nationale du Développement Agricole (BNDA) in which the bank will provide credit capital for program expansion. Additionally, the BNDA will

provide office space in its branch office and assistance in computerizing the credit association accounting systems.

### *Specific Outputs*

- A total of 898 credit association members have been organized into 35 banks in 17 villages. The total amount lent is \$131,983 divided into 5,010 individual loans.
- The accounting system for the individual banks has been substantially revised and improved; training has been conducted by staff members for association participants.
- The majority of women use loans to engage in grain trade, though many also trade in condiments and prepared foods.
- Regular learning sessions are conducted with the active participation of association members which address such topics as weaning, diarrhea management, nutrition for pregnant and lactating women, and immunization.
- The Partnership Grant Evaluation includes these main findings regarding participants' economic behavior:
  - 86% of participants surveyed report increased income since joining the program;
  - 90% of those surveyed report increased savings;
  - 100% report increased economic activity;
  - 60% report increased voice in household decision making.
- The same survey found the following with respect to health/nutrition education and food consumption:
  - 65% of participants surveyed are aware of the correct moment to introduce weaning foods to infants;
  - 88% have learned about specific types of food for young children;
  - 66% report increased food consumption since joining the program;
  - 85% report improved health and nutrition of preschool age children.
- Financial sustainability is being pursued through regularly evaluating credit associations' performance and classifying them as A, B, or C, with A associations being the best and most capable. Efficiency has improved through reducing the number of field staff supervisory visits to class A and B associations.

### *Summary of Accomplishments*

The Mali program of credit with education has proven highly successful and has met or exceeded Freedom from Hunger's initial expectations in many ways. The program has been cited as a beacon for the region, with potential for replication throughout West Africa. Program staff have displayed ingenuity and integrity when developing methodologies to streamline the program, attempting to increase the efficient use of staff time. They continue to provide assistance in credit management and to organize education sessions while actively working on plans for expansion to a new region.

## V. MANAGEMENT: HEADQUARTERS SUPPORT FUNCTIONS

Project planning and management activities, program staff resources, and training, technical assistance, and logistical support to the field programs remained substantially the same as reported in the Third Annual Report. The major news to report here lies in the area of project fundraising and marketing.

### *The Investment Plan for Fundraising*

Evolution of program strategy is the dominant theme of the last six years, but it has been punctuated and accelerated by a downslide of our fundraising performance over the same period. The financial difficulties have had a side benefit, because they have stimulated needed change. Dr. Lassen's Partnership Grant assessment states,

courage to change (is one of) Freedom from Hunger's best attributes. Many private voluntary organizations (PVOs) are aware that their programs have critical weaknesses, but few are willing to renew themselves in a major way.

Courage is easier to find in a crisis, when the need to make choices becomes clear. Dr. Lassen goes on,

Since the 1988 crisis, budgets have been managed carefully to limit deficits, preserve assets, and emerge with a financial position that, although reduced, is better than most PVOs of this size.

We have handled the financial crisis relatively well and have made good use of it programmatically. But now the financial constraints are just a drag on us. They limit our opportunities to realize the potential clearly demonstrated in our programs.

By the beginning of 1991, it was obvious that "business as usual" would not improve our financial picture. No amount of prudent financial management could prevent continued erosion of our funding base from driving us out of business in just a few years. Trustees and staff recognized the need to use our remaining assets creatively to increase and energize our fundraising efforts. With the leadership of new staff, we formulated and implemented the *Investment and Financial Development Plan*.

The long-term erosion of our financial support has had many causes. Perhaps the initial blow was the widespread decline of giving to international anti-hunger causes, starting in the mid-1980s. But we created our own problems as well. Our donor acquisition program nearly ceased, allowing natural attrition to reduce our individual donor base over time. Cultivation of major donors declined dramatically. The confusion created by rapidly evolving program strategy only made it more difficult to maintain the loyalty of both individual and institutional donors. We failed to find a compelling message to market our programs to new donors. However, the fact that we have

generated many of our own fundraising problems also means that we can generate our own solutions.

The Investment Plan describes three initiatives to build new programs for direct mail acquisition and resolicitation of individual small-gift donors, for cultivation of major gifts from well-to-do individuals, and for securing major, multiyear grants (and loans) from institutional funders. Our progress over the last year in implementing these three initiatives is detailed in the Resources Report to the Board.

There is nothing magical in these initiatives. They will succeed if we are smart, work hard, and have a little luck. One year is too soon to know with any confidence what our long-term prospects might be. It is nonetheless very encouraging that 1991 was the first year in the last five in which our revenues were higher than the previous year and exceeded expenditures.

Even more significant is that the total number of donors has increased by about 20%, the first increase in five years. We exceeded a very ambitious target for major gift contributions. We have major, multiyear expansion proposals for three of our six programs under serious current consideration by large institutional funders (the last time we were awarded a major multiyear grant was 1988). And we have passed a "due diligence" investigation and received an offer of investment capital from the Calvert Social Investment Fund, the largest "socially responsible" mutual fund in the U.S. We can take this offer as a very real expression of confidence by a leading member of the financial community. There is a lot of good news here that makes the future funding picture considerably brighter than a year ago.

## VI. FINANCIAL REPORT

Please refer to attachments F & G for information that highlights the financial profile of the program activities covered by this Partnership Grant, as well as the financial profile of the organization. USAID Forms 1550-11 for each of the projects are located in attachment E.

For the four years ended December 31, 1992, total USAID expenditures of \$2,469,817 are \$205,183 less than the budgeted amount of \$2,675,000; Freedom from Hunger expenditures of \$2,469,818 are \$148,182 less than the budgeted amount of \$2,618,000. Total program expenditures of \$4,939,635 for the four years are \$353,365 under the total budget for this period.

The costs associated with last year's inclusion of the Bolivian program, which were covered by our private funds, shifted the USAID funds to Freedom from Hunger matching funds ratio from 50/50 to 43/57, and, as stated in last year's Annual Report, we re-established the 50/50 ratio in 1991 and intend to maintain this ratio throughout the remainder of the grant.

Although the 1991 budget reflected the estimated cost of the interim evaluation of the Partnership Grant, which did occur during the year, the budget for the 1991 "Evaluation" line item did not

include the cost of establishing monitoring and evaluation systems for the credit-with-education strategy that increased the actual costs in this line item.

We drew from the grant letter of credit at a rate of approximately \$225,000 per quarter. We anticipate a decrease in the rate of funds drawn from the letter of credit in 1992 as we have re-established the 50/50 matching funds ratio; draws on the letter of credit in 1992 will be approximately \$200,000 per quarter.

The possible expansion of our credit-with-education programs has continued to be slower than anticipated because private funding, particularly in the institutional arena, has been difficult to raise in sufficient quantity to cover major growth in these programs. Freedom from Hunger has been mobilizing its assets in order to invest in innovative and aggressive fundraising, including upgrading and accelerating donor acquisition and resolicitation, systematically implementing a major donor program, and upgrading and diversifying institutional funding sources. At the end of 1991, we had increased individual revenues for the first time in four years. We are confident that the continued success of these strategies will provide Freedom from Hunger with the private funds necessary to fully utilize the Partnership Grant.

In 1991, the distribution of sources of funds was as follows: general public 42%, institutional funders 18%, the U.S. Agency for International Development 35%, in-kind contributions 2%, miscellaneous sources 3%. Freedom from Hunger intends to increase the proportion of institutional funders and decrease the proportion of USAID funds over the remaining period of the Partnership Grant.

## VII. LESSONS LEARNED AND LONG-TERM PROJECT IMPLICATIONS

### *Historical Perspective on Freedom from Hunger's Strategic Evolution*

The 45-year history of Freedom from Hunger's work has included a number of strategic changes in the organization in response to changing theories and experience of what helps and what does not help disadvantaged people.

During Peter Davies' administration as chief staff executive, starting in 1976, Meals for Millions merged with what was left of American Freedom from Hunger, and a coherent theme formed around the Applied Nutrition Program concept. This was a small-projects approach to respond to the diverse nutrition-related needs of individual rural communities. Reduction of malnutrition, measured by child growth, was the unifying goal.

A turning point came in 1985, at our financial peak. Peter had left at the end of 1984 to become the first president of InterAction, the association of American PVOs. He was replaced late in 1985 by Harlan Hobgood, recently retired from USAID. However, even before Harlan was offered the president's position, there had been an event that now marks a true turning point in staff thinking

about program strategy: the early 1985 evaluation of the Lampang program in Thailand by consultants Jim Pines and Jim Becht with assistance from staffer Kathleen Stack.

The Lampang program was the pride of the Meals for Millions/Freedom from Hunger portfolio. Its strong partnership with the Thai government seemed to ensure its sustainability and expansion, and the imaginative projects of a highly motivated staff impressed all visitors. The consultants were also very impressed, but they found some significant flaws. The program's success in generating a remarkable amount of community-level activity depended on direct, strong management by Meals for Millions. Even more troubling, the projects were not reaching those most vulnerable to malnutrition and offered little significant nutritional benefit to those the projects did reach.

Subsequent evaluations of other programs reached conclusions similar to those in the Lampang report. In addition, all these evaluations made it apparent that growth monitoring of children under the age of five is self-defeating as the sole measure of program success. First of all, child growth is affected by many factors beyond the program's control; in Thailand, for example, general economic improvement in the country helped reduce malnutrition everywhere, making the program look more successful than it really was, while the opposite was probably true in Sierra Leone.

Second, malnutrition is only partly related to our organization's traditional concern, the quantity and quality of food intake. Poor health and sanitation conditions are also very common and important causes of malnutrition. When reduction of malnutrition was used as the sole measure of Freedom from Hunger program success, rather than as one of several indicators of adequate food intake, the program staff was compelled to build major health and sanitation components into each program. These additional components increased the complexity of the programs and reduced their capacity to become cost-effective or sustainable without our direct management.

Harlan Hobgood objected to the Applied Nutrition Program concept; the evaluation results substantiated his opposition to our direct management of diverse, community-based, small projects, reflecting growing opinion in the development community. Harlan shaped the writing of the 1987 Partnership Grant proposal to USAID to accommodate the winds of change in the larger community. He proposed to reorient Freedom from Hunger (this was the year we dropped Meals for Millions from our name) toward building the capability of indigenous partner organizations and away from our direct management of community-level projects. This approach was chosen to enable us to scale up our small pilot programs to reach many more people in need than we could reach by ourselves.

In early 1988, David Korten led a strategic consultancy during which he called upon us to focus on developing our competence in those activities most directly targeted to fighting hunger. He urged us to drop the rest from our programs to increase our cost-effectiveness. Like Harlan, Korten pointed out the recent trend toward increasing control of development by indigenous institutions. He made a very persuasive case that the small-projects approach, as well as their direct management of programs overseas, severely limited the cost-effectiveness of PVOs. To survive in the long term, he said, we had better develop a few competencies that directly impact on hunger and that would be both distinctive among our fellow American PVOs and in demand by developing country organizations.

This was the context for a strategic retreat in September 1988. Freedom from Hunger was an organization in a crisis of program strategy long before the financial crisis was upon us. As such, the issues before the Trustees at that retreat were shaped far more by programming considerations than by financial difficulties. We were fortunate that the retreat provided a fresh strategic framework for dealing with the financial crisis. Headquarters staff reduction and consolidation of the program portfolio were carried out in accordance with this framework. The financial crisis actually accelerated progress toward strategic objectives; it forced us to make tough choices, and we did so strategically.

### *Statement of Strategic Direction*

In June 1989, the Board of Trustees approved the *Statement of Strategic Direction* as a document derived from the 1988 retreat to articulate Freedom from Hunger's mission and strategy. This strategic statement:

- identifies chronic lack of food among the rural poor as our priority concern
- reaffirms our commitment to sustainable, replicable action to promote self-help among the chronically hungry
- introduces the three-phase program development concept (pilot, expansion, dissemination)
- recognizes that promotion of self-help means providing the chronically hungry with the resources and information they need to make their own choices
- concludes that our programs must offer tangible resources in order to attract the participation of the chronically hungry
- concludes that "cash credit is the most attractive, manageable, cost-effective resource we have to offer poor people to attract them into a system that supports their self-help efforts and provides them new information to combat their chronic hunger"
- specifies that our country selection process must be objective and systematic, avoiding dependence on personal experiences, preferences, or contacts
- specifies that our funding effort must be truthful and compelling, driven by our mission and strategy—not by important donors
- commits us to effective and efficient management of quality growth for the next five years, meaning that "the quality of programs has higher priority than building a large number of programs and program countries."

### *Tactical Plan for Programs*

Staff were originally due to operationalize the *Statement of Strategic Direction* as an action plan in time for the Board meeting in September 1989. However, the Board postponed this deadline to give staff time to adjust to the major headquarters restructuring at the beginning of 1989. Staff also needed time to sort out the ramifications of the strategic framework at the field program level. Given our tightening budgets, it was particularly important to quickly assess the fit of existing programs and take appropriate action to disengage where necessary. It was not until the September

1990 Board meeting that the *Tactical Plan for Program Development and Evaluation* was presented by staff. (The Tactical Plan is attached to the Third Annual Report.)

By then staff had succeeded in making the assessments and taking the appropriate actions for disengagement or commitment. In the process we had developed a detailed understanding of what can be done to meet the strategic goals at the field level. The Credit with Education model has emerged from this understanding as our strategy for developing countries, starting with Bolivia, Ghana, Honduras, Mali, and Thailand. Domestically, the Community Health Advisor Networks program in Mississippi has become a promising model for promotion in the rural South. Both approaches have the potential to attract substantial funding and favorable recognition for Freedom from Hunger.

### *Moving from the Pilot to the Expansion Phase*

The evaluations of 1991 provide us with a sharpened focus and definition of our credit-with-education strategy and the work that needs to be done in the immediate future and beyond. The reports challenge us to build “**high-performance programs.**” In addition to the benefits inherent in the model (increased income, empowerment, and improved health and nutrition practices), our programs will be at the high-performance level when they are characterized by:

- **scale** — thousands of beneficiaries,
- **cost-effective impact** — high impact at an affordable cost,
- **financial sustainability** — field operating costs covered with income from interest and fees, and
- **institutional development** — building/strengthening institutions to promote widespread benefits.

We have not used the term “high-performance program” before, but these four characteristics are very similar to the criteria for successful programs outlined in the Freedom from Hunger *Statement of Strategic Direction*. For the last three years at least, Freedom from Hunger has been working toward the building of high-performance programs. The evaluators have confirmed that we are heading in the right direction. They have also indicated that we still have a long way to go, that we need to clearly define and tackle the challenges along the way, and that we need to pick up the pace.

The reason Freedom from Hunger is willing to put such emphasis on the difficult tasks involved in creating high-performance programs is that we are committed to building a programming approach that can really have an impact that is commensurate with the scale of the chronic hunger problem. We believe that only by showing that our demonstration programs can operate at the high-performance level will we be able to demonstrate the feasibility of widespread replication throughout whole nations.

## VIII. RECOMMENDATIONS

This section describes the immediate challenges and how we are planning to respond, drawing on recommendations made by both the USAID Partnership Grant assessment and the GEMINI study. Staff has grouped the challenges into four major areas categories:

1. **Credit** — Refine and strengthen credit management and the credit association structure
2. **Education** — Develop content and methods that will bring the education component and training systems to their full potential
3. **Institution-building** — Develop systems and procedures for identifying and building local institutional capacity for sustainable management and expansion of large-scale programs
4. **Resource mobilization** — Secure major, multiyear grants and loans to support program expansion to the high-performance level.

### *Refine and Strengthen Credit Management and Association Structure*

Credit is the “backbone” around which the program benefit process is organized. Credit attracts participants, and through the interest earned on loan funds, credit provides the potential to recover costs and therefore reach large numbers of people and replicate the program throughout a nation. Thus, the system for delivering and managing credit in a way that is both efficient and attractive to the poor is crucial to the successful implementation and replication of the program. The immediate tasks to refine and strengthen the credit system include the following areas:

*Improve Credit Management* — The actual management of the credit funds requires careful attention to details in the system. Cash inflows and outflows must be closely monitored at the level of the borrowers, the credit associations, and the programs. Safeguards are needed to discourage malfeasance and manage risk.

*Strengthen the Associations* — To allow expansion, credit associations must gradually take on more and more responsibility for self-management, so that staff promoters can reach larger numbers of credit associations with both credit and hunger-prevention education. Steps will be taken to develop viable, self-reliant credit associations.

*Promote Increased Income* — In addition to being a mechanism for attracting and organizing poor women, credit provides a means for borrowers to improve their income-generating activities and earn more money to purchase food. There is a tension in the credit association model between the objective to reach large numbers of poor people and the objective to increase their incomes in poor rural areas where opportunities for generating income are limited. Some borrower activities, because of the way they are managed, may be only marginally profitable, earning enough to pay back the loan with interest and a savings deposit, but little more for achieving significant increases in food purchases. There are some basic principles of successful microenterprise that can be communicated to the borrowers through the problem-posing education sessions.

### *Develop Education and Training Content and Methods*

Combining the hunger-prevention education with poverty lending is the unique contribution made by the Freedom from Hunger credit-with-education strategy. It is the education provided at the credit association meetings that promotes the use of resources and information toward achievement of the ultimate program benefits: improved nutritional status and household food security.

One result of the extensive investigations of the past few months has been the clearer articulation of the types of education that need to be offered to program managers, field staff, and borrowers in some or all of the following areas:

*Hunger Prevention Education* — Topics selected for the hunger-prevention education sessions focus on issues that are within the power of the individual participants to control or respond to and that have a high potential impact on reducing chronic hunger and malnutrition.

- *Intrahousehold Feeding Practices* — for problems arising when food is available but special needs of children and women are not met because of deleterious customary feeding practices and intrahousehold food distribution patterns.
- *Promotion of Existing Health Services* — for problems of poor health resulting from infection, diarrhea, lack of immunizations, poor prenatal care, multiple pregnancies, and overburdened women.
- *Household Food Security* — for problems arising when adequate amounts of quality food are not available in all seasons or are too costly.

*Support Group Formation* — The greater confidence and self-reliance that women experience from their successful management of credit provides motivation to develop in the area of personal and family nutrition and health. Care needs to be taken to nurture formation of credit associations as true support groups. Staff members need to know how to help the association develop a sense of solidarity and an ability for analyzing and solving its problems relating to hunger prevention, as well as credit management, microenterprise development, credit association performance, and solidarity. Staff must know how to motivate association members to go beyond gaining knowledge to make healthful behavior changes.

*Training System* — Systematic methods and materials are needed to provide field staff and credit association members with the information and tools they need to establish and maintain the credit associations and to facilitate the ongoing learning process in the associations.

*Monitoring and Evaluation* — We are developing a refined program monitoring and evaluation system to better measure progress and impacts on income, empowerment, and hunger prevention.

### ***Build Institutions for Sustainable Management of Large-Scale Programs***

The above sections address the content, systems, and methods of our programs to achieve program benefits. In this section we address the issues regarding achievement of large-scale sustainable programs.

#### ***Efficiency and Financial Sustainability***

- Community Promoter System — A major cost of our programs is for staff. The more credit associations that are added as we expand, the more staff members are needed to provide supervision and facilitate the education sessions. To reduce costs, we will hire community promoters from the villages where we work to maintain support to the credit associations. These promoters will need to be literate, intelligent, respected members of their communities who embrace the program goals. Because they have less experience and education than the current field staff, they will require a much smaller salary.
- Performance Incentive System — Another measure that will be implemented this year to increase efficiency is a performance incentive system for promoters and field staff. The system will promote staff productivity while maintaining a high level of quality support to the credit associations.
- Program Cost-Tracking System — Staff will also begin tracking program revenues in relation to costs for the program as a whole and for the field operational unit so that they can measure and manage the progress of their programs toward financial self-sufficiency.

#### ***Partnerships***

- Partner Selection Process — We have identified a variety of institutional structures that are potential candidates for sustaining and expanding the credit-with-education programs nationally, as mentioned earlier in this report. We must determine the most appropriate institutional structure to manage widespread expansion in each country. We also need to analyze the implications of our choice of institution for staffing, funding, and the type of management and or technical assistance that will be needed.
- Institutional Development Assistance — We also will develop methods for providing institutional development assistance to the selected partners, including board development, strategic planning, fundraising, management systems, and personnel administration

If Freedom from Hunger can mobilize the necessary resources and carry out the tasks outlined above, staff believes that we can achieve high-performance credit-with-education programs. The goal or indicator of our organization's success will be to bring at least two of our programs (Mali and Bolivia are the most likely candidates) to or near the high-performance level within the next two to three years while maintaining the quality of benefits to participants. The overall challenge is to bring together the three elements of credit delivery, hunger-prevention education, and local NGO formation in a way that is cost-effective.

*Mobilize the Resources of the National Financial Community*

Freedom from Hunger is intrigued by the possibility that Credit with Education can tap into the liquidity of a nation's mainstream financial system. There could be an enormous impact on hunger in the poorest households and malnutrition among women and children if the formal financial institutions of any of the countries where we work were to discover that they actually make money by investing loan capital in credit associations of poor women. This vision and the mechanics of bringing it to reality are the subject of our April 1992 presentation to the Fifth Annual Hunger Research Briefing and Exchange at Brown University, "Credit with Education for Women: Engaging Bankers in Hunger Prevention" (attachment D).

# **Freedom from Hunger's New Credit-Led Approach to Alleviating Hunger:**

## **How is It Working?**

An Evaluation of a Partnership Grant from the  
U.S. Agency for International Development to the  
Freedom from Hunger Foundation, Cooperative  
Agreement No. OTR-0158-A-00-8147-00.

by

Cheryl A. Lassen

and

Barbara Mknelly

January, 1992

## Chapter 1. Evaluation Summary

Freedom from Hunger, headquartered in Davis, California, has for 46 years committed itself to actions to assist the chronically hungry. Both in the United States and developing countries, Freedom from Hunger seeks to promote sustainable, replicable, self-help actions that relieve hunger and malnutrition among the rural poor.

In 1988 the Agency for International Development signed an agreement granting Freedom from Hunger \$3.75 million over five years, which Freedom from Hunger agreed to match in non-US Government resources. The goal of the grant was to improve health, nutrition and food security for the poor in six international programs. It aimed at methods for assisting the hungry and building local institutions that were cost-effective, sustainable, and able to benefit large numbers of people. Although previous Freedom from Hunger projects were effective, evaluations found them to be costly and unable to grow beyond a small scale. This \$7.5 million agreement sought to identify and implement a new and better way.

From 1988 forward, Freedom from Hunger underwent far-reaching modernization. It switched from country programs that consisted of diverse collections of five to twenty small projects to a focused approach supplying low-income women with small loans for income generation plus education for improving family health and nutrition, called "Credit with Education."

With two-thirds of grant resources spent, there are a number of questions to be asked and answered about what this modernization is producing and its future potential. Will a model that focuses on increasing destitute women's income and building knowledge and will to nourish nutritionally vulnerable infants and children be more effective than other solutions to hunger? Can providing a series of small loans and organizing participants into "village banks" raise income? Is an agency with no previous specialization in financial services able to implement a credit-led approach? What are other effects on a development agency that occur when making a radical program change, and how has Freedom from Hunger managed them?

This evaluation is the first independent, comprehensive analysis of Freedom from Hunger's recent changes. It collects and considers evidence of beneficiary impact. It examines in detail the retooling of three field programs. It analyzes credit-with-education methods and other institutional impacts and identifies needed improvements. And it appreciates the significance of this modernization in a world where the numbers of poor and hungry keep growing, challenging us to keep pace with innovative development solutions.

### *The Positive Results of Modernization*

Freedom from Hunger's best attributes are a very high standard of quality for their work in development and the courage to change. Many private voluntary organizations (PVOs) are aware that their programs have critical weaknesses, but few are willing to renew themselves in a major way by adopting a whole new approach. Since 1988, Freedom from Hunger has consolidated from 11 to 7 programs and refocused all international activities. It devolved older-style applied nutrition programs smoothly, with most of these continuing to function today as down-sized, independent agencies. Freedom from Hunger is also converting itself from being primarily a conduit of foreign aid to a partner with more and better technical assistance.

Freedom from Hunger's new program approach improves in several ways upon the previous one. By assisting women to create for themselves the means and the will to nourish their infants and children properly, it more intelligently targets the nutritionally vulnerable than most mother-child interventions do. The village banking model results in greater income and more earning skills for individuals and groups involved, and is specifically configured to the characteristics of the poorest producers. Because the new approach develops local group management, and because participants earn revenues with which to pay for services, the model is more sustainable organizationally and financially at the community and program levels. Being focused and standardized across countries makes it possible and more economical to refine methods to high effectiveness. A quality, affordable, sustainable model enables it to extend benefits to much larger numbers with enduring impact.

How well has Freedom from Hunger implemented this more potent approach? Of the five international programs, the credit part of the model is off to a successful start in four countries, as witnessed by an average village bank repayment rate among these four of 99%. The credit scheme in the Ghana program broke down recently and needs to restructure and restart. Despite this (or perhaps because of it), Freedom from Hunger has gained critical consciousness of the strengths and weaknesses of village banking, methods for building ownership of group-run credit and savings mechanisms, and greater awareness of what has to be managed at various levels of a credit scheme. Freedom from Hunger now has evolved to a new level of challenge: how to expand programs to a scale and cost efficiency at which they become self-sustainable. Mali and Bolivia exhibit dynamism indicating that they are ready to scale up; and Freedom from Hunger is preparing detailed designs and forming institutions to enable them to benefit 2500+ participants in the next couple of years. Honduras and Thailand practice village banking methods, but they have not yet developed a similar capacity and verve to expand benefits.

Does the credit-with-education approach work to alleviate hunger? Preliminary evidence points in a positive direction. The model is supposed to result in healthier infants and children by targeting poor women, increasing their income, and raising their knowledge and consciousness about maternal-child care. To inquire whether this occurs, the evaluation made a three-country survey among 180 beneficiaries and control respondents. Sixty-seven percent (67%) of participants (N=132) thought their income improved over the last year while participating in a village bank in contrast to only 17% of the controls (N=48). In comparison with only 45% of the controls, 74% of the participants thought their children's health and nutrition had improved in the past year. The majority of Freedom from Hunger beneficiaries with income increases (86%) spent some or all it on food. Survey results and other evidence of benefits are examined in Chapter 4.

Field staff also thought Credit with Education was a more effective approach to combat hunger and malnutrition. They believed the very poorest women would participate more in Credit with Education because it provided better means to feed and clothe their children than did growth-monitoring programs. In Honduras, staff members thought it more effective to provide credit and education to women than to supply agricultural credit and extension to increase food supply. With agricultural credit, crops are harvested once a year, and it is a challenge to manage the family's supply of food and cash to last the entire year, especially when decisions are made by men. An advantage of Credit with Education is that it provides women with a continual cashflow to buy food, alleviate spot shortages and respond to special needs of infants and children.

Even though Freedom from Hunger has contracted, its experience of implementing Credit with Education has been worthwhile for the strategic improvements that have been made. This is a young approach, however, whose impact and capacity to expand benefits must continue to be monitored. As of January 1992, 2,745 participants in five country programs benefit from 115 village banks that have lent a total of \$355,000. (Figures are close estimations because of lagtime in field reporting.) With microenterprise credit, it requires 4 to 7 years to increase a program to a capacity where it can rotate enough funds to serve thousands and sustain itself from interest income. Freedom from Hunger-assisted programs are still adolescent (20 to 25 months), but it is key for them to keep regularly expanding lending capacity. Economic impact must be monitored to see that the credit mechanism is able to increase poor women's income-generating skills and assets rather than placing them on a treadmill where they borrow and repay without changing their situation. Hunger prevention education has recently been introduced in the projects. Signs of creative use of "the problem-solving approach" (a method for adults to become conscious about a problem and change behavior) can already be seen in Mali. Education too must be monitored to check that it impacts the seriously malnourished, and to learn more about how the participants use it to develop their families, village banks, and community.

Freedom from Hunger has also renewed itself organizationally and financially through good management. In 1988, it suffered a large deficit when fundraising revenues fell. This financial shock prompted Freedom from Hunger to choose between two approaches and remove the headquarters staff members and field programs that did not fit the focus chosen. Today staff cohesion and morale have rebounded from this sharp contraction. Since the 1988 crisis, budgets have been managed carefully to limit deficits, preserve assets, and emerge with a financial position that, although reduced, is better than most PVOs of this size. Fundraising efforts also have been increased and energized. Freedom from Hunger has hired enthusiastic, professional fundraisers and is aggressively expanding its base of small donors (12,000+), large private contributors, and institutional support. It is learning how to make new and better kinds of appeals, targeting new types of donors, and becoming more cost-efficient in direct-mail fundraising. Up to now, Freedom from Hunger has not been able to spend AID funds or implement the Partnership Grant at the desired pace because of insufficient matching funds. To be overcoming this bottleneck is a vital turnaround.

### *Weaknesses, Gaps and Needed Change*

Understandably there is a full agenda of things to change and/or develop in order to consolidate the new focus and bring it to high-performance prime. The evaluation identified seven areas.

#### **1. Develop The Education Component**

Although one first considers this component to consist of hunger education, in reality Credit with Education is a training-intensive approach requiring six areas of education. These include education about high-performance programs and sustainability management; credit program management; economic group formation and village bank management; popular economic education (microenterprise development); hunger education; and a simple, effective pedagogy for problem-solving and behavior change. Davis staff has already developed and documented innovative materials such as the "Community Bank Learning Game", but there is a need to define further what these types of education consist of and to make training materials. To the extent that Freedom from Hunger/Davis does this, it will enable field programs to increase impact with affordable ("minimalist") education. Freedom from Hunger/Davis also needs to design how they

are going to fulfill staff and participant training needs and carry out the education component out cost-effectively.

## **2. Correct Weaknesses in Village Banking Methodology**

For its credit component, Freedom from Hunger drew mainly on the methodology for "village banking," which features a community-managed credit fund. This group asset is referred to as an "internal account." A weakness of village banking is a lack of accounting procedures and controls on the internal account, especially for new banks whose members lack experience in managing and investing credit funds. As the case of Ghana illustrates in Chapter 6, this can lead to poor use of credit and repayment problems. Policies and procedures must control more the internal account and show accurately the total amount of credit borrowed and repaid by each participant. Program managers must also monitor borrowing in proportion to members' real needs for and experience with managing working capital.

Freedom from Hunger must put into place a Credit with Education monitoring and evaluation system, and more systemized training for staff and participants in the areas mentioned above. Freedom from Hunger has established a good financial management information system, but improvements must be made to the field staff's ability to analyze the information and use it to manage.

## **3. Make Sustainability a Priority Objective**

Village Banking is a young methodology that is good for starting a credit operation, but does not have as yet a proven model for building a high-performance, sustainable program. Those like Freedom from Hunger who use village banking techniques face the challenge of defining what this financial-program-organizational blueprint is and accomplishing it. A credit program is permitted several years of subsidized operations, but it must emerge from this investment as a self-sustainable enterprise. If Freedom from Hunger can build "service enterprises," it will demonstrate its viability to implement a credit-led approach and prove that its modernization overcomes the critical weaknesses of the old approach.

It is important that the Freedom from Hunger board, staff and field staff recognize sustainability as the fundamental issue to make or break the significance of their new approach. Numerous village bank projects amble along with a handful of banks and a few hundred beneficiaries. When someone pulls the foreign aid plug on these small, costly, subsidized operations they will die because they are not aiming to grow and break even financially, and they lack competent managers and methods to do so. The danger that faces a PVO coming from a tradition of small projects is that it may never recognize the significance of sustainability and may not develop the ambition and know-how to achieve it.

There are examples of programs and agency approaches Freedom from Hunger can learn from, which recover costs and/or are building successfully toward sustainability. These include other village banking programs. Compared to most other microenterprise credit and poverty lending programs, two things will add cost to Freedom from Hunger's model. One is serving dispersed rural populations. The other is the hunger prevention education component, which even in a minimalist form costs to develop, deliver and monitor. Ways can be found to deal with this that may include on-going, limited subsidy. The essential point is to manage purposefully to reduce foreign aid dependency and increase financial autonomy. It would not be a sin if after several years of support a Credit with Education program is, say, 92% self-sustainable. It would be

disappointing, however, if such a program were to be only 30%-40% sustainable. The latter would signal that ambition, methods and/or management for sustainability are inadequate.

The Program Analysis chapter (8) discusses concrete actions Freedom from Hunger can take to progress more effectively toward this objective.

**4. Adjust the Mechanisms of the Partnership Grant to Target Better Results and Spending**  
When Freedom from Hunger prepared its design for this Partnership Grant in 1987, it knew that a new program approach was needed, but could not identify what it was or what it would accomplish. Today the situation has changed and this is clearer. To improve performance and accountability and target better the 35% of remaining grant resources, Freedom from Hunger should specify performance benchmarks and indicate what results it expects at the end of this \$7.5 million investment. This grant program is too large and important not to have a more precise overall design. No new Detailed Implementation Plan is necessary for the grant. An action plan will do that lays out the objectives, activities and anticipate results of what Freedom from Hunger sees as necessary to develop Credit with Education. This plan will enable Freedom from Hunger to respond programatically to the evaluation by revising objectives, targets and spending and inform its grant partner, AID, in a succinct document.

Recent success in implementing the agency's first "IFDP" must be continued and expanded. The three pillars of Freedom from Hunger's development plan (direct marketing, major donors, technical funders) must be strengthened in order to continue the construction of a diversified funding base.

**5. Adequate, Appropriate Staffing for Credit with Education**  
Given the responsibilities of Freedom from Hunger/Davis to develop, scale up and expand Credit with Education, senior program staffing is too thin to fulfill the needs of the new approach. In addition, Freedom from Hunger needs to add expertise consistent with high-performing credit-led programs at all levels—board, headquarters, field staff. The advantage of retaining existing personnel is to preserve their commitment, experience and understanding of Freedom from Hunger's mission. But retooling human resources will work only if accompanied by an infusion of the expertise required by the new approach at the technical-management-policy levels. A main reason for problems in the Ghana was that a good health officer could not function competently as a credit program manager. The risk exists throughout the organization that those who have implanted village banking will not be able to scale it up without personnel with attitudes for sustainability and experience in managing larger scale credit and microenterprise programs. This is not to criticize most of Freedom from Hunger headquarters and field staff who have carried out program modernization admirably thus far, but to advise that technical personnel have to be added along with a more technical approach. Freedom from Hunger acknowledges the heavy workloads of the Davis senior program staff, although present policy is to live with the bottleneck. It explains that resource scarcity and the need to avoid deficits prevents hiring. Issues of staffing and resource acquisition and allocation are analyzed in Chapter 9.

**6. Fundraising and Matches to AID Funds**  
While lauding the major initiative taken by the Freedom from Hunger board and staff to increase fundraising, Freedom from Hunger must improve the cost effectiveness of resource mobilization. A base of small individual and corporate donations is important to Freedom from Hunger and is increasing, but large gifts and multi-year grants and soft loans are the financial girders needed to

boost significantly Credit with Education. A new \$500,000 UNICEF grant being negotiated for Freedom from Hunger Bolivia will be an example of this. Unfortunately it has been hard for Freedom from Hunger to win large, technical grants; UNICEF is the first new major grant won since 1988. In part, fundraisers must grow in access and technical ability to deal with major institutional donors. They must also know how to present not only the impact and effectiveness of the approach, but feasible designs for scaling it up, since both quality and quantity are its selling points.

An approach that turns on loans for thousands of small producers demands credit funds. A recent trend in philanthropy is for foundations, corporations and individuals to lend capital at little or no interest to support programs of high social value. Although there is a fundraising cost of acquiring cheap working capital, Freedom from Hunger and other poverty lenders receive no credit for mobilizing this resource under the present AID regulations for matching grants. AID only counts as a match capital that is granted rather than loaned. This penalizes agencies with credit-led approaches and may become a serious constraint in expanding these programs to large scales. AID, Freedom from Hunger and other agencies that raise working capital to lend to the poor should collaborate to change these regulations.

### **7. A More Business-Like Approach to Development**

The scope of work asked the evaluator to assess Freedom from Hunger's progress in becoming a more "business-oriented" organization. The major accomplishment of this modernization has been to trade an aid-dependent model for one promoting greater economic self-reliance at the family, community and program levels. Freedom from Hunger must continue gearing up technically and financially to deliver on this bright potential. Like the women in the village banks, it must think and behave entrepreneurially. It must innovate, invest, risk and manage risk in order to expand benefits. When and how to grow is a complex, sensitive issue in a nonprofit that has run deficits for five years, contracted by 40% and transformed its services. Nonetheless, growth in various forms (scaling up, merger, expansion) is a key indicator that the retooling of any business is successful. Freedom from Hunger must continually think about its attitudes concerning growth, its operational formula for growth, and its business strategy to fulfill the formula. Are Freedom from Hunger's attitudes, formula and strategy up to date with changing capacities and circumstances and with the imperative to expand benefits? Can business ideas be sharpened to get better results quicker, and to lessen trade-offs and costs? The evaluator is not criticizing Freedom from Hunger's business strategy but encouraging it to be entrepreneurial and reflective.

### **CONCLUSION**

It is unusual to see an agency apply an AID grant as purposefully as Freedom from Hunger to transform its services. There are already, and probably will continue to be, many winners from this. Poor women will win from an affordable approach that enables them to manage better in all of their roles—productive, reproductive and family. Malnourished infants and children will benefit from the family's added means and will to nurture them. Health and social development agencies who need integrated services will win from Freedom from Hunger's innovation of how to combine health and economic assistance in a more potent, larger-scale, sustainable form.

The only real question is how much "winning" there will be. Will Freedom from Hunger's new **Credit with Education** approach turn out to be merely "interesting" or will it become a noteworthy development technology for the 1990s and beyond? The evaluation concludes that the

approach's features are of an impressive quality. It finds promising initial signs of impact. It considers that the Freedom from Hunger staff has done well to transition programs and implant the new approach. The evaluation regards the breakdown of the credit mechanism in Ghana as necessary learning about what can go wrong, how to fix it, and how to prevent mistakes in the future. One cannot assure today a high degree of development significance for this new approach, but the key to determining its worth is the rate of expansion of benefits. By 1995-6 one will know more reliably if Freedom from Hunger has managed to free itself and multitudes of chronically hungry from the weaknesses of a small-projects approach. Whatever the outcome, the social relevance of this change is very worth trying. What a better world it would be if we all challenged ourselves to think and accomplish with similar significance.

## RECOMMENDATIONS

1. Revise and submit to AID benchmarks, End-of-Project-Status indicators and a Logical Framework for the Partnership Grant #OTRT-0158-A-00-8147-00. These should target the remaining resources on objectives, activities, outcomes necessary to develop Credit + Education. (Next annual report)
2. Now that the model has been implanted in Mali, Bolivia, Honduras and Thailand, make updated designs and financial models for developing them into high-performing, sustainable programs. (1 year)
3. Revise the policies, procedures, education and monitoring of the internal village bank accounts in all projects. Revise the financial management information system to ensure that this also reports total arrears and not just arrears to the external account. (6 months)
4. Make a plan to develop the Education Component in its various aspects. The plan should define results (products, actions, intermediary outputs) and a timetable for accomplishing them. (1 year)
5. Expand the present credit monitoring system to a monitoring and evaluation system that covers the whole model. In addition to the capacity to expand benefits, this should monitor impact and sustainability. (1 year)

The strengths and weakness of Freedom from Hunger in implementing the credit-with-education approach are summarized in Matrix 1.1 on the page that follows.

**ACCESS TO CREDIT FOR POOR WOMEN:  
A SCALE-UP STUDY OF PROJECTS CARRIED OUT BY  
FREEDOM FROM HUNGER IN MALI AND GHANA**

through the

**MALI INSTITUTIONAL DEVELOPMENT, ENTERPRISE,  
AND NUTRITION PROJECT**

a project of:

**ASSOCIATION MALIENNE POUR L'INSERTION  
PROFESSIONELLE DES JEUNES**

and the

**CREDIT-WITH-EDUCATION PROJECT  
in the Kintampo District of the  
Brong-Ahafo Region of Ghana**

By:

**GEMINI TEAM  
Jeffrey Ashe  
Madeline Hirschland  
Jill Burnett**

With the Assistance of:

**Kathleen Stack  
Marcy Eiland  
Mark Gizzi  
FREEDOM FROM HUNGER**

February 1992

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## EXECUTIVE SUMMARY:

Freedom from Hunger (FFH) is carrying out a bold experiment. It has successfully transferred the Village Bank methodology developed by FINCA in Latin America to an entirely different cultural context in Mali and Ghana. What is more, it has modified FINCA's "credit only" methodology by adding hunger prevention education as an integral part of the model. This reflects Freedom from Hunger's mandate to improve the nutritional status and household food security of the communities it works in, especially for infants and children and their mothers.

In Mali, the *Association Malienne pour l'Insertion Professionnelle des Jeunes* (AMIPJ), the local institution that carries out the program under FFH guidance, was as of the end of 1991 reaching 38 Associations with 916 members in the Dogo region. Two more Associations are in training. Loan payment is currently 95%, with good prospects for recovering most of these overdue loans.

In Ghana, Freedom from Hunger (FFH) initiated its Credit-with-Education project in the Kintampo District of the Brong-Ahafo Region of Ghana in February of 1990. By April 1991, 16 credit Associations with 444 women borrowers had been organized in two villages. There was enthusiastic support for the project, and until March 1991 loan repayment was 100% on time. By June, however, loan payment had declined to a critical level. When the Gemini team returned in October, loan payment had not improved significantly, many of the groups were no longer meeting, and the Kintampo Rural Bank had not taken the expected lead role in loan repayment and was itself in danger of folding. A last-ditch action plan was developed that would radically restructure the program to work with the most motivated borrowers, but this plan soon lagged behind schedule. After a careful assessment of all the options, Freedom from Hunger decided to phase the Kintampo project out.

While there have been positive gains in both countries in terms of improved "quality of life, increased income, self-confidence, and improvement in the health and nutrition of preschool children, the changes in Mali are consistently higher than in Ghana. We believe that most of the differences can be explained by the way the projects were implemented in the two countries.

### A. The Mali and Ghana Pilots Compared:

There was no obvious reason why the Mali pilot should have been more successful. Both pilot projects worked with rural African women, both had the same objectives, and both used substantially the same "high performance" methodology. By looking at the minutiae of project design and implementation, we can, with the enormous advantage of hindsight, detect the flaws in the Ghana pilot project that ultimately led to its decline.

We concluded that the Mali pilot was successful because the loan package that was intended for trade was used for trade, the loan size was appropriate for the experience and skills of the borrowers, and the borrowers' groups and the Associations managed their funds conservatively and with close attention to the quality of the records kept. In contrast, in Ghana, the loan package that was intended for trade was used for agriculture, the loan size was too large relative to the previous experience of the borrowers, the Associations lost control of the management of their internal loans, and record keeping was poor.

These conclusions, however, beg the question of why the project was implemented so differently at the two sites. This requires an analysis of how project services were delivered in Mali and Ghana and how the two projects were managed. Service delivery and management issues go a long way to explain the different outcomes.

In Mali, in contrast to Ghana:

- \* The staff accepted the model as presented and worked to perfect it.
- \* The Project Director is highly committed to the project.
- \* The staff have a clear understanding of what their roles are, and they continually meet to clarify how they are going to work with their Associations.
- \* The sole responsibility of the university-trained staff of four senior promoters and their coordinator in Dogo and the Project Director in Bamako is to carry out the FFH-sponsored project.
- \* Each senior promoter is assigned specific Associations they are responsible for.
- \* The project grew slowly, so staff learned how to promote the project and train groups before the number of Associations increased.
- \* Meetings of the Associations are held on different days so senior promoters can attend all the meetings.
- \* Men in these villages had access to agricultural credit at low interest rates so they are less tempted to pressure the women for loans.

#### **B. The Action Plans:**

Once the projects were evaluated, the next step was to develop an action plan jointly with the staff. Not surprisingly, the action plans developed for Mali and Ghana were completely different. In Mali the action plan had two components:

- \* An incentive scheme to reward the work of the promoters based on performance.
- \* A plan to improve project efficiency by changing the role of the senior promoters who were currently providing direct services to the Associations to supervising "junior promoters" recruited among the women in the village.

In Ghana a detailed action plan was drawn up. It was decided that actions would be taken in these areas:

- \* Resolving current late payment problem.

- \* Tightening eligibility rules for the next loan.
- \* Developing a detailed plan for the staff in implementing the action plan.
- \* Reducing the size of future loans.

If this plan had been carried out as intended, it may have been possible to turn the project around and continue the expansion of the project from Kintampo.

### C. The Expansion Plan:

In Mali, the expansion plan that emerged from the discussions with the senior promoters and the project director was based closely on what the Dogo team had accomplished since the inception of the project two years and a half years earlier. Personnel and systems are now in place for a significant expansion of the program, both within the Dogo area and in other regions of the country. In brief, by the end of 1996, FFH projects will reach 7,500 group members organized into 300 Associations in three regions of the country.

In Ghana, now that the Kintampo pilot is being phased out, the FFH staff can focus on the expansion of the project in other regions of the country. The preferred strategy is to identify strong, well-managed rural banks that are interested in reaching the poorest strata in their communities and implement the project through them. FFH will create an "Apex Institution" that will service the rural banks participating in the program. The identification of appropriate rural banks has already started and five strong candidates have already been identified. If the expansion goes as projected, by 1996 the program will work through four rural banks and serve 5,240 borrowers organized into 175 Associations.

### D. Recommendations:

In late August 1991, a workshop was held at Freedom from Hunger's headquarters in Davis, California. At the workshop the senior staff discussed the implications of the evaluation on how FFH would carry out its Credit-with-Education strategy in the future, and these were developed into a set of recommendations. In brief:

#### Targeting:

- \* The number of the poor entering the Associations needs to be monitored carefully. If the poor are not being incorporated, this reflects a problem in program design, or in the orientation of the staff.
- \* The village bank methodology seems best suited to trade. Longer term loans for agriculture are inherently more risky because of drought and disease and require more technical assistance, thereby increasing project costs.

**Credit:**

- \* To reach the poorer people in the community the “rules of the game”—the size of the loan, and the loan terms—need to be biased in favor of the poor.
- \* Agencies that implement FFH projects should be very businesslike. They should expect that associations will work honestly and that the loans will be paid back. If the staff is strict, the associations will be strict as well.
- \* At the same time, these are not only business projects. FFH is offering a program that will better the community and each individual. If the staff express this vision with conviction, it will tend to be adopted by the associations.
- \* Associations should be encouraged to MUDDLE, to progressively work out practical strategies that they develop themselves.
- \* Internal loans (the internal account) need to be carefully controlled. The Ghana experience has shown that it is too risky to give Associations complete access to savings and principal payments.
- \* To minimize the risk of saturating the local market, the safest strategy is to reach an appropriate number of borrowers in many communities with the same increasingly fine-tuned basic credit and education package rather than introducing new products or finding new market outlets.

**Hunger-Related Education:**

- \* The next challenge is to have the field staff master the problem-solving approach. The staff need to move beyond presenting the information about hunger prevention and help the group work out solutions to constraints preventing behavior change.

**Expansion:**

- \* The major challenge that Freedom from Hunger faces is to demonstrate and document that large-scale, sustainable projects can be developed in a reasonable period of time with a reasonable level of investment and are not just a theoretical possibility. The agency has already demonstrated that it can deliver credit and hunger prevention education and that this package of services leads to positive change. Even though the Mali project is reaching close to a 1,000 members, projects will have to reach several times this number to be cost effective.
- \* The best institutional models for expansion are: 1) the local PVO partner (newly created or existing) establishes branch offices over a wide geographic area (like GRAMEEN Bank); 2) an “apex” institution or central support facility is set up to support first a few and later many independent local PVOs or rural banks (as in the Ghana plan).
- \* In a “credit only” project, branch offices or affiliates should be expected to generate enough income through interest charges and fees to pay for operations in three to five years. Apex

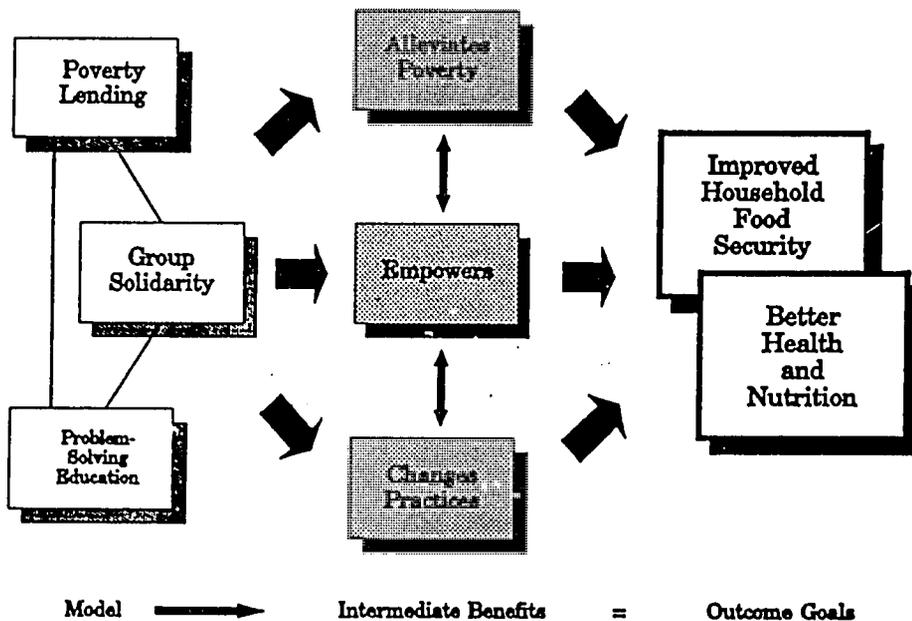
institutions will probably require seven to ten years or more to break even. Since Freedom from Hunger adds hunger prevention education to the credit package, break-even will take longer than a credit-only project. This is understandable since project costs are higher. What is exciting about the Freedom from Hunger Credit-with-Education approach is the potential it offers for significant cost recovery on a project that delivers more benefits than a "credit-only" approach.

**Summary Results of the Partnership Evaluation Surveys**

As part of the independent evaluation of Freedom from Hunger's USAID Partnership Grant, an impact survey was carried out in three program sites in September 1991. Summarized here are the findings of the surveys. A research design of randomly selected program participants and controls was followed. Controls were chosen either from communities not participating in the program but having similar socioeconomic characteristics (Ghana and Mali), or from nonparticipants in program communities (Honduras). Statistical tests affirmed that there was no significant difference in the mean ages of program participants and controls that might have systematically biased results. The following are the sample sizes for each country:

	Honduras	Ghana	Mali	Total
Program Participants	32	50	50	132
Controls	15	18	15	48

The survey instruments were designed to elicit evidence to test the hypothesized benefit process for the credit-with-education strategy and its efficacy in achieving its ultimate goal to improve household food security and nutritional status. Figure 1 below depicts the intended impact.

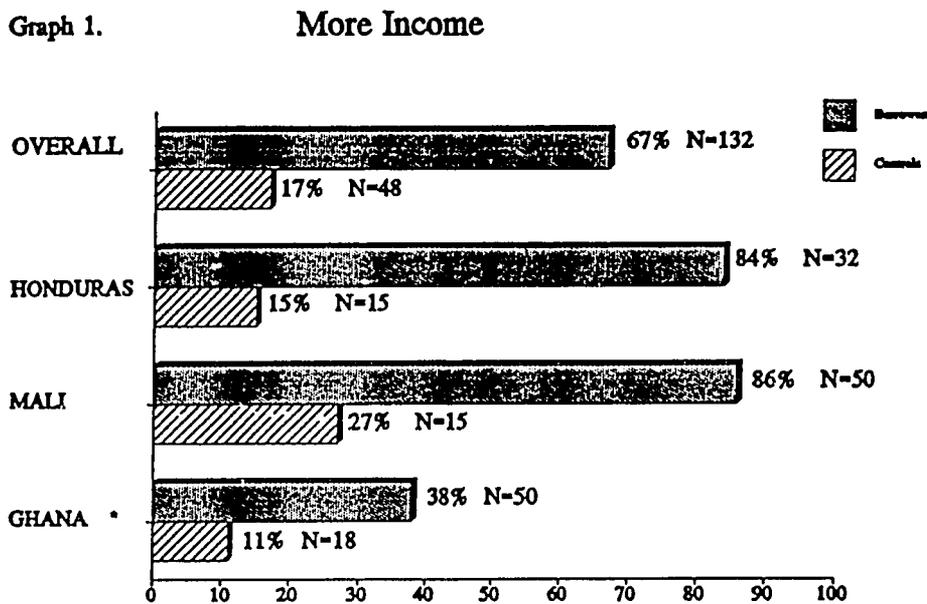


**Gains in Poverty Alleviation**

Given a choice of "more", "less", or "the same", survey respondents who participate in the credit with education program were asked to compare their incomes to before they joined the program. Controls were asked to compare their incomes to the preceding year. "Income" was defined as net profit after subtracting costs and loan repayments.

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Graph 1 shows that in each of the program areas, a greater percentage of the program participants reported having more income than did controls.

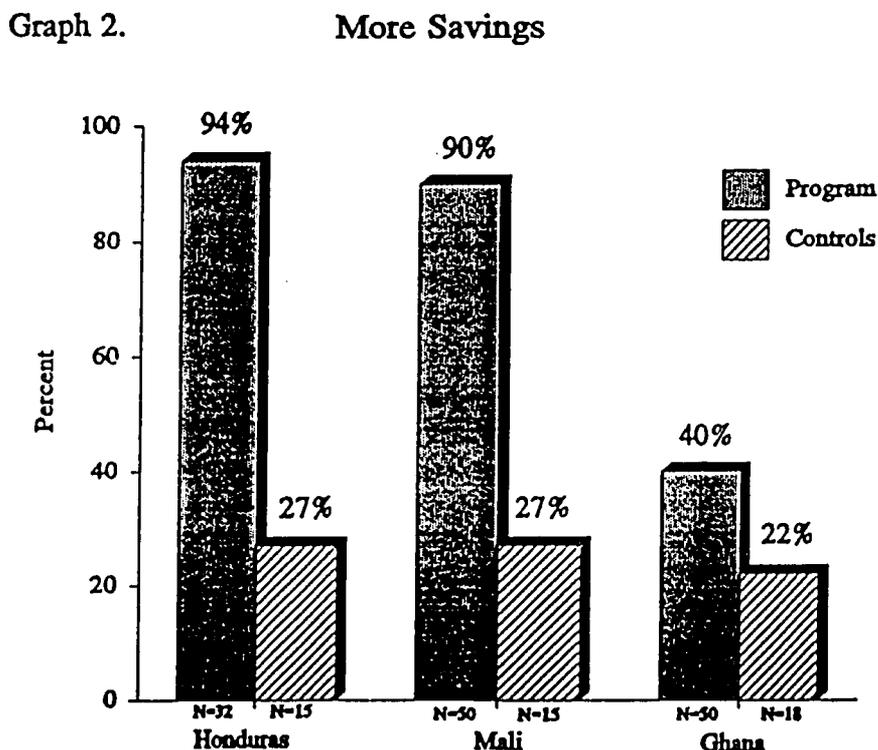


In descending order, the ranking given by participants in the three countries for how this increased income was spent was 1) food, 2) clothing, 3) health costs, and 4) school costs.

A subgroup of respondents (N=45) explained that the credit had enabled them to increase their incomes by allowing them to expand their economic activity, sell in new markets, sell new products and hire assistants.

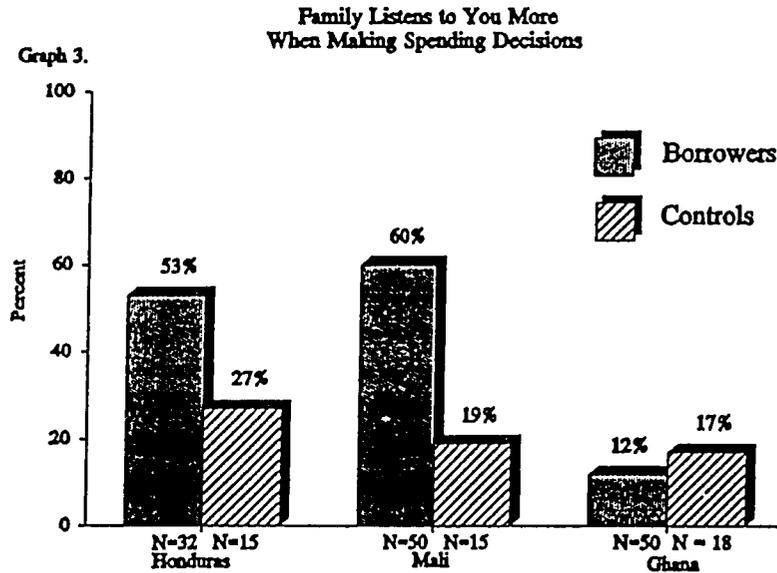
Estimates of the average profit in a single loan cycle were \$30 in Mali (four-month cycle), \$104 in Honduras (four-month cycle), and \$112 in Ghana (six-month cycle).

Along with cash profits, the program participants' accumulated savings (a mandatory element of the program) represent an economic asset that can help them weather family emergencies that might normally drain their working capital, or allow the borrower to move into more profitable activities. Graph 2 plots the percentage of respondents reporting "more savings" in the last year or since joining the program.



## Gains in Empowerment

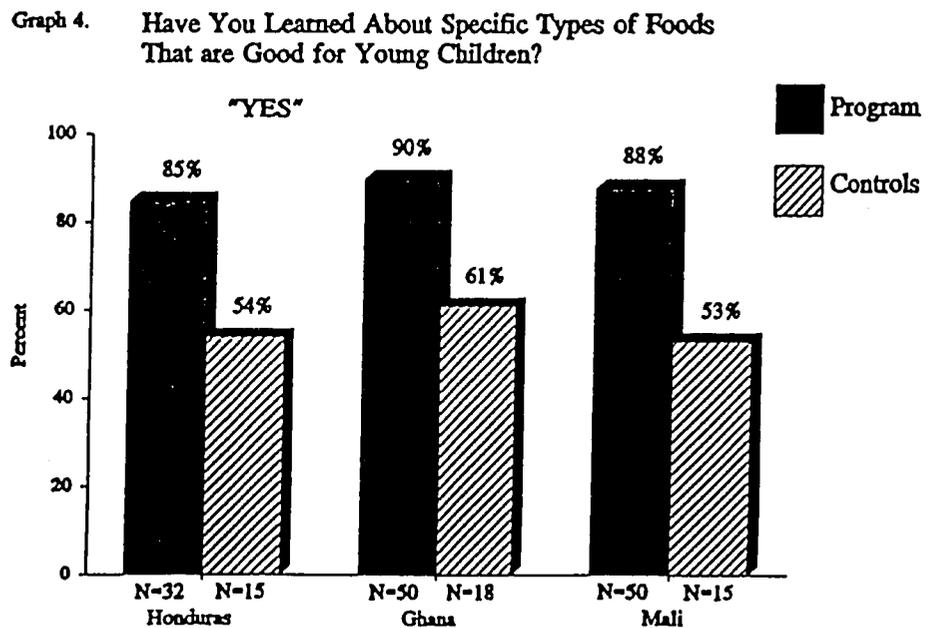
At the individual level, self-confidence and influence within the household are good indicators of women's empowerment. Graph 3 plots the percentage of respondents reporting that their families listen to them more when making spending decisions now than before they joined the program (or, for controls, compared to a year ago). The results from Mali and Honduras support the findings of other more detailed studies that show that when a woman's economic contributions to the family increase, her bargaining power and influence also increase. Women in both countries spoke about the increased respect and consideration they were receiving since joining the program. The exception to this phenomenon was in Ghana, where the loan repayment problems have caused cases of intrahousehold tensions and not an increase in women's bargaining power.



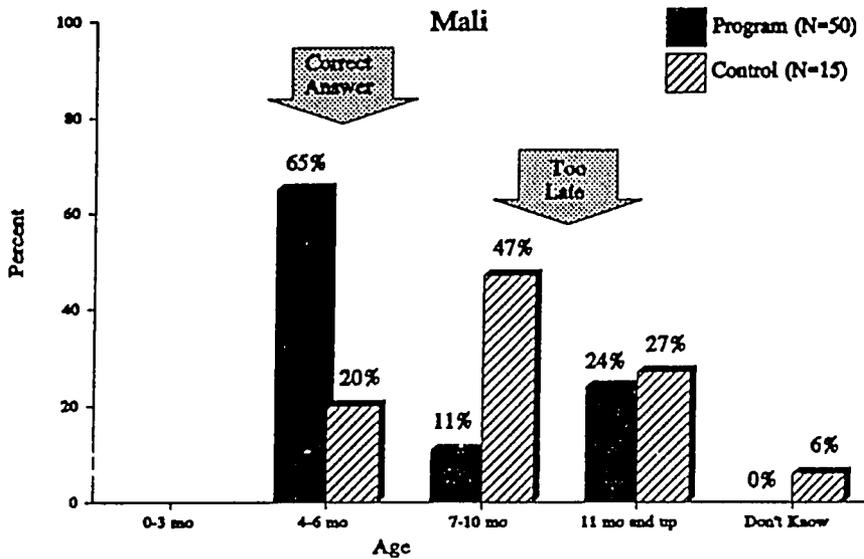
Women also reported being more confident since they joined the program. In most cases, women claimed to be more confident with their economic activities or borrowing larger sums of money and several also reported greater confidence in childcare as a result of the education sessions.

## Gains in Health/Nutrition Knowledge and Practices

Graph 4 demonstrates that in each of the three countries a greater percentage of program participants than controls had learned about specific types of foods that were good for young children. Participants specifically mentioned vegetables, dairy products, legumes, meat, and vitamin A-rich green leafy vegetables. In Mali and Ghana, participants had learned about a mixture of cereal, groundnuts, and fish powder that makes a nutrient-dense food especially appropriate for weaning. Virtually all the respondents in both groups who reported learning about good foods



Graph 5. Age Foods Should be Introduced



also said that they had tried these foods at least once.

An earlier collaborative nutritional assessment conducted by Dr. Katherine Dettwyler of Texas A&M University at the Mali program site identified the late introduction of weaning foods as one of the causes behind the high rates of malnutrition among infants. Staff has focused on this topic in their learning sessions with village banks and the survey results provided exciting evidence of the positive impact of their efforts. Graph 5 shows

that 65% of the program participants, compared to only 20% of the controls, knew that weaning foods should be introduced when infants were four to six months of age.

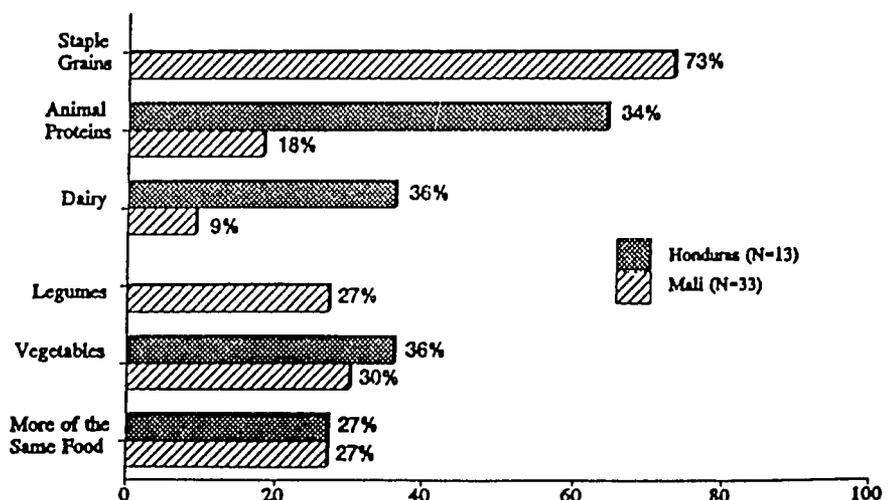
### Gains toward the Intended Outcome

So far, this discussion has addressed impact on the intermediary benefits identified by the benefit process (see Figure 1). Even at this early stage of implementation, it was hoped that evidence of impact on the ultimate goals of improved household food security and better health and nutrition could be detected.

One of the survey questions asked whether the respondents' families were eating differently now compared to last year. Sixty-six percent of the participants in Mali and 38% in Honduras reported that their families ate better now than before they joined the program, compared to 20% and 7% of the controls, respectively. (Responses to this area of questioning were incomplete in Ghana). The more detailed responses of participants in Honduras revealed that for many the program had served to stabilize household subsistence during difficult economic times, as compared to controls, who experienced deterioration in household diets.

For those reporting that their families were eating better, Graph 6 details the ways in which their diets had changed. These findings show that in general diets improved in terms of quality in Honduras (more animal protein and dairy products) and quantity in Mali (more staple grains).

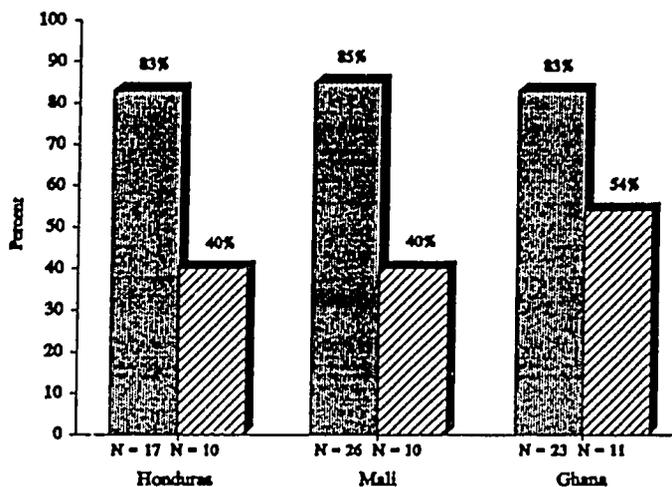
Graph 6. (Program only) In what way does your family eat better? They eat more . . .



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Graph 7 illustrates answers from respondents asked if, in their opinions, the health and nutritional status of their children improved, worsened, or stayed the same since they joined the program (for participants) or in the last year (controls). In each site, more than 80% of the program participants felt that there had been improvement. While simply asking program participants if the nutrition and health of their children has improved does not prove that this is the case, it is obvious that participants perceive change and feel hopeful.

Graph 7. Percentage Reporting Improvements in Health and Nutrition of Preschoolers



4/6

**FIFTH ANNUAL HUNGER RESEARCH BRIEFING AND EXCHANGE**

Brown University, 8-10 April 1992

**“CREDIT WITH EDUCATION FOR WOMEN:  
ENGAGING BANKERS IN HUNGER PREVENTION”**

Presented by

Dr. Christopher Dunford

President, Freedom from Hunger  
1644 DaVinci Court  
P.O. Box 2000  
Davis, California 95617

You may recall the story about some famous bank robber, who was asked why he robbed banks. He said, “That’s where the money is.”

We who are concerned about “reducing hunger in the world’s poorest households” should be interested in where the money is—the big money—and that means the banks.

I think there’s broad agreement that persistent lack of food is very closely linked to persistent lack of resources. It’s a generalization, I know, but it is true for very large numbers of people around the world. For these people, even small increases in income will make a big difference in their chances for survival and improved quality of life.

Freedom from Hunger is intrigued by the possibility that poverty-lending programs—loosely defined as credit systems that support income generation by the very poor—can tap into the liquidity of a nation’s mainstream financial system.

Let me give you a little background.

In our 45 years of experience in developing programs to reduce chronic hunger, we have come to realize that such programs have to provide both resources and information that empower the poorest families and communities to help themselves.

In the last few years, we have concluded that cash credit can be an unusually effective tool against chronic hunger among the very poor—for three reasons:

- First: Credit provides a tangible resource that most poor people can put to immediate use in an income-generating activity they already know how to do.
- Second: The offer of credit can attract even the poorest of the economically active poor to participate in a program that provides not only credit but also education, including nutrition education to promote changes in behaviors that cause malnutrition, particularly among women and children.
- Third: Credit provides a mechanism to enable massive expansion of a program, because credit systems generate revenues through interest charges that can cover most, if not all, the costs of delivering credit and education to the very poor.

There's been a lively debate about the relationship between increasing income and decreasing malnutrition (not just hunger). Freedom from Hunger has studied the literature of this debate carefully and drawn four conclusions about the kinds of income and income-generating programs that most contribute to improved nutritional status.

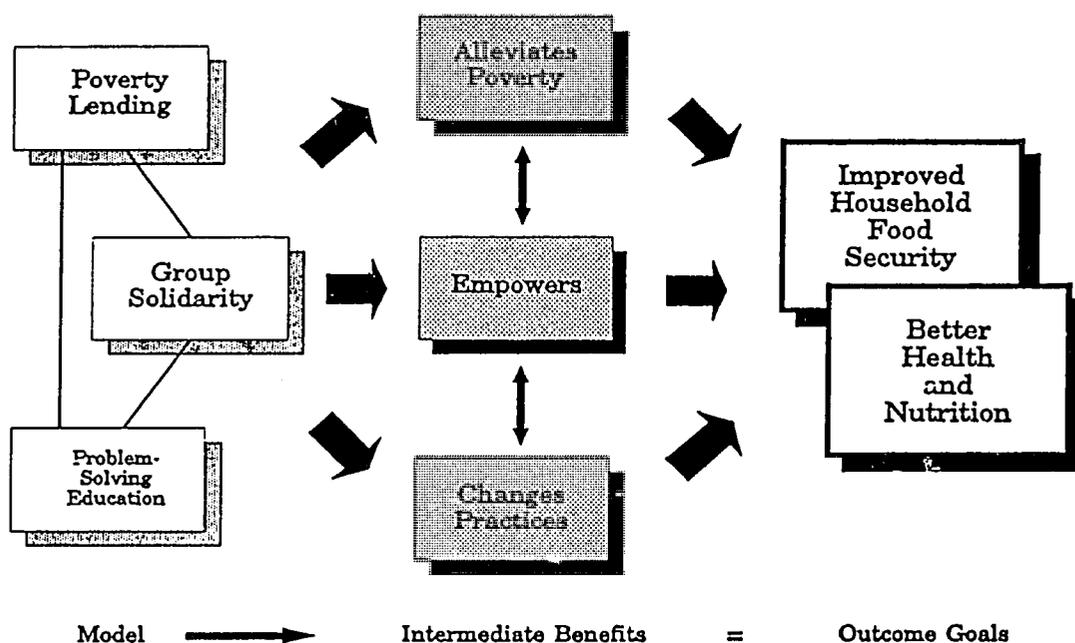
#### **Income Leads to Nutrition Improvement When**

1. Income is Earned by the Poorest People
2. Income is Earned by Women
3. Income is Earned in Small, Steady Amounts
4. Income Generation is Combined with Nutrition and Health Education for Women

These conclusions have led Freedom from Hunger to experiment with poverty-lending programs in five countries on four continents over the last three years for the purpose of delivering credit with education for women. Figure 1 shows what we are trying to accomplish through Credit with Education.

There are several variants of poverty lending, the most famous of which is the Grameen Bank of Bangladesh. The version we have chosen to follow for the most part is the village banking model developed in Central America by John Hatch of the Foundation for International Community Assistance, better known as FINCA.

The generic features of poverty lending are small loans for short periods to very poor people for individual income-generating activities they already know how to do. Loan size is no more than \$300, but usually much less, for no more than one year at a time, but more often four to six months. Interest rates charged are often higher than the commercial rate to compensate for the extra cost of reaching out to the poor. In lieu of collateral requirements and expensive feasibility studies, loans are made on the basis of joint liability undertaken by solidarity groups of borrowers. Payments of principal and interest are frequent, as often as weekly. The rules of the system help ensure unusually high repayment rates in good poverty-lending programs.



*Figure 1*

This has been called “minimalist credit,” because there is little technical assistance provided or technical feasibility assessed. The borrowers already know the activities supported by the loans, and they screen each other through the joint liability mechanism. The result is the system has very low cost per loan, allowing for many small loans.

The system is attractive mainly to the poor, especially poor women, who have no alternative sources of credit other than moneylenders. The better-off, who have other options, prefer not to bother with forming solidarity groups and paying extra interest for very small loans requiring weekly repayment. This means that poverty lending screens out those less vulnerable to chronic hunger. It selects very poor women, just the target group we have in mind.

In the case of village banking, borrowers organize themselves into self-managed savings and loan groups of about 20 to 50 people, mostly or solely women. FINCA calls these groups “village banks”; we call them “credit associations,” but they are more or less the same. These village banks or credit associations meet weekly, or every two weeks, or monthly, depending on which country we’re talking about.

Freedom from Hunger’s innovation is to use these regular meetings as a forum for education and the solidarity within the groups as a motive force to promote learning, problem solving, and behavior change to improve nutrition and health.

To get an image of a credit association in action, imagine it is eleven o’clock at night in a rural village in southern Mali. A few kerosene lanterns dimly reveal a circle of about 30 peasant women ranging in age from maybe 15 to 55. Many have young children and infants with them. Their leaders are calling each one forward to pay back part of her loan with interest and make at least a minimum savings deposit. The treasurer counts out the money in each category and the secretary records the numbers in a ledger, which is regularly reviewed by a field staff person, a woman from the Malian NGO that has made a group loan to the whole credit association.

For about a quarter of the one-hour-plus meeting, the women hold an animated discussion on a problem that is posed by either the field staffer or one of the borrowers. Sometimes it deals with management of credit; sometimes it deals with a particular hunger-related issue, like the timing for introducing supplemental food to a breastfeeding infant. They work through the problem, assessing what it means in their own lives. The women draw on their own experience, as well as “insights” provided by the field staffer, who plays a facilitator role, to discover their own solution and ways to make it work for themselves. Their solidarity reinforces their resolve to try the solution they have discovered. They will compare notes next week!

Returning to figure 1, you can see here our general hypothesis of the impacts of this approach. The literature tells us, and our initial experience confirms, that Credit with Education, in at least some circumstances, increases incomes and savings of the women, and it fosters actual behavior change, not just increased knowledge. It also has this effect we call “empowerment” at the level of the individual and the group. It is a change in mind-set from “I cannot” to “I can,” which motivates these other changes and glues them together in a synergistic whole that improves household food security and health and nutrition status, particularly of women and children.

I mentioned we have been trying this approach for two to three years in five countries. Here is a brief status report.

**Status of Credit Association Loans by Country  
December 1991**

	BOLIVIA	GHANA	HONDURAS	MALI	THAILAND	WORLDWIDE
Date of First Loan	3/90	4/90	5/90	12/88	7/89	
Number of Credit Associations	22	16	8	35	15	96
Number of Borrowers	581	444	129	589	245	1,988
Average Loan Size	\$53	\$108	\$65	\$38	\$68	\$64
Outstanding Loans	\$29,875	\$17,956	\$8,344	\$20,653	\$16,541	\$93,369
Repayment Rate	99%	74%	100%	99%	99%	93%

In Bolivia, Ghana, Honduras, Mali, and Thailand, we and our in-country partners have started over a hundred credit associations by now with well over 2,000 borrowers, the vast majority of whom are women. The average loan size is around \$64 per woman. The repayment rate is very near 100% for four of the five programs.

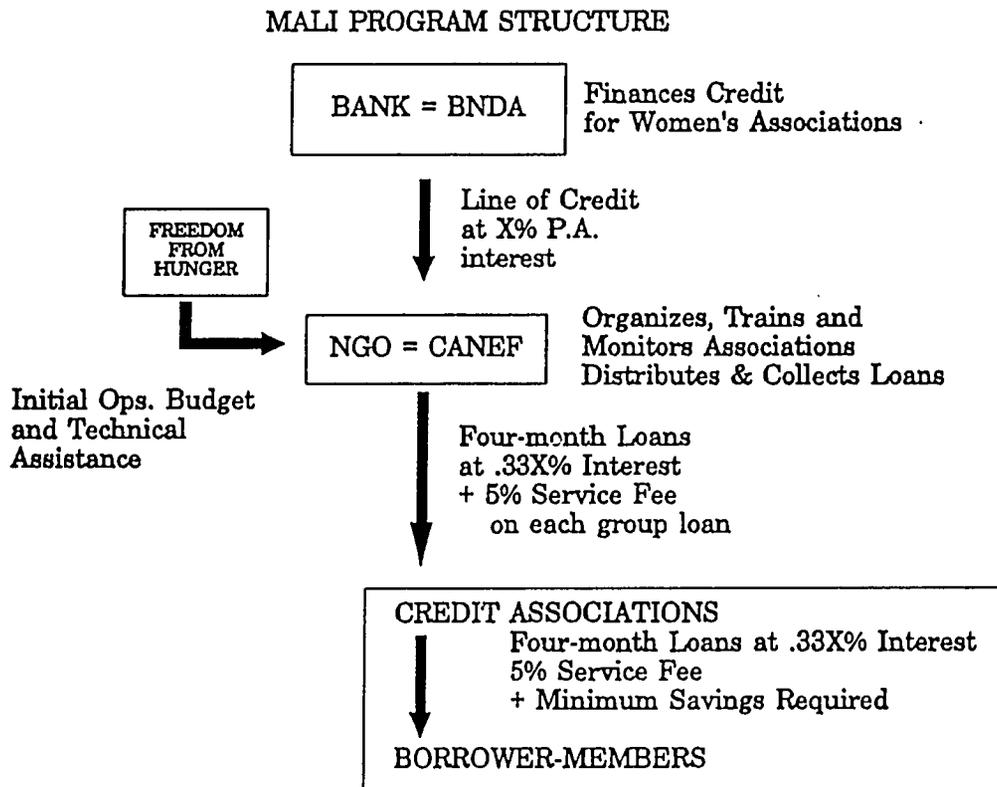
This is a great start, but it is of course only a drop in the bucket of need in these countries. At this stage, we are operating at the level of action research and development. If Credit with Education is going to have a real impact on the problem of chronic hunger, we and our partners have to demonstrate that these programs can be scaled up to "high-performance" levels. These are the features to look for in a high-performance program model.

#### **High-Performance Programs**

- **Scale**—thousands of beneficiaries;
- **Cost-effective impact**—high impact at an affordable cost;
- **Financial sustainability**—field operating costs covered with income from interest and fees; and
- **Institutional development**—building/strengthening institutions to promote widespread benefits.

This last point leads me back to the subtitle of this talk, which is “Engaging Bankers in Hunger Prevention.” Imagine the enormous impact if the big money boys in the formal financial institutions of any one of these countries were to discover that they could actually make money by investing loan capital in credit associations of poor women.

Now, while you are still reeling from that image, consider figure 2, but ignore the middle of this diagram for the moment.



*Figure 2*

If the bank is interested in lending to poor women in the first place, which is a big “if,” the credit association solves a basic problem for the bank; it packages many small loans into a larger, less costly, single loan that the bank can make directly to the credit association, leaving it to the credit association to discipline its members and ensure payback on time or be expelled as a whole from the system.

The idea is appealing, but consider what one of my colleagues calls the “psychic distance” between bankers and the credit association members. There is a chasm, some would say an abyss, separating the two. I think there is pretty clear consensus among organizations doing poverty lending that there needs to be some sort of intermediary to provide a bridge between the bank and the credit associations.

Now you can look at the middle of the diagram and see what we are in the process of setting up in Mali. There are variations on this theme in the other countries.

The most important idea I want to leave with you is that this intermediary role has a significant cost. The bank has legitimate costs, like the cost of money, the cost of making and tracking loans, and the cost of getting repayment, or more to the point, the risk of not getting repayment. Similarly, the intermediary organization, an NGO usually, has legitimate costs to put staff into the field to work with the credit associations. For this system to be sustainable and expandable to the large scale, both the bank and the NGO must be able to cover their costs.

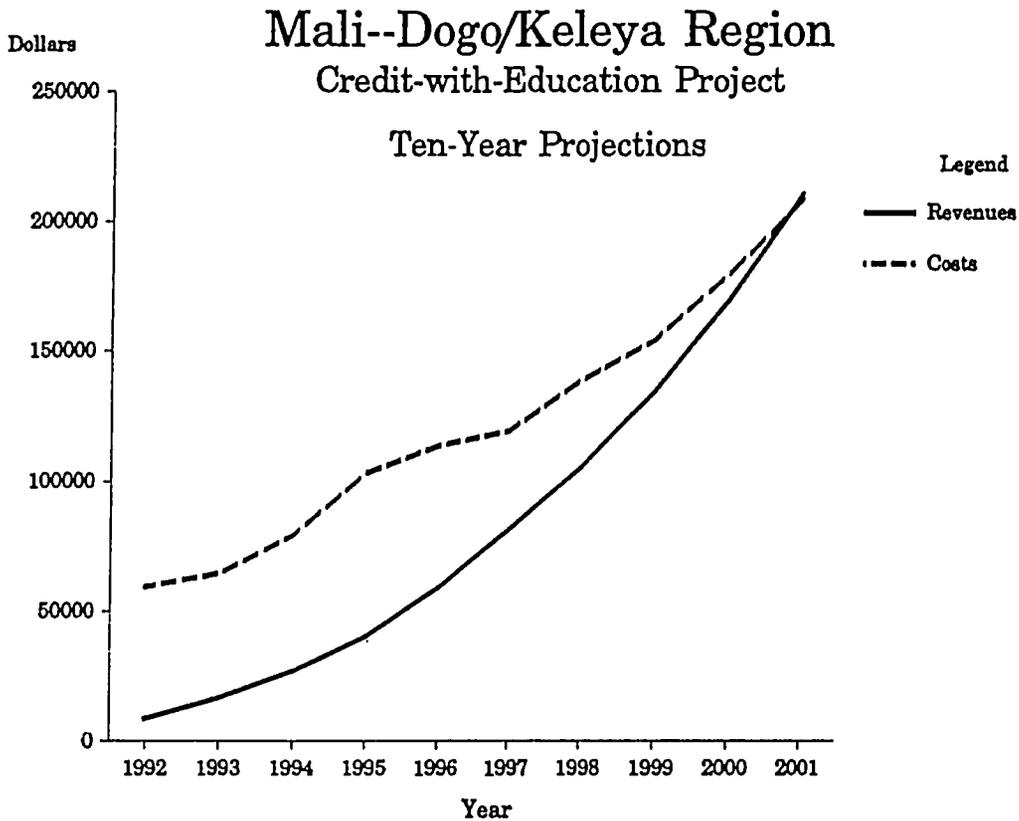
The bank must cover all its costs through the interest it charges on the loans. To cover its costs, the NGO has to charge a service fee to the credit associations, related to the value of the loans. If the service fee is insufficient, then the NGO has to make up the difference with grant subsidies. We contend that the more costs are covered by service fees, the easier it will be for the NGO to attract grants to make up the difference.

Of course, Freedom from Hunger has asked itself how realistic it is to believe that the NGO in Mali, or anywhere else, can cover even its field operating costs with service fees charged to the credit associations.

The projection in figure 3 (next page) reflects our current plans with CANEF in the original program area. The costs are those to operate in just the Dogo/Keleya area, not including any central administration of CANEF itself. These costs rise in a predictable way as the number of credit associations increases. The revenues are based on the current practice of charging the credit associations eight percent of the loan principal for each four-month loan. Three percent goes to the bank (CANEF's cost of money) and CANEF keeps five percent. Revenue rises as the number of borrowers increases and the average loan size increases. We have made quite conservative assumptions about these rates of increase.

The projection in figure 3 shows that it will take ten years to reach the break-even point with about 5,000 borrowers in this one area. Some of you may be amazed that the two lines ever meet at all. The concept of cost-recovery in hunger prevention programs is still pretty foreign. And some of you will say that ten years is an awful long time to have to subsidize 5,000 families. Clearly there is a lot of work to be done yet to see if the slope of the costs line can be flattened a bit while the slope of the revenues line is steepened, so that the lines cross sooner.

The take-home message is that a realistic, maybe even overly conservative, projection based on real experience in the field indicates that it may not be so far-fetched to imagine bankers investing in several of these field staff units, like the one in Dogo/Keleya, scattered around the country serving hundreds and hundreds of credit associations having a truly enormous cumulative impact on "hunger in the poorest households" and "malnutrition among women and children."



*Figure 3*

At some large number of Credit Associations ( $\pm 200$ ), the service fees charged should cover most, if not all, field operating costs of the NGO, reducing or eliminating dependence on grant support. Key Variables:

- Average loan size per borrower
- Average number of borrowers per Credit Association
- Number of Credit Associations
- Amount of service fee on loan to Credit Association
- Average cost to serve a Credit Association (number of Credit Associations per Field Agent)

PVO PROJECT REPORTING INFORMATION  
ON AID SUPPORT PVO PROJECTS

FOR OFFICIAL USE ONLY

PVO Type	Project Number	
Appropriation	Level	
Country Code	Fund Type	Technical Code
Project Officer	Key 1	Key 2

PROJECT INFORMATION (PRIMARY)

Name of Organization Freedom from Hunger	Grant/Contract Number OTR-0158-A-00-8147-00
Start Date (m/d/y) 03/01/88	End Date (m/d/y) 02/28/93
AID Project Officer's Name Devorah Miller	

AID OBLIGATION BY AID-FY (\$000)

FY	AMOUNT	FY	AMOUNT
1988	182	1991	350
1989	193	1992	329
1990	256		
LOP			1310

Activity Description

Freedom from Hunger provides management, technical, resource development, research, and evaluation services to its field programs and collaborating local and community organizations in six countries, including the five funded through this Partnership Grant. Personnel consist of 25 Headquarter and 50 field staff working with the field programs in the U.S. and worldwide (16 of the field staff are provided by our collaborating local organizations).

Status

Freedom from Hunger has completed the transformation of its program portfolio to obtain better program performance with the adoption by a hunger-prevention agency of credit-led approach; 2) Further development of the educational component has enhanced the model's capability to systematically exploit the relationship between poverty and income and its application to improve nutrition and health; 3) two major evaluations were conducted—the USAID Partnership Grant midterm assessment, led by Cheryl Lassen, and the GEMINI "scale-up" study of the Ghana and Mali programs, led by Jeffrey Ashe—which provide a sharpened focus and definition of our credit-with-education strategy and the work that needs to be done in the immediate future and beyond.

COUNTRY INFORMATION (SECONDARY)

Country Headquarters Program Support and Evaluation	Location in Country (Region, District, Village) P.O. Box 2000 Davis, CA 95617
PVO Representative's Name Christopher Dunford, Ph.D.	Local Counterpart/Host Country Agency n/a

COUNTRY FUNDING INFORMATION

YEAR	1988	1989	1990	1991	
AID \$	91	78	53	240	
PVO \$	58	151	231	180	
WORLDWIDE					
LOCAL				2	
TOTAL	149	229	284	422	

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**PVO PROJECT REPORTING INFORMATION  
ON AID SUPPORT PVO PROJECTS**

OMB No. 0412-0530  
Expiration Date: 03/31/89

**FOR OFFICIAL USE ONLY**

<b>PVO Type</b>	<b>Project Number</b>	
<b>Appropriation</b>	<b>Level</b>	
<b>Country Code</b>	<b>Fund Type</b>	<b>Technical Code</b>
<b>Project Officer</b>	<b>Key 1</b>	<b>Key 2</b>

**PROJECT INFORMATION (PRIMARY)**

<b>Name of Organization</b> Freedom from Hunger		<b>Grant/Contract Number</b> OTR-0158-A-00-8147-00
<b>Start Date (m/d/y)</b> 03/01/88	<b>End Date (m/d/y)</b> 02/28/93	<b>AID Project Officer's Name</b> Devorah Miller

**AID OBLIGATION BY AID-FY (\$000)**

FY	AMOUNT	FY	AMOUNT
1988	0	1991	38
1989	0	1992	48
1990	29		
<b>LOP</b>			<b>115</b>

**Activity Description**

Freedom from Hunger's program is located on the shores of Lake Titicaca, in the Province of Manco Kapac, Department of La Paz. Until the end of the current reporting period, it incorporated two components, Child Survival and Credit with Education. The Child Survival grant for the first component was completed in October of 1991, which marked the conclusion of the transition period to the Credit with Education model. The goals of this project are to promote income generation, prevent hunger, and improve health and nutrition practices by providing access to credit and participatory, problem-solving education.

**Status**

The Credit with Education project continues to grow and develop in Manco Kapac, with 22 credit associations actively participating. The interactive methods used to register, orient, and train existing credit associations are being studied so that the lessons learned can be applied during the expansion of the project. Effective training for new staff and promoters, development of a performance incentive system, and installation of a monitoring and evaluation system to measure progress and impact are high priorities. Development of a self-sustaining NGO from the current Bolivia program staff to deliver high-impact benefits to thousands of participants is the goal over the next few years.

**COUNTRY INFORMATION (SECONDARY)**

<b>Country</b> Bolivia	<b>Location in Country (Region, District, Village)</b> Manco Kapac Province, Dept. of La Paz
<b>PVO Representative's Name</b> Jr. Eduardo Bracamante E.	<b>Local Counterpart/Host Country Agency</b> n/a

**COUNTRY FUNDING INFORMATION**

YEAR	1990	1991			
<b>AID \$</b>	54	193			
<b>PVO \$</b>	78	19			
<b>INKIND</b>	35	5			
<b>LOCAL</b>	5	36			
<b>TOTAL</b>	172	253			

**PVO PROJECT REPORTING INFORMATION  
ON AID SUPPORT PVO PROJECTS**

OMB No. 0412-0530  
Expiration Date: 03/31/89

**FOR OFFICIAL USE ONLY**

<b>PVO Type</b>	<b>Project Number</b>
<b>Appropriation</b>	<b>Level</b>
<b>Country Code</b>	<b>Fund Type</b> <span style="float:right"><b>Technical Code</b></span>
<b>Project Officer</b>	<b>Key 1</b> <span style="float:right"><b>Key 2</b></span>

**PROJECT INFORMATION (PRIMARY)**

<b>Name of Organization</b> Freedom from Hunger	<b>Grant/Contract Number</b> OTR-0158-A-00-8147-00
<b>Start Date (m/d/y)</b> 03/01/88	<b>End Date (m/d/y)</b> 02/28/93
<b>AID Project Officer's Name</b> Devorah Miller	

**AID OBLIGATION BY AID-FY (\$000)**

<b>FY</b>	<b>AMOUNT</b>	<b>FY</b>	<b>AMOUNT</b>
1988	95	1991	67
1989	85	1992	61
1990	87		
<b>LOP</b>			395

**Activity Description**

Freedom from Hunger has been working in the Juticalpa area of the Province of Olancho for over 13 years. It had three components: The Maternal/Child Health project, a collaborative preventative health care model utilizing community volunteers and Ministry of Health Center staff, management of which was transferred to the direct supervision of regional health personnel in 1991; the San Nicolás Training Center—conceived, constructed, and managed by local Freedom from Hunger staff, which provides training courses in sustainable agriculture to both local participants and agency personnel from other institutions aiming to promote these practices in other parts of Olancho; and the Credit with Education project, which works with poor women in nine villages to provide loans to increase the profits of their income-generating activities and, in combination with participatory problem-posing education, increase the accessibility of food, and reduce malnutrition.

**Status**

The San Nicolás Training Center formally inaugurated training in April of 1991 and has trained representatives from local women's organizations, the National Agrarian Institute, local agricultural leaders in soil and water management, alternative crops, and a variety of other sustainable agriculture topics. The Credit with Education project is working in nine villages with the same number of credit associations where members not only receive small loans they use to increase their income, but participate in problem-solving sessions to identify and solve hunger-related problems at their weekly meetings.

**COUNTRY INFORMATION (SECONDARY)**

<b>Country</b> Honduras	<b>Location in Country (Region, District, Village)</b> Dept. of Olancho
<b>PVO Representative's Name</b> Zoila Alvarez de Ball	<b>Local Counterpart/Host Country Agency</b> n/a

**COUNTRY FUNDING INFORMATION**

<b>YEAR</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	
<b>AID \$</b>	150	138	112	164	
<b>PVO \$</b>	116	69	23	40	
<b>INKIND</b>				10	
<b>LOCAL</b>	41	32	45	10	
<b>TOTAL</b>	307	239	180	224	

## ATTACHMENT F

1991

<u>Project Elements</u>	AID		PVO	
	<u>Budget</u>	<u>Expend</u>	<u>Budget</u>	<u>Expend</u>
Program Costs	\$712,478	\$703,369	\$575,256	\$139,887
Procurement			100,000	99,600
Evaluation	25,000	50,464	13,000	54,065
Overhead	<u>116,522</u>	<u>116,500</u>	<u>108,744</u>	<u>19,660</u>
	\$854,000	\$870,333	\$797,000	\$313,212

Total

<u>Project Elements</u>	AID		PVO	
	<u>Budget</u>	<u>Expend</u>	<u>Budget</u>	<u>Expend</u>
Program Costs	\$2,303,078	\$2,103,517	\$1,732,829	\$1,769,298
Procurement			534,000	339,609
Evaluation	74,000	64,000	61,000	67,598
Overhead	<u>297,922</u>	<u>302,300</u>	<u>290,171</u>	<u>293,313</u>
	\$2,675,000	\$2,469,817	\$2,618,000	\$2,469,818

## FINANCIAL PROFILE OF THE PVO

## A. Program Expenditures

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Total</u>
Bolivia	\$331,523	\$340,078	\$324,953	\$253,283	\$1,249,837
Honduras	316,522	238,900	180,087	224,324	959,833
Thailand	312,954	175,427	182,723	130,660	801,764
Kenya	291,312	121,259			412,571
Mississippi	238,488	196,120	199,149	195,898	820,655
Mali	233,314	166,492	188,383	200,949	789,138
Arizona	212,243	102,998	77,970	50,223	443,434
Nepal	224,892	134,617	115,388	123,719	598,616
Togo	131,964	287,593	151,772	55,595	626,924
Ghana	104,091	122,798	190,568	177,785	595,242
Ecuador	99,559	26,271	52,692		178,522
Sierra Leone	90,337	87,186			177,523
Antigua	17,725				17,725
Program Development	2,014	5,432	42,556	14,525	64,527
Evaluation				101,488	101,488
Overhead	<u>387,980</u>	<u>253,815</u>	<u>291,100</u>	<u>268,986</u>	<u>1,201,881</u>
<b>TOTAL</b>	<u>\$2,994,918</u>	<u>\$2,258,986</u>	<u>\$1,988,341</u>	<u>\$1,797,435</u>	<u>\$9,039,680</u>

## B. Sources of Funds

A.I.D. Partnership Grant	\$635,187	\$565,136	\$457,494	\$870,333	\$2,528,150
Private: Cash	1,945,309	1,325,040	1,187,655	788,638	5,246,642
In-kind Contributions		28,355	158,192	52,988	239,535
Other A.I.D. Grants	277,538	276,909	175,000	85,476	814,923
Other: PACT	<u>136,884</u>	<u>63,546</u>	<u>10,000</u>		<u>210,430</u>
<b>TOTAL</b>	<u>\$2,994,918</u>	<u>\$2,258,986</u>	<u>\$1,988,341</u>	<u>\$1,797,435</u>	<u>\$9,039,680</u>

**REVISED LOGICAL FRAMEWORK**  
(original Logical Framework follows)

May 1992

**GOAL** (unchanged from the original)

To enable low-income people in rural areas of less developed countries to establish and maintain a level of health, nutrition, and food security necessary to human dignity and self-sustaining productivity.

**Indicators**

Improved food security of poor households

Seventy percent of the program participants will report having greater savings due to the program and fewer incidents of missing meals or reducing meal sizes due to lack of access to food.

Improvement of the quantity and quality of household diets

Sixty percent of the program participants will report that their family diet included more of the same food, greater dietary diversity, and/or greater intake of foods of higher nutrient quality due to the program.

Participants and members of their families will demonstrate statistically significant increases in their intake of particularly high-nutrient foods such as vegetables rich in vitamin A, dairy products, or protein-rich foods.

**Means of Verification**

Longitudinal sampling of a subset of program participants and nonparticipants (controls), including surveys of self-reported perceptions and recall of consumption frequency of certain foods.

Special small studies, as opportunity and need arise, to directly observe or otherwise document changes in participants' savings, access to food, diet, and nutrition/health status.

**Important Assumptions**

Economic and political changes in the nation do not disrupt the normal patterns of life in the program areas.

Short-term natural phenomena, such as drought, and longer term environmental deterioration do not force unusually large population movements into or out of the program area.

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**PURPOSE** (revised from the original)

To develop and demonstrate the institutional capability of Freedom from Hunger, in collaboration with partner organizations in each of six nations around the world, to develop innovative, sustainable, and replicable programs to mitigate chronic hunger and malnutrition by providing both tangible resources and information that empower the poorest families to help themselves.

**End of Project Status**

Freedom from Hunger will have developed a coherent, widely applicable programming concept for integrated delivery of cash credit and nutrition/health education (Credit with Education) to the poorest of the economically active poor rural women in developing countries.

The feasibility and effectiveness of the programming concept will be demonstrated in six developing countries on four continents in conjunction with indigenous partner organizations which were either created or strengthened by Freedom from Hunger.

Freedom from Hunger will have transformed itself, organizationwide, to create, expand, and perpetuate the growth of Credit with Education programs. Other types of programs in the Freedom from Hunger portfolio will have been devolved to partner organizations or terminated at an appropriate point in the life of the program.

At least one of the six Credit with Education programs developed by Freedom from Hunger will demonstrate that Credit with Education can be scaled up to a high-performance level, creating an increasingly self-financing mechanism that cost-effectively serves increasingly large numbers of people in need. Such a program model will be both sustainable and replicable to many parts of a nation.

In each of the six countries, an indigenous institutional mechanism will have been created or strengthened to sustain and expand the Credit with Education program in the original pilot area and beyond.

**Means of Verification**

The Credit with Education concept will be articulated in program design documents and other background papers produced by Freedom from Hunger staff and consultants. Specific design documents and institutional support and funding agreements will document the development of indigenous institutional capability to create, sustain, and expand Credit with Education programs in the field.

Quarterly progress reports and other monitoring reports, annual reports on the use of this grant, and midterm assessment and final evaluation reports will document the feasibility and effectiveness of the Credit with Education approach and the transformation of the Freedom from Hunger portfolio to focus almost exclusively on the development of and technical support for Credit with Education programs.

At least one Credit with Education program will cost-effectively serve thousands of poor rural women and their families and in the process generate enough revenue from interest and fees charged to borrowers to cover about one-third of field operating costs of the program. This will be documented by monitoring reports from the field and verified by site visits and formal evaluations.

### **Important Assumptions**

Freedom from Hunger leadership has the will to support creation of a new programming concept and to transform the organization's portfolio of programs to support development of the concept in the field.

Funders are willing to support development of Credit with Education in the field.

Indigenous institutions exist or can be created that are willing to commit themselves to the Credit with Education concept in the field.

Credit with Education will attract the active participation of people most vulnerable to chronic hunger and malnutrition.

Borrowers can put loans to use in local economic activities that generate enough profit to allow them to repay principal and interest on the loans, as well as accumulate savings and purchase items essential to good health and nutrition.

Credit with Education can be delivered at a cost-per-loan that is less than, equal to, or only slightly greater than the interest and fees that can be charged on each loan.

### **OUTPUTS (revised from the original)**

- 1. Credit associations provide financial services to large numbers of poor people, predominantly women, in the program areas of six countries.**

### **Indicators**

Two hundred and fifty credit associations (village banks) are created and managed by approximately 6,250 poor borrower-members, over 95% of whom are women, benefitting (very roughly) 40,000 poor people in total (borrowers and their immediate households).

These credit associations manage loan portfolios valued at approximately \$335,000, which money is loaned to credit associations by Freedom from Hunger or its in-country partners and on-lent by each credit association to its individual members in sub-loans of about \$60 (varies by country) for a period of four to six months.

By the end of the grant period, the expected country-by-country breakdown is:

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<u>Country</u>	<u>Credit Assocs</u>	<u>Loans Outstanding</u>
Bolivia	58	\$ 92,130
Ghana	14	27,500
Honduras	30	45,222
Mali	86	74,916
Thailand	42	57,421
Burkina Faso	10	16,350

On-time repayment of loans to Freedom from Hunger or its partner is at least 90%.

#### **Means of Verification**

Information pertaining to the number of credit associations and participants is collected through the quarterly credit activity reporting system of Freedom from Hunger. Projections are updated as these reports are received.

#### **Important Assumptions**

Borrowers can put loans to use in local economic activities that generate enough profit to allow them to repay principal and interest on the loans, as well as accumulate savings and purchase items essential to good health and nutrition.

- 2. Credit associations are vehicles for nonformal, hunger-prevention education, focusing on practices essential to child survival and the good health and nutrition of the borrower and her family.**

#### **Indicators**

Credit associations meet regularly (weekly or biweekly) to make installment payments of principal and interest on their loans as well as to deposit personal savings and participate in the management of accumulated funds. A part of each regular meeting is devoted to a "learning session" on a topic selected either by the borrower-members or the program's promoter. These topics deal with credit management, the basics of business economics, management of the affairs of the association, and hunger prevention in three categories: intrafamilial food distribution, assuring adequate food supply during the "hungry season," and use of existing health services, including family planning for child spacing. At least half of the meetings of each credit association are devoted to locally important hunger-prevention topics.

A formal training manual is created and used to train program promoters, providing guidance in the content and methods of nonformal education with special attention to hunger prevention topics.

A compendium of learning sessions is developed for use by program promoters in the regular meetings of the credit associations.

### **Means of Verification**

Supervisors observe and rate promoter performance at regular credit association meetings. They also observe the group dynamics and evidence of learning within the credit association membership.

Staff technical competence in credit management and hunger-prevention topics is demonstrated by scores of 80% or better on a standardized test.

Promoters record the learning session topics covered at each meeting on a weekly basis. This information is compiled and submitted in quarterly reporting forms to Freedom from Hunger.

### **Important Assumptions**

Credit associations attach enough importance to maintaining their good standing with the program to enforce rules of member attendance at the regular meetings and to cooperate with the program promoters.

The opportunity costs of meeting attendance are not so great as to make it impossible to enforce near-perfect attendance by members.

**3. Delivery of these financial and educational services can be sustained and expanded by local or national organizations.**

### **Indicators**

Financial sustainability, measured as the ratio of revenues from interest and fees charged on loans to credit associations over the costs of promoting, supporting, and monitoring the credit associations in the program area, will be no less than 35% after three years of operation in the program area.

Measures of program expansion, increases in numbers of credit associations, borrowers, and loan portfolio, will show a rapid and accelerating program growth associated with rapid improvement in the measure of financial sustainability.

An indigenous organization or consortium of organizations (e.g., an NGO and a bank) is directly managing this rapidly growing program.

### **Means of Verification**

Monthly reporting tracks the measures of program growth and actual field costs and revenues, which are used to calculate the financial sustainability ratio.

Program agreements clearly show that indigenous organizations have direct ownership of and responsibility for the programs. Monthly and quarterly reports from these organizations to Freedom from Hunger reflect their understanding of the program and their management performance.

### **Important Assumptions**

Local and/or national organizations are willing and able to commit their own resources to the promotion of Credit with Education. They also share the value placed by Freedom from Hunger on demonstrating the capability to expand rapidly and achieve near financial sustainability.

#### **4. Women's economic resources increase.**

### **Indicators**

Sixty percent of the women participating in their second or later loan cycle will report increases in income due to the program (barring general economic decline, when the program's impact will be to stabilize participant incomes relative to nonparticipants).

Fifty percent of the women in the second or later loan cycle will report having the same or more time for childcare due to the program.

### **Means of Verification**

Change in income will be measured through self-reported business profit; i.e., net income on a weekly or monthly basis. Change in availability of time will also be self-reported in a longitudinal sampling of a subset of participants and controls.

**Important Assumptions:** see Output No. 6

#### **5. Women's knowledge and adoption of important health and nutrition practices will increase.**

### **Indicators**

Participants will demonstrate statistically significant improvement in knowledge and practice pertaining to one or more of the following topic areas:

- the importance of colostrum;
- the desirability of exclusive breastfeeding of infants until 4 to 6 months of age;
- when to introduce supplemental foods to infants and what foods are appropriate;
- the importance of rehydration during and refeeding following episodes of diarrhea;

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- the preparation of an appropriate solution for oral rehydration therapy;
- personal and food hygiene practices that help prevent diarrhea;
- the need for quality food during pregnancy and lactation.

### **Means of Verification**

A longitudinal sampling of knowledge and practice among participants and nonparticipant controls will be carried out in some but not all program areas, due to the cost and difficulty of the procedure and the similarity of program design in all program areas.

**Important Assumptions:** see Output No. 6

## **6. Women's knowledge and use of existing health services will increase.**

### **Indicators**

Women participants will demonstrate statistically significant improvement in their knowledge and use of health services, including the following to the extent they are available:

- immunization for children and women;
- prenatal, delivery, and postnatal care;
- modern family planning methods.

### **Means of Verification**

Same longitudinal surveys referred to under Output No. 5.

### **Important Assumptions**

Economic and political changes in the nation do not disrupt the normal patterns of life in the program areas.

Short-term natural phenomena, such as drought, and longer term environmental deterioration do not force unusually large population movements into or out of the program area.

Borrowers can put loans to use in local economic activities that generate enough profit to allow them to repay principal and interest on the loans, as well as accumulate savings and purchase items essential to good health and nutrition.

Credit associations attach enough importance to maintaining their good standing with the program to enforce rules of member attendance at the regular meetings and to cooperate with the program promoters.

The opportunity costs of meeting attendance are not so great as to make it impossible to enforce near-perfect attendance by members.

The participation of women in income-generating activities does not significantly reduce their time available for childcare.

Large numbers of women of child-bearing age and with infants join the credit associations.

Maternal and child health services are offered by organizations other than Freedom from Hunger or its indigenous partner.

**7. The leadership, problem-solving, and organizational skills at both the levels of credit associations and the individual members are developed.**

### **Indicators**

Leadership and group management skills are demonstrated through examples of problem resolution.

Organizational skills are demonstrated through examples of group action beyond the immediate business of the credit associations.

Group solidarity is demonstrated through examples of mutual and emergency assistance.

Participants demonstrate significant increases in confidence and status at the family and community level.

### **Means of Verification**

Program promoters report the performance of each credit association in terms of solidarity, self-management capacity, and quality of record keeping through the quarterly credit association reports.

At the end of each loan cycle (4 to 6 months), the membership and facilitator conduct a process of self-evaluation.

Measures of individual empowerment are included in the longitudinal surveys.

### **Important Assumptions**

Program promoters can be trained to allow the credit association members to manage their own associations and solve their own problems.

Credit-supported income-generating activities are successful in the eyes of the borrowers and their fellow association members.

The credit associations are not taken over by men or elite elements of the local community.

The activities of the credit association are not suppressed by the local community leadership.

- 8. Freedom from Hunger develops and demonstrates the capacity to provide clear and adequate technical guidance and training for its indigenous partners and the ability to attract funding institutions and financial institutions to support the Credit with Education program concept in all six countries.**

### **Indicators**

Technical designs, guidelines, and training materials are developed and used to orient, train, and technically supervise the work of indigenous partner organizations, including their field staff at all levels.

Sufficient non-USG funding from individuals and institutions is committed to the Credit with Education programs to meet and even exceed the match required to mobilize the resources of the USAID Partnership Grant.

Linkages are established between national and/or international financial institutions and the indigenous partner organizations to provide sources of loan capital to the programs.

### **Means of Verification**

Freedom from Hunger documents and publications provide:

- program rationale and design;
- guidelines for institution building and program start-up and management;
- training manuals and modules for use in training field staff and credit association members; and
- monitoring and evaluation systems.

Formal agreements between Freedom from Hunger and its funders and in-country partners document the relationships and linkages in support of Credit with Education.

Trip reports document technical assistance and training provided by Freedom from Hunger staff to in-country partner agency staff.

The monitoring and evaluation system documents the performance of field staff and credit associations: loan repayment, savings deposits and investment, meeting attendance, learning sessions, and so on.

Longitudinal studies complement the monitoring and evaluation system to document the impacts of the program design and its implementation by Freedom from Hunger and in-country partner agency staff.

### **Important Assumptions**

Political and economic events in the country do not unduly disrupt the operations of in-country partner organizations.

Banking laws, exchange controls, and other legal regulations do not prevent Freedom from Hunger and its partner organizations from engaging in some form of financial intermediation between credit associations and formal financial institutions.

The poverty lending concept, and specifically the village banking technology which is the core of Credit with Education, is not discredited in the eyes of funding organizations by false claims and poor performance of other organizations promoting poverty lending.

The leadership of Freedom from Hunger remains committed to developing distinctive competence in supporting Credit with Education programs.

GOAL	INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>To enable low-income people in rural areas of less developed countries to establish and maintain a level of health, nutrition and food security necessary to human dignity and self-sustaining productivity.</p>	<ul style="list-style-type: none"> <li>-Significant decrease in infant mortality and incidence of malnutrition among vulnerable groups.</li> <li>-Significant increases in food production and income of the target population.</li> <li>-Local community groups and agencies providing regular health and economic resources to communities.</li> </ul>	<ul style="list-style-type: none"> <li>-Baseline studies</li> <li>-Government records</li> <li>-Evaluation studies</li> <li>-Government statistics</li> <li>-Evaluation studies</li> <li>-Agency reports</li> <li>-Site visits</li> </ul>	<ul style="list-style-type: none"> <li>-Economic and political stability</li> <li>-Communities and agencies willing to participate in and sustain nutrition-related activities.</li> <li>-Ecological conditions do not change significantly; no natural catastrophe.</li> </ul>
PURPOSE	END OF PROJECT STATUS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>To develop local institutional capabilities in eight countries to manage and sustain the critical support systems essential to overcoming malnutrition; to develop operational systems within these institutions that will reinforce service delivery, training, and technical capacity at the agency and community levels to sustain self-managed action by the poor to satisfy their basic needs for health, nutrition and food security.</p>	<ul style="list-style-type: none"> <li>-All 8 programs have expanded and/or replicated pilot activities to surrounding areas or new sites.</li> <li>-MFM has phased over direct service delivery activities to local governments, NGOs or community groups.</li> <li>-Local organizations have assumed increasing support for management and finance of program activities.</li> <li>-Costs per beneficiary have been significantly reduced.</li> <li>-Community people engaged in planning and managing health, water, agriculture, and economic activities in target areas.</li> <li>-Percent of village and population targets reached.</li> <li>-Coverage of population attained in program area.</li> </ul>	<ul style="list-style-type: none"> <li>-Site visits</li> <li>-Government/agency reports</li> <li>-Agreements</li> <li>-Financial records</li> <li>-Evaluation studies</li> </ul>	<ul style="list-style-type: none"> <li>-Local agencies sign agreements.</li> <li>-Local agencies willing and able to maintain and/or increase resources for program support.</li> <li>-Local agencies maintain commitment to nutrition improvement goals.</li> <li>-Communities' willingness and ability to participate in health, agriculture and economic activities.</li> </ul>
OUTPUTS	INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>1. HEALTH AND WATER IMPROVEMENT</u></p> <p><u>Institutional Development</u></p> <p>Local agencies (indigenous NGOs and/or government ministries) assume management, training and financial support for maternal/child health and water/sanitation service activities in initial target area and expansion/replication programs initiated before 1990.</p> <p>Community groups provide local personnel and management for service activities.</p>	<ul style="list-style-type: none"> <li>-Level and percent of program resources efficiently managed by local organizations.</li> <li>-Level and percent of resources raised by local organizations for program activities.</li> <li>-Percent of village targets reached.</li> <li>-Coverage of villages attained.</li> <li>-User satisfaction with services provided.</li> <li>-Recurrent costs of services provided.</li> <li>-Degree of consistency between identified needs, selection criteria and projects implemented.</li> <li>-Percent of local assessments, plans, systems and activities designed and implemented.</li> </ul>	<ul style="list-style-type: none"> <li>-Financial records</li> <li>-Agency records and reports</li> <li>-Program reports</li> <li>-Field interviews</li> </ul>	<ul style="list-style-type: none"> <li>-Local agencies cooperate.</li> <li>-Motivation of local groups possible without direct material incentives.</li> </ul>

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<p><u>Operational Systems Development</u></p> <p>MCH programs (e.g., GMP, EPI, and ORT) established/strengthened in target areas.</p> <p>Water and sanitation programs established/strengthened in target areas.</p>	<p>-Percent of centers, protocols, committees, programs attained.</p> <p>-Degree of consistency between system needs and technical appropriateness of protocols.</p> <p>-Coverage attained with functioning centers and programs for GMP, EPI and ORT.</p> <p>-Percent of centers and programs with indigenous management and resources.</p> <p>-Numbers and percentage increase in target populations reached with access to clean water.</p> <p>-Numbers of clean water and other sanitation projects completed by target populations reached.</p>	<p>-Program records and reports</p> <p>-Health Clinic records</p> <p>-Village registers</p> <p>-Community Nutrition Surveillance System (growth records and summary reports)</p> <p>-Immunization records</p> <p>-IAP surveys</p> <p>-Site visits</p> <p>-Rapid Sample Surveys</p> <p>-Site visits</p> <p>-Health clinic morbidity records</p>	<p>-Mothers implement advice and training.</p> <p>-Availability of materials (vaccines and supplies, sugar, and salt for home solution) on timely basis.</p>
<p><u>Training</u></p> <p>Training systems developed.</p> <p>Training for collaborating agency staff and community members (leaders, health volunteers, traditional birth attendants, etc.) to manage support operational systems, birth attendants, etc.).</p>	<p>-Percent of assessments, plans, curricula, etc., developed and implemented.</p> <p>-Degree of consistency between training needs and training plans.</p> <p>-Percent of training targets reached.</p> <p>-Proportion of eligible trainees attained.</p> <p>-Degree of knowledge and skills retained.</p>	<p>-Training curricula</p> <p>-Performance evaluation</p> <p>-Supervision reports</p> <p>-Field trips/site visits</p>	<p>-Majority of people trained remain active in agencies and communities.</p>
<p><u>2. AGRICULTURE AND ECONOMIC DEVELOPMENT</u></p> <p><u>Institutional Development</u></p> <p>Local agencies (indigenous NGOs, and banks of government ministries) assume management, training, and financial support for activities initiated before 1990.</p> <p>Community groups and/or cooperatives provide personnel and management for local agricultural extension and local credit delivery and collection.</p> <p>Community, family and individual small enterprises established.</p>	<p>-Degree of consistency between identified needs, selection criteria and projects implemented.</p> <p>-Percent of local assessments, plans, systems and activities designed and implemented.</p> <p>-Level and percent of program resources efficiently managed by local organizations.</p> <p>-Level and percent of resources raised by local organizations for program activities.</p> <p>Percent of village targets reached.</p> <p>-Coverage of villages attained.</p> <p>-User satisfaction with services provided.</p> <p>-Recurrent costs of services provided.</p> <p>-Management and financial support for agricultural and credit services assumed by local agencies.</p> <p>-Cooperatives, community groups, leaders, contact farmers provide regular services to small farmers.</p> <p>-Credit funds all financially solvent.</p> <p>-Numbers of loans provided.</p> <p>-Numbers of community, family and individual small enterprises operating and profitable.</p>	<p>-Financial reports</p> <p>-Agency records and reports</p> <p>-Rapid sample surveys</p> <p>-Agency reports</p> <p>-Evaluations</p> <p>-Balance sheets</p> <p>-Repayment records</p> <p>-Group interviews</p>	<p>-Local agencies cooperate.</p> <p>-Motivation of local groups possibly without direct material incentives.</p>

Operational Systems Development

Agricultural production and storage programs established and functioning in target areas.

Credit systems established and functioning in target areas.

- Percent of systems and protocols attained.
- Degree of consistency between needs, constraints, systems and technical appropriateness of protocols.
- Coverage attained with functioning credit systems.
- Turnover, repayment and capitalization rates.
- Percent of systems with effective indigenous management.
- Numbers of farmers reached by agricultural extension services.
- Numbers of small farmers using new improved agricultural techniques.

- Program records
- Site visits
- Rapid sample survey
- Financial and program records
- Annual reports
- Audits

- Materials (seeds, fertilizer, pesticide) available on a timely basis.
- Communities choose and support viable economic activities.

Training

Training and technical assistance outreach systems developed.

Training for collaborating agency staff and community members (leaders, village development committees, cooperatives, contact farmers, guarantee groups, etc.).

- Percent of assessments, plans, curricula, etc., developed and implemented.
- Degree of consistency between training needs and training plans.
- Percent of training targets reached.
- Proportion of eligible trainees attained.
- Degree of knowledge and skills retained.

- Training curricula
- Performance evaluations
- Supervisor reports
- Field trips/site visits

- Majority of people trained remain active in agencies and communities.

3. PROGRAM SUPPORT

MFM headquarters planning and management systems strengthened through the development of selected manuals and guidelines and the provision of staff training and technical assistance, which give emphasis to sustained nutritional improvements.

- Revise, document and operationalize systems for planning and budgeting, management information, accounting, program evaluation, training and staff development, technical assistance and information services.
- Prepare, test and operationalize 16 technical guidelines and accompanying training guides.
- Develop and execute annual staff training and development plan(s).
- Organize and conduct 3 international staff meetings, 6 regional meetings, and 15 technical workshops.
- Central staff participation in at least 20 professional meetings.

- Quarterly HQ unit reports
- Operational manuals
- Technical guideline series
- Training manuals and plans
- Training and technical assistance tracking systems

- Funds for hiring consultants, travel, and printing and available as needed.
- Training and staff development coordinator is hired on schedule.
- Manuals and guidelines are completed without major delays.
- HQ staffing levels keep pace with work load demands of total MFM program (e.g., expansion of non-MG programs).

In each of 8 countries, an existing or new indigenous NGO shares, and gradually assumes MFM's role as nutrition-focused, self-help development catalyst and advocate.

- Indigenous NGOs, with compatible goals and potential, are identified or formed, and formal agreements are negotiated in all countries.
- Organizational development assessments are completed and OD strategies, training and technical assistance plans are defined and implemented.
- Management, technical and fund raising capabilities are adequate.
- Responsibilities for field program management are accepted and executed as planned.

- Quarterly program reports
- Formal agreements
- Special reports
- Evaluative studies
- Field observations

- Compatible NGOs exist, or can be formed, and are interested in the proposed strategy and roles.
- Political, social and economic conditions in-country are favorable to the information and operations of indigenous NGOs.
- Indigenous NGOs will allow sufficient access and scrutiny into their operations by MFM to effectively monitor, evaluate and influence their performance.

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<p>MFM increasingly assumes role of financial and technical consultant to the indigenous NGOs.</p>	<p>-Direct management and supervisory functions of MFM decrease.</p> <p>-Decrease in proportion of MFM financial support to field programs.</p> <p>-Gradual but marked shift in MFM training, technical and evaluation assistance from field/community level focus to indigenous NGO focus.</p> <p>-Inter-program network among indigenous NGOs and MFM HQ to facilitate and enhance communication and mutual support is established and functioning.</p>	<p>-Special assessments</p> <p>-Quarterly HQ unit reports</p>	<p>-Potential resources are available within the country or from outside sources to assure reasonable probability of financial stability to the NGO.</p> <p>-Interest exists among the NGOs to form and support a network.</p>
<p><b>4. PROGRAM EVALUATION</b></p> <p>Formal evaluations are completed for 12 programs in 8 countries.</p> <p>Special studies covering selected issues and sites are completed as planned on an annual basis.</p>	<p>-Scheduled evaluations are designed, conducted and documented according to established protocols as follows:</p> <ul style="list-style-type: none"> <li>• 2 design reviews,</li> <li>• 14 interim evaluations,</li> <li>• 4 final evaluations,</li> <li>• 2 sustainability assessments.</li> </ul> <p>-Nine operation research or evaluative studies are designed and initiated; at least 7 of these are completed and published.</p> <p>-Two special assessments involving 3-4 countries each, are designed, conducted and documented.</p> <p>-Ten special assessments involving one program or HQ support function are designed, conducted and documented.</p>	<p>-Quarterly HQ unit reports</p> <p>-Special protocols and reports</p> <p>-Quarterly HQ unit reports</p> <p>-Special research protocols and reports</p>	<p>-In-country conditions (political, climatic, social, etc.) permit evaluations and studies as planned.</p> <p>-Country programs are implemented without major interruptions or constraints.</p> <p>-Funds for hiring consultants, travel and printing are available as needed.</p> <p>-Consultants are identified and available as needed.</p> <p>-Program data for evaluation purposes is identified, collected, and compiled as required.</p> <p>-Collaborating parties willingly participate in the evaluation process.</p>

INPUTS	INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																																												
<p>Funds For:</p> <p>Personnel</p> <p>  Headquarters</p> <p>  Kenya Regional Office</p> <p>  Field Staff</p> <p>Consultants</p> <p>Travel and Per Diem</p> <p>Materials/Equipment</p> <p>Project Funds</p> <p>Other costs (office, telephone, etc.)</p> <p>Local agency collaboration</p> <p>Community participation</p>	<p><u>Projected Budget (000s) (Lower Level)</u></p> <table border="1"> <thead> <tr> <th></th> <th>1988</th> <th>1989</th> <th>1990</th> <th>1991</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td>AID/</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>HQ</td> <td>\$ 900</td> <td>900</td> <td>850</td> <td>800</td> <td>800</td> </tr> <tr> <td>MFM</td> <td><u>1,470</u></td> <td><u>1,489</u></td> <td><u>1,759</u></td> <td><u>1,971</u></td> <td><u>2,104</u></td> </tr> <tr> <td>TOTAL</td> <td>\$2,370</td> <td>2,389</td> <td>2,609</td> <td>2,771</td> <td>2,904</td> </tr> </tbody> </table> <p>Five-Year Total:</p> <p>AID \$ 4,250</p> <p>MFM <u>8,794</u></p> <p>GRAND TOTAL \$13,044</p> <p><u>Projected Budget (Higher Level)</u></p> <table border="1"> <thead> <tr> <th></th> <th>1988</th> <th>1989</th> <th>1990</th> <th>1991</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td>AID/</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>HQ</td> <td>\$1,000</td> <td>1,000</td> <td>950</td> <td>900</td> <td>900</td> </tr> <tr> <td>MFM</td> <td><u>1,589</u></td> <td><u>1,600</u></td> <td><u>1,900</u></td> <td><u>2,115</u></td> <td><u>2,218</u></td> </tr> <tr> <td>TOTAL</td> <td>\$2,589</td> <td>2,600</td> <td>2,850</td> <td>3,015</td> <td>3,118</td> </tr> </tbody> </table> <p>Five-Year Total:</p> <p>AID \$ 4,750</p> <p>MFM <u>9,421</u></p> <p>GRAND TOTAL \$14,171</p>		1988	1989	1990	1991	1992	AID/						HQ	\$ 900	900	850	800	800	MFM	<u>1,470</u>	<u>1,489</u>	<u>1,759</u>	<u>1,971</u>	<u>2,104</u>	TOTAL	\$2,370	2,389	2,609	2,771	2,904		1988	1989	1990	1991	1992	AID/						HQ	\$1,000	1,000	950	900	900	MFM	<u>1,589</u>	<u>1,600</u>	<u>1,900</u>	<u>2,115</u>	<u>2,218</u>	TOTAL	\$2,589	2,600	2,850	3,015	3,118	<p>-Financial reports</p> <p>-Program reports</p> <p>-Annual audits</p> <p>-Personnel appraisals</p> <p>-Procurement records</p>	<p>-Timely transfer of funds.</p> <p>-Qualified personnel available.</p> <p>-Adequate coordination of personnel and activities are maintained.</p> <p>-Budget is adequate to support all activities and contingencies.</p> <p>-No major shift in inflation or other economic indicators.</p> <p>-Local agencies will be willing to collaborate with MFM.</p> <p>-People in target communities will participate actively in program.</p> <p>-Fundraising is not negatively affected by new tax laws and/or economic depression.</p>
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PVO PROJECT REPORTING INFORMATION  
ON AID SUPPORT PVO PROJECTS

OMB No. 0412-0530  
Expiration Date: 03/31/89

FOR OFFICIAL USE ONLY

PVO Type	Project Number		
Appropriation	Level		
Country Code	Fund Type	Technical Code	
Project Officer	Key 1	Key 2	

PROJECT INFORMATION (PRIMARY)

Name of Organization Freedom from Hunger	Grant/Contract Number OTR-0158-A-00-8147-00		
Start Date (m/d/y) 03/01/88	End Date (m/d/y) 02/28/93	AID Project Officer's Name Dcvorah Miller	

AID OBLIGATION BY AID-FY (\$000)

FY	AMOUNT	FY	AMOUNT
1988	110	1991	90
1989	112	1992	96
1990	106		
LOP			514

Activity Description

Freedom from Hunger's program in Thailand is located in the Chumpuang District of the Nakornratchasima (Korat) Province, located about four hours northeast of Bangkok. The program currently operates in 15 pilot villages, providing loans to members of self-managed credit associations, which along with participatory, problem-solving educational sessions provide participants the opportunity to earn more money to buy food and, at the same time, to learn how to improve the welfare and diet of their families. The program is operated in collaboration with the Provincial Government of Nakornratchasima. Once the pilot program has been tested to demonstrate its efficiency and effectiveness, a local nongovernmental organization will become our local partner to expand the project throughout the province and to replicate it in other regions of Thailand.

Status

Fifteen credit associations are actively functioning in the program area, and the project maintains a repayment rate of 99%. Freedom from Hunger has been attempting to develop or improve an agreement with a local financial institution to provide more favorable interest rates to the credit associations. In addition, a partner organization is being identified, which will assume management of the project during the expansion phase of this program, when credit associations will be promoted, trained and augmented in much greater numbers. Once such a partnership is initiated, expansion of the program will begin.

COUNTRY INFORMATION (SECONDARY)

Country Thailand	Location in Country (Region, District, Village) Korat Province
PVO Representative's Name Chatree Watotip	Local Counterpart/Host Country Agency Ministry of Interior

COUNTRY FUNDING INFORMATION

YEAR	1988	1989	1990	1991	
AID \$	155	106	46	48	
PVO \$	129	63	110	80	
INKIND			26	3	
LOCAL	2	7	1		
TOTAL	286	176	183	131	

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**PROJECT INFORMATION (PRIMARY)**

<b>Name of Organization</b> Freedom from Hunger	<b>Grant/Contract Number</b> OTR-0158-A-00-8147-00
<b>Start Date (m/d/y)</b> 03/01/88	<b>End Date (m/d/y)</b> 02/28/93
<b>AID Project Officer's Name</b> Devorah Miller	

**AID OBLIGATION BY AID-FY (\$000)**

FY	AMOUNT	FY	AMOUNT
1988	57	1991	63
1989	58	1992	61
1990	52		
<b>LOP</b>			<b>281</b>

**Activity Description**

Freedom from Hunger is pursuing two projects in Ghana. Working with us, the Ministry of Health's Kintampo District Health Management Team has implemented a Health Nutrition Education project in twelve villages located in the Kintampo District of Brong-Ahafo Region. Transfer of this project to the Ministry of Health is planned for April 1992. The Credit with Education program in Kintampo which was begun in 1990 in collaboration with the DHMT will also cease to operate with Freedom from Hunger support. This is due to management problems, which resulted in a serious drop in loan repayment rates from 100% to 74%. Studies have concluded that the problems stemmed in part from attempting to implement a credit program with staff whose primary training and previous experience was in community health and nutrition.

us

MOH, with assistance from FFH, is working to integrate the most effective elements of the program into their own health delivery system by lowering costs and simplifying activities, while maintaining their quality. These efforts have shown that pre-session community mobilization is key in achieving high coverage. Despite the difficulties, members of the DHMT are interested in continuing to use village banking as a vehicle for health and nutrition education, to build on their experience, and to continue to support a reduced number of credit associations in the pilot area. FFH plans to identify a new region in Ghana in which to implement its Credit with Education project. Several well managed and financially sound rural banks have been identified that have expressed an interest in implementing the credit-with-education approach. We are in the process of studying these potential bank partners to select one with which to partner by mid-1992.

**COUNTRY INFORMATION (SECONDARY)**

<b>Country</b> Ghana	<b>Location in Country (Region, District, Village)</b> Kintampo
<b>Local Representative's Name</b> Francis Beinpuo	<b>Local Counterpart/Host Country Agency</b> Ministry of Health

**COUNTRY FUNDING INFORMATION**

YEAR	1988	1989	1990	1991	
<b>AID \$</b>			83	158	
<b>PVO \$</b>	95	114	100	14	
<b>INKWD</b>		3	7	5	
<b>LOCAL</b>		6		1	
<b>TOTAL</b>	95	123	190	178	

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**AID OBLIGATION BY AID-FY (\$000)**

<b>FY</b>	<b>AMOUNT</b>	<b>FY</b>	<b>AMOUNT</b>
1989	89	1992	155
1990	139		
1991	142		
<b>LOP</b>			<b>525</b>

**Activity Description**

The Credit with Education program was initiated in 1988 in the Dogo Arrondissement in the Sikasso Region about 200 kilometers southeast of Bamako. Staff have been working with poor women in 17 rural villages, providing loans to members of self-managed credit associations, which along with participatory, problem-solving educational sessions provide participants the opportunity to earn more money to buy food and, at the same time, to learn how to improve the welfare and diet of their families. This project has enjoyed great success and program staff have gained sufficient experience in the pilot villages, to expand the program into new regions in 1992.

**Status**

The program has done extremely well this year, and staff demonstrate a willingness to learn, adapt, and adjust their working method as needed, and have been instrumental in encouraging credit associations to analyze loan activities and promote group solidarity. Staff have also developed and documented hunger education and credit management education models and participatory learning techniques. An agreement has been negotiated with the Banque Nationale du Développement Agricole (BNDA) in which the bank will provide credit capital for program expansion. Additionally, the BNDA will provide office space in its branch office and assistance in computerizing the credit association counting systems.

**COUNTRY INFORMATION (SECONDARY)**

<b>Country</b> Mali	<b>Location in Country (Region, District, Village)</b> Dogo Arrondissement
<b>PVO Representative's Name</b> Bakary Traore	<b>Local Counterpart/Host Country Agency</b> CANEF

**COUNTRY FUNDING INFORMATION**

<b>YEAR</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>		
<b>AID \$</b>	89	71	113		
<b>PVO \$</b>	76	103	69		
<b>INKIND</b>	1	13	12		
<b>LOCAL</b>		1	7		
<b>TOTAL</b>	<b>166</b>	<b>188</b>	<b>201</b>		

## FINANCIAL PROFILE OF THE PROJECT

## A. BUDGETED VERSUS ACTUAL EXPENDITURES

<u>Project Elements</u>	1988			
	AID		PVO	
	<u>Budget</u>	<u>Expend</u>	<u>Budget</u>	<u>Expend</u>
Program Costs	\$646,000	\$522,261	\$413,000	\$600,000
Procurement			234,000	81,191
Evaluation	36,000		35,000	
Overhead	<u>68,000</u>	<u>55,000</u>	<u>68,000</u>	<u>103,956</u>
	\$750,000	\$577,261	\$750,000	\$785,147

<u>Project Elements</u>	1989			
	AID		PVO	
	<u>Budget</u>	<u>Expend</u>	<u>Budget</u>	<u>Expend</u>
Program Costs	\$409,000	\$473,228	\$309,000	\$500,976
Procurement			100,000	74,765
Evaluation		13,500		13,533
Overhead	<u>41,000</u>	<u>78,000</u>	<u>41,000</u>	<u>61,782</u>
	\$450,000	\$564,728	\$450,000	\$651,056

<u>Project Elements</u>	1990			
	AID		PVO	
	<u>Budget</u>	<u>Expend</u>	<u>Budget</u>	<u>Expend</u>
Program Costs	\$535,600	\$404,659	\$435,573	\$528,435
Procurement			100,000	84,053
Evaluation	13,000	36	13,000	
Overhead	<u>72,400</u>	<u>52,800</u>	<u>72,427</u>	<u>107,915</u>
	\$621,000	\$457,495	\$621,000	\$720,403