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PROJECT PAPER

**Financial and Institutional Revitalization
of African Credit Unions:
A Market-Based Approach**

Financial and Institutional Revitalization of African Credit Unions: A Market-Based Approach

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List of Abbreviations

| | |
|-------------|---|
| AARP | Applied Action Research Program |
| ACCOSCA | African Confederation of Savings & Credit Associations |
| AFCUL | Australian Confederation of Credit Union Leagues (Rename) |
| AID | (U.S.) Agency for International Development |
| CAMEL | Credit union rating system used by U.S. regulators (Capital adequacy, Asset Quality, Management, Earnings, and Liquidity) |
| CCA | Canadian Co-Operative Association |
| CCCU | Caribbean Confederation of Credit Unions |
| CICM | Centre International du Cr dit Mutuel Fran ais |
| CLICEC | Comit  de Liaison International des Coop ratives d' pargne et de Cr dit |
| COLAC | Confederacion Latinoamericana des Cooperativas de Ahorro et Cr dito |
| COPAC | Committee for the Promotion of Aid to Cooperatives |
| CSULA | California State University - Los Angeles |
| CU | Credit Union |
| CUCC | Credit Union Central of Canada |
| CUNA Mutual | CUNA Mutual Insurance Society (USA) |
| CUNA | Credit Union National Association, Inc. (USA) |
| FAO | Food & Agriculture Organization (UN Agency) |
| FUCEC-TOGO | F d ration des Unions Coop ratives d' pargne et de Cr dit du Togo |
| GNP | Gross National Product |
| HIID | Harvard International Institute for Development |
| IA | Institutional Analysis |
| ICA | International Cooperative Alliance |
| ILCU | Irish League of Credit Unions, Ltd. |
| ILO | International Labour Organization (UN Agency) |
| INFOCOOPEC | WOCCU-developed computer software developed for Togolese credit unions |
| KAF | Konrad Adenauer Foundation of Germany |
| LogFrame | Project Logical Framework |
| ME&R | Monitoring, Evaluation & Research |
| NGO | Non-Governmental Organization |
| ODC | Other Direct Costs |
| OSU | Ohio State University |
| PMT | Project Management Team |
| TDS | WOCCU's Technical & Developmental Services Department |
| TSP | Technical Service Package |
| USAID | United States Agency for International Development |
| WID | Women in Development Programs & Projects |
| WOCCU | World Council of Credit Unions, Inc. |

I. SUMMARY AND RECOMMENDATIONS

A. Background

The proposed project, jointly sponsored by the World Council of Credit Unions (WOCCU) and the African Confederation of Savings & Credit Associations (ACCOSCA), is a follow-on to an earlier, jointly sponsored five-year effort scheduled to terminate in FY-1994.

In this earlier, and ongoing effort, substantial progress was made in (1) institutional strengthening of the Africa-wide association (ACCOSCA) and the various national associations in the Africa region, and (2) assessing the level of development of individual credit unions throughout Africa. As a result of this work, valuable lessons have been learned about the strengths and weaknesses of the credit union movement in Africa, valuable data gathered about techniques and performance, and the national associations prepared, as never before, to undertake the reforms necessary to institutional strengthening throughout the system.

B. Summary Project Description

The concept of the proposed project is to develop a package of policies, products and services for individual African credit unions that will render them more competitive in the financial marketplace, and thus able to enjoy rapid growth. These policies, products and services will then be made available to a selection of the strongest and most progressive credit unions in Africa. The plan is to select a sample of ten such leading credit unions in each of eight African countries jointly selected by USAID and WOCCU, and to provide intense support to these leading credit unions. As they enjoy unusual growth in membership (through increased competitiveness), and financial strengthening (through appropriate financial management policies), they will increase their support to their respective national associations, increasing financial viability also at the top of the credit union pyramid.

The expectation is that if unusual growth and strengthening can be accomplished among the selected credit unions, they will become models for emulation by their less dynamic and progressive sibling credit unions, creating a "spread effect" that will enable macro-impact of reforms over time.

Specific policies, products and services targeted in this project are the following:

- development of approaches to setting interest rates on loans and dividends that will yield profits from lending while encouraging rapid growth in member saving (market rates for borrowers and savers alike); and

- staff training to improve (1) performance in marketing credit union products and services, (2) portfolio management, and (3) understanding of the need for and willingness to support the indicated credit union national association.

The project's **Goal** is to increase private financial market effectiveness and opportunities available to low-to-middle income Africans, to enable them to improve their socio-economic conditions, by improving the availability, quality and performance of credit unions services. Indications of Goal achievement will be (1) a 50% increase in average savings account balances in participating credit unions, (2) an average loan amount of \$500, and (3) a 20% increase in the ratio of credit union loans for productive (non-consumption) purposes.

The project's **Purpose** is to assist selected, high-potential credit unions to significantly improve their performance and service delivery capacity through institutional strengthening, improved services and products and improved safety and soundness. Indications of Purpose achievement will be (1) by EOP 80 selected credit unions from at least 8 USAID approved countries will have been strengthened and revitalized so to serve as models to sibling credit unions in their countries and (2) those same selected credit unions, their respective national associations and ACCOSCA itself will have taken large steps toward self-sufficiency through internally generated earnings and fees.

Project **Outputs and Inputs** toward achievement of the above **Purposes and Goals** are listed in the project's Logical Framework, attached hereon as Appendix A.

C. Recommendations

The following recommendations for USAID assistance are made:

1. Development Grant

Authorization of development grant funds for WOCCU, to administer through ACCOSCA, of \$4.0 million over a period of five years, funded incrementally as follows:

| <u>Fiscal Year</u> | | <u>Project Year</u> | |
|--------------------|----------------|---------------------|----------------|
| 1993 | \$ 800,000 | Yr-1 | \$1,043,428 |
| 1994 | 1,000,000 | Yr-2 | 1,006,084 |
| 1995 | 1,000,000 | Yr-3 | 820,947 |
| 1996 | 800,000 | Yr-4 | 804,755 |
| 1997 | <u>400,000</u> | Yr-5 | <u>324,786</u> |
| | \$4,000,000 | | \$4,000,000 |

2. Cooperative Agreement

Authorization of a Cooperative Agreement with WOCCU for execution of the proposed project.

II. PROJECT BACKGROUND

A. Credit Union Development in Africa

1. The African Politico-Economic Environment

The African continent covers approximately 11,500,000 square miles. Sub-Saharan Africa, the region from which the African Confederation of Cooperative Savings and Credit Association's (ACCOSCA) present membership is drawn, covers a territory of about 9,300,000 square miles, which is approximately 16% of the earth's land surface. ACCOSCA and the World Council of Credit Unions (WOCCU) currently have affiliates in 27 of the 46 countries of sub-Saharan Africa.

In mid-1990, these 27 countries had a total population of 416.5 million, and some of the highest population growth rates in the world. By the year 2000, their combined population is expected to reach 530 million. Affecting approximately 85% of the population of working age, unemployment and underemployment constitute significant social and economic problems. This work force is heavily dependent on the land, as an estimated 73% of the labor force is engaged in agriculture. The service and industrial sectors account for only 16% and 11%, respectively, of the working population.

The economic conditions in the region are bleak. Africa's lack of economic progress contrasts starkly with social and economic development on other continents. Quality of life indicators as reported by the UN and World Bank for sub-Saharan Africa have declined in virtually all countries over the past two decades. Per capita food production has declined in 14 of the past 16 years. On-farm income has stagnated. Health and education standards are the lowest in the world.

Sixteen of ACCOSCA's 27 member countries are classified by the World Bank as "low-income" economies (defined as less than US\$600 per capita GNP). In fact, these 16 countries had a combined population of over 333 million in 1990 with an average annual per capita GNP of US\$301. Tanzania had the lowest, US\$110, and Lesotho the highest, US\$530. During the period 1965-90, eight had per capita GNP growth rates of less than zero. Over the past 25 years, per capita GNP in these countries "grew" at an average annual rate of -1.06%.

Another seven of ACCOSCA's member countries are classified as "lower middle-income" economies. These have a combined population of 45 million, and an average per capita GNP of US\$1,194 with an average annual growth rate of 2.6% over the past 25 years.

Considering the above indicators, these 27 countries' credit union movements operate in areas that are poor. The fiscal and monetary picture presented by these countries

is of serious concern. Inflation is a serious problem throughout the region. In 1990 the average annual inflation rate was 19.2% and thirteen of ACCOSCA's member countries had inflation rates higher than 11%.

These countries are heavily burdened by external debt. The practice of external borrowing has resulted in a situation in which internal savings mobilization has not been stressed. While several national development plans describe the role that credit unions should play in mobilizing local savings and in bringing marginal sectors of the population into national financial systems, few resources have been committed to these plans.

Several reports from international organizations have emphasized that massive private investment is required if African countries are to take advantage of development assistance initiatives and achieve economic growth rates that will bring about sustainable levels of economic development. Such effort requires extensive savings mobilization to provide the necessary local funds for these investment opportunities and sustainable self-development.

2. USAID Mission & Priorities

The mission statement of the U.S. Agency for International Development states the following: "A.I.D. assists developing countries to realize their full national potential through the development of open and democratic societies and the dynamism of free markets and individual initiatives."

Among the principles that A.I.D. observes in regard to the programs it supports are:

- support for free markets and broad-based economic growth;
- concern for individuals and the development of their economic and social well-being;
- support for democracy;
- support for lasting solutions to transnational problems

The project being proposed here fully supports all of these principles, and directly relates to each one of them.

3. African Credit Unions & the Transition in the Financial Marketplace

Credit unions are in a unique position to aid in Africa's a savings mobilization effort. First, credit unions are established institutions in over 30 African countries. Second,

credit unions provide financial services to segments of the population (both producers and consumers) that have limited access to formal financial markets. Hence, credit unions can perform an important role in both the saving and investment processes of these countries. They can help in the mobilization, concentration, and centralization of individual savings, and in the provision of loanable funds to the private sector for investment purposes.

In recent years the African financial scene has become more open and liberalized. However, the commercial banking sector continues to be for the most part, non-competitive and inefficient. This is despite recent IMF/World Bank policy initiatives which have led to the removal of interest rate ceilings on loans and deposits as well as the relaxation of direct credit controls and restrictions on bank activities.

In general, however, such initiatives have not substantially improved the flow of financial services (savings and investment) to large segments of the population in these countries. Banks in sub-Saharan Africa are still characterized by poor quality service and are mostly confined to developed urban centers. Commercial banks in Africa enjoy large interest rate differentials (margins) on their lending activities vis-à-vis their deposit activities. Twelve countries have margins that equal or exceed 9%. This is in sharp contrast to the more competitive banking systems of developed countries where margins are 4%-5%. Thus, there is room for expansion, and opportunities do exist for the provision of financial services in African countries, provided the guidelines of the market approach identified in this proposal are implemented.

The existence of such interest rate margins in African economies points to three direct conclusions.

First, it testifies that market forces are not allowed to function. Second, it indicates the inefficiency of the financial system. Third, it indicates that with a more conducive environment, profitable opportunities do exist, which, if fully exploited, can make both savers and investors better off.

These ideas are supported by several studies on African financial markets undertaken by Ohio State University (OSU) and Harvard Institute for International Development (HIID); Pollard, et al., July 1992; Cuevas and Graham 1990; Graham and Cuevas, 1990, Duesenberry and McPherson, 1991).¹

African economies have a great need for financial services. Currently, both informal traditional societies and formal financial institutions coexist. However, most of the latter are outside the reach of the majority of people. Credit programs through

¹ See documents cited in Bibliography, Attachment B.

development banks have disbursed millions, only to realize substantial defaults, losses and in most instances, institutional failure, primarily because the low, non-market lending rates attracted influential and frequently dishonest people. Not the targeted rural poor who are frequently and unfairly blamed for the collapse of Africa's development banks.

Despite the failure of the predominantly government-managed formal banking sector, Africans have continued business as usual through their tried and tested traditional savings groups. In countries such as Ghana, where nearly 80% of all financial transactions are carried out through traditional/informal groups, the formal banking sector with its government and donor lending programs has meant little to the average African. Recent bank failures have reinforced the strength and dependability of traditional groups. However, if individuals belong to traditional groups, their short term savings needs may be met, but lack of access to credit often continues to constrain their investment activities. Moreover, since they are outside the mainstream national financial systems, traditional group members fail to participate in institutions that offer protection against loss or misuse of their savings.

Credit unions are financial institutions open to the vast majority of Africans. They provide an opportunity for people sharing a common bond of association, residency or employment, to pool their savings. The pooled savings create a source of loanable funds which can be channelled back to the

members for investment purposes at reasonable (market) rates and terms. Credit unions thus combine many of the attributes of the traditional savings groups, providing self-help and member-controlled assistance. By carrying forth this tradition with careful attention to competing in the market place for borrowers and savers

ACCOSCA-Affiliated Credit Unions

Growth In Numbers of Credit Unions
African Credit Union Movement

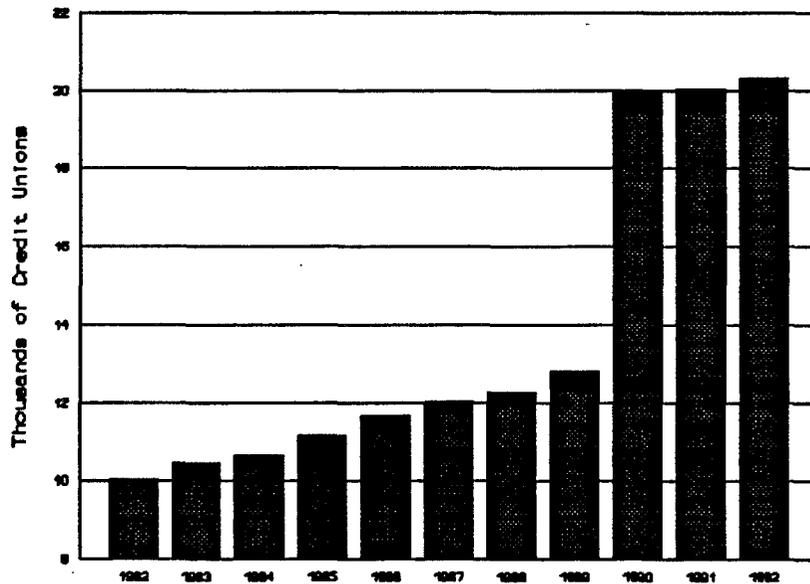


Figure 1

alike, it is anticipated that substantial long-term growth can be realized even in the difficult Africa financial environments.

Credit unions also provide opportunities for women and youth to fully participate not only in financial markets, but in democratic organizations as well. Women and youth have the chance to participate as staff and management personnel as well as serve in leadership positions. They are also able to gain access to loanable funds to invest in a variety of business enterprises and have a place to accumulate capital.

4. The African Movement Overall

ACCOSCA-Affiliated Credit Unions

Credit unions typically serve the middle to lower income segments of the population. In the face of the low per capita income levels in these countries, the ability of credit unions to mobilize savings and provide credit is of paramount importance. Despite the poverty level, by 1990 the ACCOSCA-

Growth in Membership

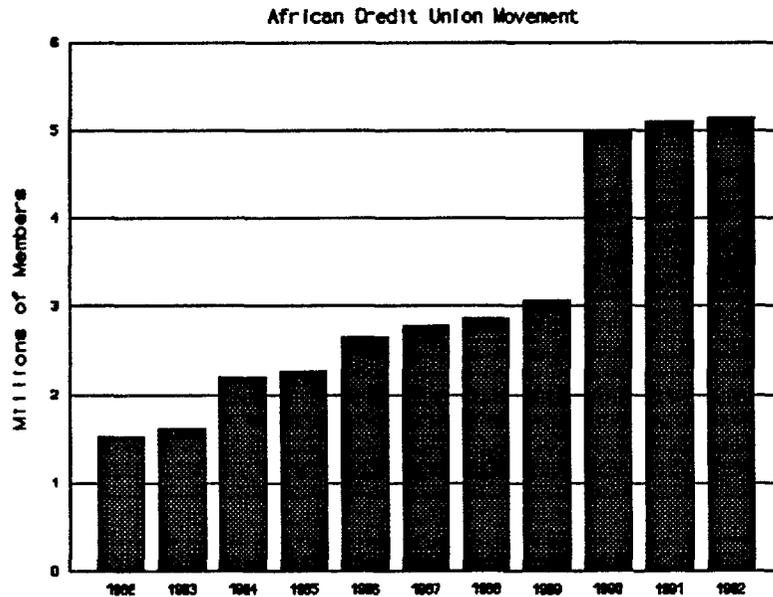


Figure 2

affiliated credit unions were successful in mobilizing US\$ 500 million in locally-owned savings.

The credit unions found in these 26 member countries are part of nationally-recognized and chartered credit union movements. Credit unions are also found in other African countries, but many are presently outside nationally-developed and recognized movements. In spite of promotion efforts over the last 20 years, there are still large segments of the African population without access to the credit union system. Further, despite efforts made to date, aggregate credit union savings and loan balances are only approximately 1 percent of commercial bank savings and loans.

Hence, while the credit union movement has contributed to savings mobilization and the provision of credit, the movement has yet to realize its full potential. Closer attention will be given to the larger financial market place to compete for savers and borrowers alike.

a. Strong Points & Successes

ACCOSCA-Affiliated Credit Unions

Growth of Principal Balance Sheet Items
African Credit Union Movement (1982 - 1992)

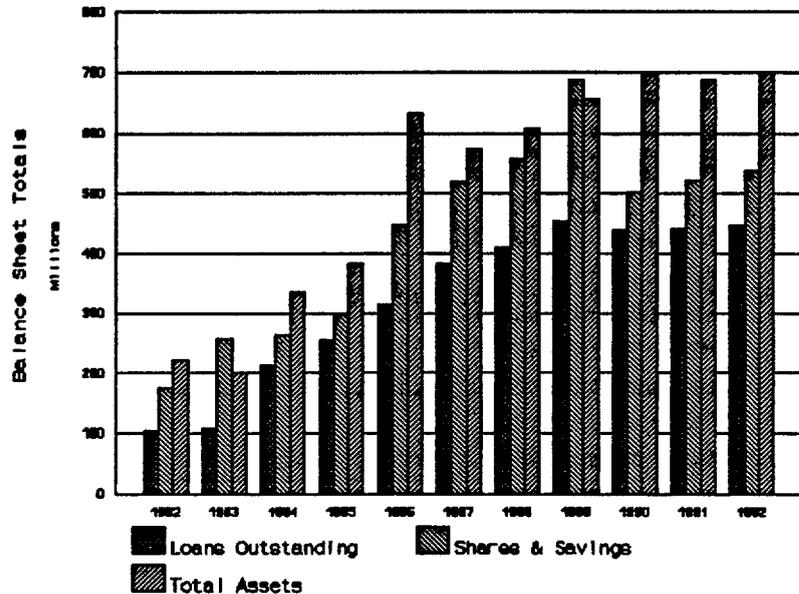


Figure 3

The major objective of the current WOCCU/ACCOSCA/ USAID project has been to carry out an analysis of the movement in each of ACCOSCA'S 26 member countries.

The 20 Institutional Analyses of the African credit union movement completed to date, indicate that individual financial needs, as members currently perceive them, are inadequately met.

A review of other formal and in-formal financial intermediaries indicates that there exists a strong customer base for high quality, reasonably-priced financial services. However, there are indications that competing institutions are not meeting the needs of existing and potential credit union members, either. Therefore there are

strong reasons for encouraging the improvement of current credit union operations and fostering their ongoing development.

Credit unions:

- Are community-based, grassroots organizations
- Are part of a Regional/National/International network
- Have a comparative advantage and experience over other NGOs in providing financial services in Africa
- Service a clientele not generally reached/served by formal financial institutions, particularly in regard to access to credit
- Are private sector initiative-based
- Provide training in democracy

Credit unions also provide major opportunities for members by:

- Providing quality financial services and products at reasonable prices
- Providing access to reasonably-priced credit
- Offering attractive rates of return on savings currently held in a non monetary form or with competitors, if they set up proper operating margins.
- Empowering individuals with the ability to control their economic future.
- Introducing large groups to real democracy.
- Providing individuals with long term savings facilities and with an asset that can aid in wealth-creation and long-term savings through ownership of the credit union.

b. Problems & Constraints Identified by the Institutional Analyses

Given the usual caveats with respect to data quality (i.e., for some countries the same numbers are reported for 4 to 5 years in a row), available data (see Attachment I) would seem to indicate that the growth of the movement has slowed considerably during the past 4 to 5 years. However much of this apparent decline is in reality due to the decline of the U.S. Dollar vis-à-vis other currencies. But let us look beyond raw financial data for causes and effects.

The results and major findings of the institutional analysis program conducted in specific country movements, are presented in Attachment G.

So far the process has been implemented in twenty (20) countries. Table 1 below shows the list of the countries visited as well as the period when the analyses were conducted, the date the countries joined ACCOSCA, the number of credit unions visited during the analysis program broken down into workplace and community-based credit unions.

The national associations' dates of affiliation to ACCOSCA are included in order to provide an indication of how long these National Associations have been members of ACCOSCA and it may help in understanding some of the problems prevailing in the credit union movement in a specific country.

The findings from the Institutional Analyses, include (but are not limited to):

- (1) The majority of credit unions face liquidity problems (i.e., loan demand exceeds savings).

Loan limits are usually insufficient to meet the members' borrowing needs and there are often delays in getting loans.

- (2) The vast majority of credit unions pay dividend and interest rates below market rates of interest, negative in real terms, and offer cheap loans (at negative real rates below market rates).

Of 16 countries surveyed, only in 5 of the 20 did 80% or more of credit unions pay a dividend on savings and shares. In 5 of these 20, the interest rate on loans is 12% p.a. In the remaining 11, interest rates on loans ranged from 5% to 60% p.a.

- (3) Credit unions neither offer nor imagine that they could offer a wide range of financial services.

Credit unions do not recognize their potential to offer a wide variety of services.

- (4) Credit unions are generally governed by an archaic and often outdated cooperative act or law.

The Legal framework in most countries does not allow credit unions to compete with other financial intermediaries or provide needed financial services in these countries. Credit unions are sometimes treated as

parastatals and governments frequently take a paternalistic view in dealing with the movement.

This also leads to inadequate safety and soundness at all levels.

- (5) Credit union auditing is typically undertaken by the inadequately equipped supervisory ministry (usually Agriculture or Rural Development), who are primarily staffed by people poorly equipped to supervise financial institutions.

TABLE 1

**LIST OF COUNTRIES WHERE THE INSTITUTIONAL ANALYSIS
HAS BEEN CONDUCTED**

| Country | Dates IA Conducted | Date Affiliated | Number Work-place Credit Unions | Number Community-Based Credit Unions | Total Number of Credit Unions |
|----------------|---------------------------|------------------------|--|---|--------------------------------------|
| Cameroon | May/ June 1990 | 16/9/68 | 7 | 14 | 21 |
| Ethiopia | Nov./ Dec. 1991 | 6/9/68 | 16 | 4 | 20 |
| Gambia | March 1990 | 2/12/82 | 1 | 5 | 6 |
| Ghana | Sept. 1990 | 16/9/68 | 10 | 9 | 19 |
| Kenya | Dec. 1989/ Jan. 1990 | 16/9/68 | 15 | 0 | 15 |
| Liberia | Nov. 1989 | 16/9/68 | 18 | 3 | 21 |
| Malawi | Feb. 1990 | 16/9/68 | 4 | 8 | 12 |
| Nigeria | Sept. 1991 | 16/9/68 | 20 | 16 | 36 |
| Rwanda | April 1991 | 16/9/68 | 0 | 15 | 15 |
| Sierra Leone | March 1990 | 16/9/68 | 2 | 11 | 13 |
| Swaziland | June 1992 | 25/9/68 | 10 | 3 | 13 |
| Tanzania | March 1992 | 16/9/68 | 13 | 10 | 23 |

| Country | Dates IA Conducted | Date Affiliated | Number Work-place Credit Unions | Number Community-Based Credit Unions | Total Number of Credit Unions |
|----------------|---------------------------|------------------------|--|---|--------------------------------------|
| Togo | June 1990 | 10/9/72 | 3 | 17 | 20 |
| Uganda | July/Aug. 1991 | 16/9/68 | 8 | 13 | 21 |
| Zambia | May 1992 | 16/9/68 | 7 | 6 | 13 |
| Zimbabwe | May 1992 | 28/5/87 | 7 | 6 | 13 |
| TOTAL | | | 141 | 140 | 281 |

The audits are often quite late, which does not allow for the timely payment of dividends, nor the smooth functioning of credit unions. This also does not allow for proper checks and balances to be maintained on a regular basis.

- (6) Many national associations are not financially self-sufficient and rely on external donor support.

There is also disproportionate representation at the national level that is slanted in favor of small credit unions.

Only one association surveyed was completely self-sufficient. The majority of associations surveyed required external funding to continue to provide the current level of services to members.

- (7) Credit union movements tend to be more democratic than the national political system, but are frequently characterized by poorly trained and often entrenched elected leadership.
- (8) Credit unions have very high loans-to-capital ratios.

Large withdrawals of funds can create liquidity crises for a credit union. Hence, most do not allow savings withdrawals and encourage members to take loans rather than withdraw their savings.

- (9) Loan delinquency is a major problem.

Adequate provisions are often not made for bad loans, nor are delinquency schedules and other critical management reports prepared as regularly as they should be. Loan delinquency was a problem in 70% of the countries surveyed and 40 % of all credit unions visited reported problems with loan delinquency.

When it is clear that some loans are irrecoverable, there is still a great reluctance to bring such losses to account in the financial statements.

Further, most credit unions are concerned about the problem of moral hazard (misuse of loan funds). However, moral hazard problems can be avoided by not issuing cheap loans and requiring borrowers to have sufficient equity in any productive enterprise. It is preferable to institute better loan practices than to try to insure that the loan proceeds are used for a specific purpose.

- (10) The use of external donor funds does not encourage sound loan management since the institution does not look upon such funds as its own.

Hence, such institutions need to be locally supported. The dismal history of externally- funded development banks in Third World countries should be kept in mind so that history does not repeat itself in credit union structures.

- (11) Many credit unions do not employ professional managers, and most credit unions' physical infrastructure is inadequate.

Only in 5 of the 16 countries did 80% or more of the credit unions have salaried staff. In one third of the countries, less than 40% of credit unions' had paid staff.

- (12) Credit unions are not run nor seen as business/corporate entities.

Credit union management and boards generally do not exercise good business/corporate sense; rather, they are frequently focussed on the *social* aspect of cooperation, and neglect the business side. The majority of credit unions are lax with respect to such issues as safety and soundness, maintenance of an adequate interest spread between savings on the one hand and the loan/investment portfolio on the other hand, internal control through use of established financial indicators, reserve creation, management, holding regular business hours and lack a service ethic, as well.

- (13) There is no real understanding of the need for credit unions to change/update operating policies to suit the changed environment.

In Africa, credit unions were originally introduced as borrowing institutions for the low income groups and were never promoted as savings institutions. As a result, in the main they have only attracted the minimum amount of savings required to qualify for a loan.

If credit unions are to realise their full potential, the present operating policies which are biased in favour of the borrower must be changed. Both members and potential members must be motivated to place the majority of their savings with credit unions because of the attractive savings as well as borrowing services provided. For a point by point summary of how the proposed project deals with each of the above findings, see B.5.a/b/c below.

B. Need for New Approach to Credit Union Development in Africa

1. The Existing Model

The credit union system in Africa can be viewed as having a structure similar to a pyramid. At the base of this pyramid are the individual members. The next level above the base are the individual credit unions. Above them are the national associations, and above the national associations is ACCOSCA.

The current USAID/WOCCU/ACCOSCA project (like similar past projects) has injected resources and services at the ACCOSCA level and seeks to achieve development at all levels through a filtering-down process. The underlying rationale of such an approach is that by passing resources and services down to the next level below (the national associations), the base will in turn become larger and financially stronger and be able to return resources back up the chain to support the upper level tiers. The IA's undertaken by ACCOSCA indicate that while this has occurred to a limited extent, the impact has not been as great as expected.

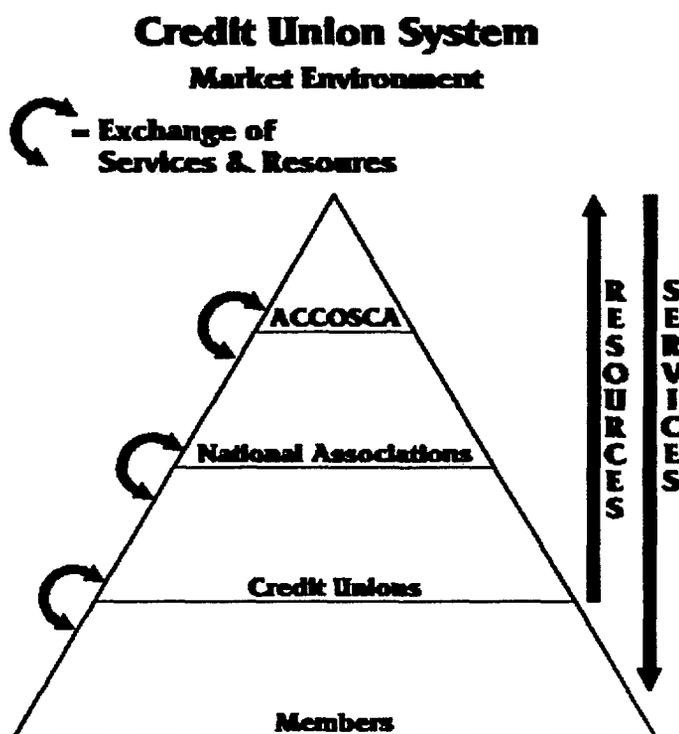
It is important to recognize that the the direct injection of funds by donors at the second and third tier levels was a critical factor in the growth of the African credit union movement in its early stages of development. However, it is also important to realize that the movement has matured and there is now a much higher level of professionalism at leadership level. These developments, combined with the fact that there has been a significant reduction in donor funds, requires that a new approach be developed which will restore strong growth and development to the movement and at the same time help accelerate its transition to full financial self sufficiency at all tiers.

The proposed new approach targets the majority of its efforts and resources to reinvigorating the primary society base utilising the skills and resources at national association and ACCOSCA level. By so doing it will:

- a. Reactivate strong growth and development at primary society level through the introduction of new services in response to member needs and the implementation of higher quality financial management and controls.
- b. Put in place proper operating margins that will not only be sufficient to ensure that a realistic equity base is developed and proper provisions for potential losses are set aside, but will also allow for the funding of the system at second and third tier levels.

2. A Market-Based Alternative

In order to achieve the aims set out above, the proposed project's strategy is based on a market model. In a market model of the credit union system in Africa, resources and services are exchanged between the different tiers of the pyramid, and each level is self-sufficient. Transactions between the tiers occur when services are demanded by one tier and can successfully be supplied by another tier. Hence, each tier must find cost-effective ways to provide such services if self-sufficiency and viability is to be maintained.



Thus, members at the base will *only* supply resources (i.e., financial savings and fees) to individual credit unions if the latter provide the type of services members demand. Likewise, credit unions will *only* support national associations if the former receive services they need from the latter (since they are paying for them). Similar relationships exist between the national association and ACCOSCA. Such relationships need to be well-developed within the African movement.

3. A Case Study

The new directions for credit union "revitalization" in Africa sound good in theory. The question is, will it work? Both WOCCU and ACCOSCA believe it will because the type of program being proposed here has been used elsewhere in Africa and other parts of the world, and with very positive results. Consider the case of Togo.

Beginning in late 1986, Togo's national credit union federation, FUCEC-TOGO, began implementing a program financed by the African Development Foundation (ADF). This program, entitled "Revitalization of Rural Credit Unions"², offered a development package to 15 rural credit unions. To benefit from the program, credit unions had to sign formal agreements with the federation, agreeing to:

- Hire a professional manager deemed qualified by the federation
- Establish and publicize firm business hours, at least 3 half-days per week
- Obtain land from local authorities for eventual construction of a modest office building
- Formally adopt the FUCEC-TOGO-established financial policies, including the standard credit union loan policy, more realistic treatment of bad debt reserves, maintenance of a maximum loans/loanable funds ratio of 70%, and increasing the interest rate structure (24% on loans and 8% or better on savings).

These kinds of policies, while seemingly normal in developed country movements, had been promoted for years in Togo, with little success. Reasons contributing to this were that some of the elected leaders were benefitting from large low-cost loans for which they did not legitimately qualify and also the fact that the Church (and by implication to many, GOD himself), had been involved in setting the previous borrower-oriented policies. There was a feeling by some that 24% p.a. interest, the break-even lending rate, because it represented a doubling of the loan rate previously recommended by the church, was usurious, so there was considerable reluctance to adopt the new policy package that would lead Togolese credit unions into the modern financial market.

To overcome the significant reluctance to change policies considered "tried and true", some kind of incentives had to be devised. Therefore, those credit unions agreeing to these provisions were offered a package of incentives which included the following:

- Medium term interest free loans to assist with the construction of office buildings

² *Viabilisation des COOPEC Rurales* in French.

- Subsidisation of the salary of a professional manager on a decreasing basis over a period of three years
- Financial assistance with specially developed promotional programs

Revitalization of Rural Togolese Credit Unions
Savings Growth in CFA Francs of 15 Targetted Credit Unions

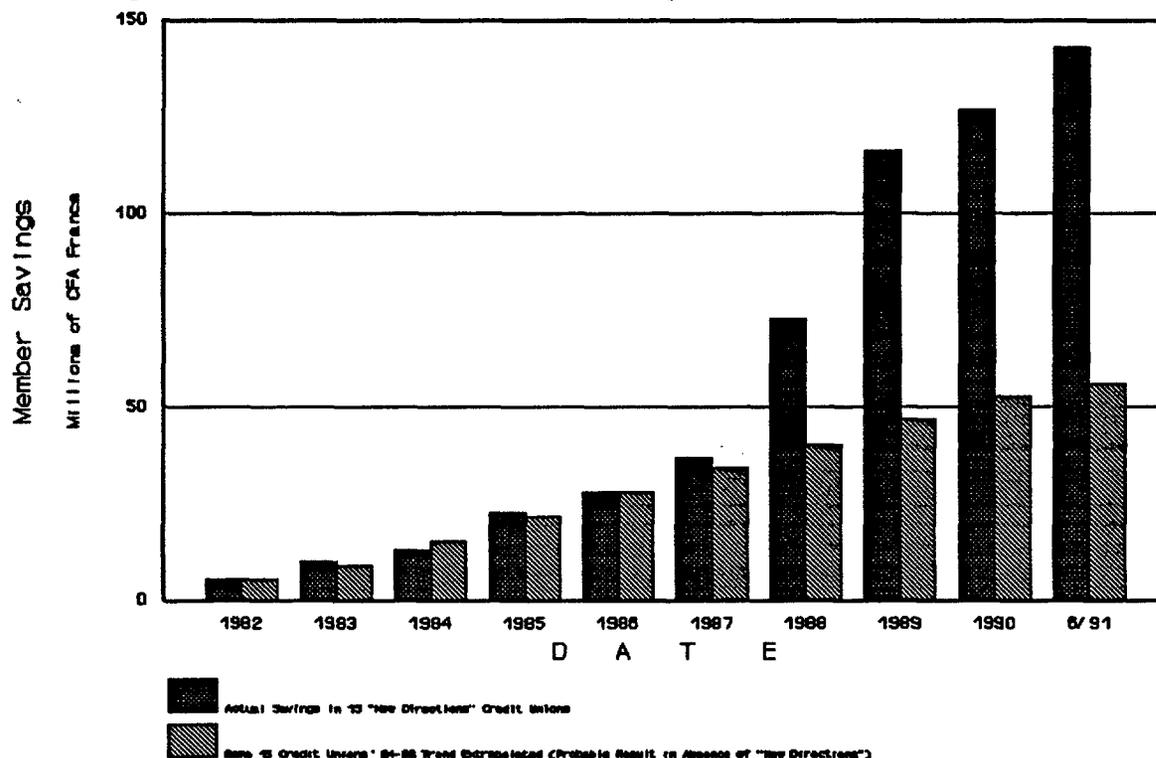


Figure 4

The results of the program far surpassed the expected results, at least in most participating credit unions. By the end of the five-year project, it was determined statistically that the magnitude of the resulting increase in membership and savings was largely a function of:

- The quality of the salaried manager

- The local economy; results were much higher in cash crop (coffee, cacao, cotton) zones and villages with large, regional markets

Obviously, then, one would not want to waste future resources on small villages not possessing either one of these major sources of income. This point is important in planning similar efforts elsewhere in Africa, which is the essence of the project proposed in Section III below.

Probably the most important aspect of the Togo experience, though, was that it was not necessary to replicate the incentives in every credit union. The enormous success in 15 credit unions had a demonstration effect on other credit unions.

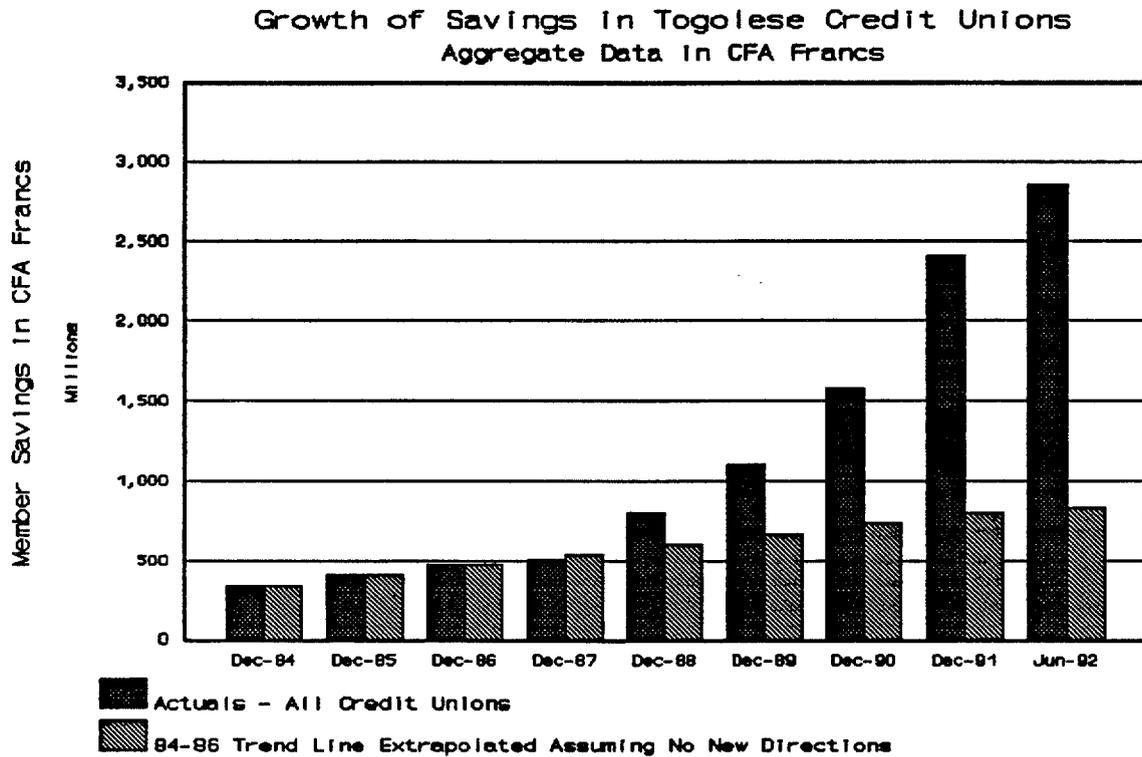


Figure 5

When they heard about the tremendous growth occurring in the "chosen" credit unions, they wanted to know why it had occurred. FUCEC-TOGO responded, emphasizing that it was the changes in *policies*, not the subsidization needed to encourage credit unions to change, that caused the explosive growth. Within three years of the inception of the Rural Credit Union Revitalization Project, most other credit unions in Togo had followed suit and raised their interest rate structures and other improved financial policies.

Because the conditions in Togo are not significantly unlike those prevailing in the rest of sub-Saharan Africa, both ACCOSCA and WOCCU believe that the results can be replicated in other countries. It is the mechanics of that extension of the revitalization process elsewhere in Africa that will be discussed in succeeding sections of this project proposal.

4. Role of the Proposed Project

This project is designed to provide the means for the African movement to begin making much greater progress towards long-term self-sufficiency and viability. The primary way in which this occurs is by initially focusing resources and services directly at individual credit unions. This process will reorient the credit unions' operating approach and enhance their **procedures, policies and practices**. By so doing, individual credit unions will become more responsive to the members' needs and also be able to attract new members through the provision of high-quality, reasonably-priced financial services.

A strong member base will create a pool of financial resources that can then be tapped by the national associations, if the latter also provide high-quality, reasonably-priced services that credit unions want and which cannot be satisfied by individual credit unions working on their own. This would create stronger national associations.

Further, ACCOSCA would provide services (again high-quality, reasonably-priced) to the national associations that the latter require in order to meet the demands of individual member credit unions.

In the truest sense of the market model, the base would develop and grow by itself. Individual credit unions would orient themselves with respect to the financial market and its forces and recognize that survival and success is dependent on dealing effectively with such forces. However, as was noted above, African credit unions have not traditionally been developed and formed to respond to the market environment they operate in. Hence, individual credit unions are either unable and/or lack the knowledge to fully appreciate the benefits of participating in the broader financial market environments of which they are part.

What is needed, then, is a catalyst which can create a reaction at the base so that the market mechanism can be spread across the base and then up the pyramidal structure of the system. The proposed project would provide such a catalyst that is consistent with the **credit union philosophy of self-help**. It emphasizes self-help as its unique feature and only seeks to assist those leagues and credit unions that are serious about change, innovation and growth, and are serious and self-disciplined enough to choose to undertake such a program.

5. Constraints & Opportunities Facing Credit Union Development and Growth

The Institutional Analyses Summary of the African credit union movement indicates that there are significant constraints that limit the achievement of the above goals. The proposed project will directly address the relaxation and removal of these constraints.

Four major constraints have been identified based on the Institutional Analyses:

- lack of business orientation;
- lack of knowledge of credit union operations;
- margins and improper pricing; and
- lack of proper legislative/regulatory controls and support.

a. Problems involving lack of Business Orientation

These problems include a lack of:

- Financial and managerial controls and discipline
- Implementation of sound loan policies
- High quality staff being hired or volunteers being well trained
- Adequate, confidence-inspiring physical premises

The proposed model aims at:

- Achieving economic independence and financial viability through improved financial policies and procedures
- Developing new financial services and offering them to members
- Using a market-based approach to meet members' needs
- Increasing members' accessibility to their own savings
- Basing yields on share and deposit savings on competitors' rates and maintenance-of-value considerations
- Providing more flexible loan limits which will better meet the members' borrowing needs

b. Problems with Lack of Knowledge of Credit Union Operations on the part of Leadership and Staff

These problems manifest themselves in the form of:

- A lack of financial and managerial controls and discipline
- The lack of focus on setting equity capital goals results in inadequate, poor, and often impaired capital positions
- A lack of sound loan granting procedures.
- The lack of a defined loan delinquency policy, loan collection program and realistic policies on bad debt provisions/write offs.
- A lack of knowledge of their duties and responsibilities on the part of the leadership
- A lack of well planned membership education programs

The proposed model aims at:

- Implementation of a risk management program
- Implementation of sound loan policies and procedures
- Development of an effective loan collection program
- Implementation of an asset/-liability management program
- Through intensive training, developing dynamic, forward-looking leadership responsive to members' needs
- Membership education programs which will make them aware of their rights, duties and responsibilities as members.

c. Problems Concerning Margins and Non-Market-Oriented Pricing Policies

As previously noted,

- Yields on savings are often below market rates and generally negative in real terms which penalizes member savers, discourages savings, thus favoring borrowers over savers.

The proposed new model will attempt to:

- Ensure that loan rates are market based and of a sufficient level to cover the payment of market rates on savings and provide a sufficient margin to cover all operating costs
- Increase financial and managerial controls and discipline.

The consequences are:

- Lack of an adequate savings base to meet members' borrowing needs
- Credit unions not attracting the discretionary savings of their members but rather only those savings sufficient to qualify for loans
- Credit unions not attracting into membership those persons in their bond who only wish to save and not borrow
- Lack of adequate protection of member savings through the credit unions' inability to build reserves because of inadequate operating margins
- Reliance on external funds to finance loans
- Focus on setting capital goals resulting in adequate capital positions

d. Problems Concerning Legislative and Regulatory Policies and Institutions

A major problem is the untimely auditing, inspections and examinations of credit unions by regulatory authorities, if done at all. The project will endeavour to ensure that competent, independent and timely audits, inspections and examinations are conducted

Most of the other constraints and opportunities identified above are applicable to the problems concerning legislative and regulatory policies and institutions and are not repeated here. The proposed project aims to build upon the legislative component of the current project. An important component of the proposed project is the identification of existing legislative constraints and propose ways such constraints can be relaxed to allow for opportunities to be seized. For example, as a result of the legislative workshops implemented under the current project in francophone West Africa by ACCOSCA, affiliated credit union movements in Niger, Togo, Senegal, Benin, and Burkina Faso were able to identify road blocks to effectice credit union development that were being proposed by the central bank for the francophone states of the West African Monetary Union (BCEAO) under a new law that regulates credit unions. With WOCCU support, ACCOSCA spearheaded a drive to outline more appropriate ways to regulate credit unions that reflect the experience of the credit

union movements in that area. The combined efforts of the various affected movements coupled with the vocal and written support of both ACCOSCA and WOCCU forced West African Central Bank officials to listen to the credit union movement's concerns and to make appropriate changes that will accommodate the unique needs of credit unions.

Of the twenty countries for which an IA has been undertaken, 7 (43%) of the countries cite legislative problems as serious current constraints to the movement's growth and development. Only 12% of these countries report that the legal and regulatory framework is *not* a major problem. Based on this, the legislative component will be focused to address the specific legislative and regulatory issues on a country-by-country basis.

6. Relationship to Previous Projects

The focus of the current project is on supply-driven strategies, that is, the reliance on and concentration of resources and services injected at the ACCOSCA level to be able to trickle down and lead to results at the individual credit union and member level.

The recent mid-term evaluation of this project indicates that ACCOSCA has indeed been strengthened by the project. Additionally, the Institutional Analyses of country movements (conducted through this project) have led to recommendations by ACCOSCA staff to individual movements that would permit each one to begin realizing its full potential.

The proposed project is a necessary and requisite complement to the efforts begun by the current project, and provides a solid framework around which credit unions can be transformed into viable and sustainable financial institutions. There are essentially two ways in which this can be accomplished. The first is the supply-driven approach, as has been attempted by the current and past projects. However, an important feature of this type of approach is the reliance on external (lender or donor) funds to finance expenditure line items. An inherent problem in this approach is a tendency towards the creation of a dependency on external funds and it also does not train the recipients in the efficient management of expenditure, as expenditure levels are predetermined by the donor. The historical record indicates that such an approach, while usually having positive short run benefits, has had mixed results in the long run.

An important lesson learned from a variety of development assistance projects (most of them focusing on improving the provision of financial services) is that sustainable and viable institutions are best developed using a demand-driven (e.g., customer driven) approach. This is when institutions and policies are designed to be consistent with and responsive to the needs of the target group/clientele being served. This

implementation strategy focuses on the actual needs of the target group and then working back up the vertical service network develops ways in which such needs can best be met and by whom.

Under the proposed project, diagnostic studies will be carried out on each of the participating credit unions and national associations to determine what new products and services the members want and think they need. It is important to note that within the context of financial institutions, a "product" is not always a material object. Products offered to members can also be a type of loan, special purpose savings accounts, travellers checks, etc. Although the specific products and services to be developed for the participating credit unions and national associations will only be determined after the diagnostic studies identify what products and services the membership wants, an illustrative list of such products and services follows:

| | |
|----------------------------|----------------------------------|
| Education Savings Accounts | Retirement Savings Accounts |
| Business Loans | Personal Loans |
| High-Interest Savings | Special Purpose Savings Accounts |
| Housing Loans | Youth Savings Accounts |
| Student/Education Loans | Direct Deposit |
| Checking Accounts | Money Orders |
| Travellers Checks | Bill-Paying Services |
| Travel Loans | Overdraft Loans |
| Evening/Saturday Hours | Foreign Currency Accounts |

External funds and resources can help facilitate this change of approach and should be contributed by way of income to the organisations responsible for implementing these strategies. This has the effect of providing a financial cushion to these organisations to enable them to make the transition from donor dependency to financial self sufficiency. It provides a further benefit in that they will be forced to manage their own expenditure and the more efficient they are at doing this, the more they will benefit.

The latter approach is taken in the proposed project in that it attempts to effect a transition in the African credit union movement from being heavily dependent upon foreign donor assistance to being basically self-reliant at all levels - (credit unions, national associations and ACCOSCA). Hence, this project will provide the bridge between donor dependence and financial independence and will prevent the crisis that would occur if donor funds were withdrawn completely.

III. PROJECT DESCRIPTION

A. Project Goal

The goal of this project does not differ in any fundamental way from the goal of the current WOCCU/ACCOSCA project. That is the goal remains:

to increase private financial market effectiveness and opportunities available to low-to-middle income Africans, to enable them to improve their socio-economic conditions, through improving the availability, quality and performance of credit union services in Africa.

B. Project Purpose and Objectives

However, the emphasis of the proposed project in achieving this goal differs from the emphasis and methodology employed in the past projects. The new project is designed to help self-selected high-potential credit unions to significantly improve their performance and service delivery capacity with respect to the three major components of:

- **Institutional Strengthening**
- **Provision of Improved Services & Products**
- **Improved Safety and Soundness**

While a number of quantitative indicators of successful goal and purpose achievement are identified in Attachment A, the project logical framework, the ultimate indicator of success is a growing number of credit unions attaining their break-even and take-off points even as they pay suitable fees to support their national associations, thus providing for sustained growth and financial stability throughout the credit union system.

This project is part of a long-term strategy designed to bring the African credit union movement into the 21st century as a modern and important player in Africa's financial services market. This larger strategy is defined in detail in a document entitled **Plan Africa 2000** developed jointly by ACCOSCA and WOCCU. **The vision contained in this plan is one that views a credit union as a dynamic, people-owned organization whose primary purpose is to provide high-quality and reasonably-priced financial services that meet or exceed its members expectations.**

It is important to recognize that this view does not compromise the cooperative nature of credit unions. Rather, a cooperative is just one of the numerous types of ownership

(e.g., sole proprietorship, corporation, partnership) employed in business entities around the world.

Implementation of this overall strategy implies that African credit union movements should focus on a market-based approach to enhance credit union development, emphasizing the delivery of high-quality, reasonably-priced services to members at the least possible risk to the credit union. This means changing present policies and practices so that all the identified financial needs of the members are being met by their credit unions. This approach does not abandon the traditional low income/rural poor membership base; rather, it seeks to better serve such members and expand the membership base to a broad cross section of society.

The strategic business plan underlying Plan Africa 2000 is one that emphasizes a business and market-based approach to credit union development and growth. It emphasizes that such an approach should focus on enhancing safety and soundness, improving institutional strength and the provision of new products and services (see illustrative list of products and services on page 26). In short, this project closely meshes with the long term plans and vision of ACCOSCA and WOCCU.

An important element of the new strategy is that it recognizes and works within the present structure of the credit union system in Africa: the member, the individual credit union, the national association, and ACCOSCA.

C. Outputs

Accomplishment of the project's three main components will be assured through the achievement of five principal project objectives:

- Building Awareness & Acceptance of the Need for the Market-Based Approach
- Institutional Strengthening, primarily at the credit union level
- Development of Innovative New Products & Services
- Membership and Savings Promotion
- Improved Movement-wide Safety & Soundness

These five objectives are summarized in the following table, which ties each objective back to a logical framework output indicator, and then discussed in greater detail in the following pages.

OBJECTIVES, SUB-COMPONENTS, PURPOSE AND LOGFRAME OUTPUT INDICATORS

| PROJECT OBJECTIVE | SUB-COMPONENTS | PURPOSE | LOGFRAME OUTPUT INDICATORS |
|---|---|---|--|
| 1. Building Awareness & Acceptance of the Need for the Market-Based Model | <ul style="list-style-type: none"> a. Building Awareness of the Market-Based Approach b. Selection of National Associations for Project and Further Awareness of Market Model c. Symposia/Workshops for Individual Credit Unions on the Market Model d. Annual National and Continental Symposia/Workshops to Share Experiences, Successes and Techniques Developed | <p>To create awareness at the national association level of the policies, practices and procedures necessary to revitalize the movement through a market based approach.</p> <p>To select a subset of the national associations who have the most potential for change and are willing to change to, adopt and implement the market model and increase their awareness.</p> <p>Creating awareness of the market model at the credit union level.</p> <p>Review the progress made and discuss what changes if any, need to be made to the approach taken to make it more effective.</p> | <ul style="list-style-type: none"> 1. Number of countries & national associations participating in program. 2. Number of credit union participating in the AID project. |
| 2. Institutional Strengthening | <ul style="list-style-type: none"> a. Development of the Technical Assistance Package b. Establishment of Initial In-Depth Diagnostics at the National Association and Individual Credit Union Levels c. Transfer of Technical Assistance Skills to National Association Staff d. Training of Individual Credit Union Management and Leadership e. Ongoing transfer of skills at the individual credit union level | <p>To develop the technical assistance package to be used to transform individual credit unions into prototype, market-based models of financial services providers.</p> <p>To establish initial benchmarks, aid in the establishment of growth targets and determine the financial needs of the members and potential members.</p> <p>To develop skills at the national association level to enable the national association staff to assist in the implementation and subsequent monitoring of the program and to enable them to implement similar changes in policy and direction in other member credit unions who are not part of the pilot program.</p> <p>To begin dissemination of the Technical Assistance Package</p> <p>To achieve growth targets, increases in market shares, improved growth and performance ratings, and project goals.</p> | <ul style="list-style-type: none"> 3. CU strategic business plans adopted. 4. Number of CU and national association tool kit components developed. |
| 3. Development of Innovative New Products and Services | <p>Introduction of new financial products to attract members and non members. Final decision as to which new products/services should be introduced would be determined by the results of the member survey.</p> | <p>To introduce new savings products such as at call accounts, fixed deposits, special purpose savings accounts paying market interest rates.</p> | <ul style="list-style-type: none"> 5. New (savings and loan) products and services introduced. 9. CU overall market share (savings and loans) in participating countries. |
| 4. Membership and Savings Promotion | <p>Development of new savings products and design and implementation of promotional campaigns.</p> | <p>To achieve the planned growth rates in membership and savings.</p> | <ul style="list-style-type: none"> 7. Annual growth rates of participating CUs in membership, savings, loans and total assets. |
| 5. Improved Safety and Soundness | <ul style="list-style-type: none"> a. Audits, Examinations and Inspections b. Legislative and Regulatory Reform | <p>To ensure that proper financial and management controls and disciplines have been instituted.</p> <p>Allow for integration into the financial system and remove any obstacles to policy reform, the provision of new types of services, and the promotion of safety/soundness.</p> | <ul style="list-style-type: none"> 6. CAMEL-like CU performance rating system. 8. Specific CU performance measures of participating CUs. 10. Financial self-sufficiency as defined by common formula. |

The following sections discuss each of these five objectives in detail.

1. Building Awareness & Acceptance of the Need for the Market-Based Model

This objective will involve a number of components:

a. Building Awareness of the Market-Based Approach

Purpose:

To create awareness at the national association level of the policies, practices and procedures necessary to revitalize the movement through a market based approach.

Description:

Four regional workshops/symposia would be held in which the changes necessary to effect the growth and development at credit union level would be presented and discussed. This would include such issues as interest rate policies, operating margins, delinquency controls, safety and soundness controls, inflation, capital erosion, loan policy, central finance, strategic business planning, business entities and cooperatives, market orientation, worldwide examples of successful and unsuccessful cooperatives, the service ethic which is essential in a market environment, responsibilities to members, and operating in the market environment in Africa.

This project component is based on similar approaches used in Eastern European and other former socialist countries who are interested in reforming current non-market procedures and moving towards the market model, but are unsure or unclear on what such an approach entails, and possibly fearful of the transitional costs.

The presenters at this workshop/symposium would be the WOCCU technical advisor assigned to the project and ACCOSCA staff members.

The four workshops would be for French-Speaking West and Central Africa, English-Speaking West Africa, the Southern African countries, and the East African Anglophone Countries. Each workshop would be for three days. Because of the different legal customs and language base adopted in English-speaking versus french-speaking West Africa, it is not appropriate to combine the two workshops.

Each national league that is in good standing with ACCOSCA (i.e., paid up dues) would be invited (currently all 28 ACCOSCA members are in good standing), but attendance would be voluntary. Each league would be invited to send its executive board of directors (no more than 5 board members) and manager. An additional benefit is that awareness created at these workshops would reach the individual credit unions, since each board member belongs to a credit union.

As a result of these workshops, the attendees would be fully informed of the rationale for change and the steps that would be required to effect such change. As such they would be well-informed to decide whether or not their country should participate in the program.

The willingness by national associations to adopt such an approach would be the primary indicator of success.

This project component is a necessary prerequisite for the outcome of improved safety and soundness, institutional strengthening and provision of new product and services.

b. Selection of National Associations for Project and Further Awareness of Market Model

Purpose:

To select a subset of the national associations who have the most potential for change and are willing to change to, adopt and implement the market model and increase their awareness.

Description:

Based on the IAs and IA follow up, ACCOSCA would grade and rank all the associations. Selected national associations would be chosen for possible inclusion in the project. In addition to being in the highest-ranking group, the association must have attended the symposium/workshop. The aim here is to build on success, although some consideration will be given to helping larger movements most in danger of failure. The association would then be invited to participate in the program, which would mean that after training, it would be contracted by ACCOSCA on a fee for service basis to provide technical advice and assistance to the pilot credit unions and report on their progress.

Those national associations willing to participate would be asked to select a subset of approximately ten credit unions for the purpose of inviting their boards of directors and managers (if they have one) to a similar in-country symposium. The specific criteria used to select this subset of credit unions would be developed under the project by ACCOSCA and WOCCU, but the CAMEL³ or some similar broad-based rating system adapted for Africa, would be considered for assessing the credit unions' performance. Such factors as past growth, market size and base, type of credit union, level of record keeping, level of delinquency etc. would be taken into consideration.

³ The CAMEL system is a broad-based credit union performance rating and monitoring system based on a number of measures of Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity, to which a sixth component, Growth, is frequently added.

The national association would be free to choose any credit unions that meet these criteria.

If a national association chooses to participate, it would have to sign formal agreements which would specify what the association has to do to earn the fees for providing technical support and monitoring of the pilot credit unions.

The formulation of this agreement, in generic form, would need to be developed by WOCCU and ACCOSCA. The agreement would also contain a detailed timetable with respect to, but not limited to, reorientation of approach, membership growth, league financial viability and sustainability, central finance facility policy, and democratic practices. The agreement would also stipulate that noncompliance and/or failure to meet targets set forth as per stated timetable, would result in immediate review and possible termination of the association's involvement.

Upon the signing of the agreement, a study/exchange tour for the national association executive board of directors and the manager, would be undertaken in a selected developed movement to see how a credit union can be run successfully using business principles and still retain the philosophy of a cooperative. The purpose of this tour is for them to directly experience and see how a successful credit union operates, and not to provide specific training in credit union management.

c. Symposia/Workshops for Individual Credit Unions on the Market Model

Purpose:

Creating awareness of the market model at the credit union level.

Description:

Identical to those for the Market Model Awareness Symposia/Workshops held for the national associations. Attendance is by invitation and is not mandatory. Again, the executive board of directors and the manager (if applicable) would be invited.

At the conclusion of the workshop, those boards in attendance would be asked to consider whether they would like to adopt and implement this approach. These credit unions would have an agreed period from the time of the workshop in which to confirm their desire to change and participate in the program.

To be eligible for participation in this program, a credit union would be required to sign a legal agreement with ACCOSCA and the national association in which they commit themselves to:

- Formally adopting the project-defined financial policies package, including a standard credit union loan policy, more realistic treatment of bad debt reserves, maintenance of a maximum loans/loanable funds ratio, and increasing the interest rate structure to positive real levels determined necessary during the initial diagnostics, for the credit union to achieve its new break-even/take-off point within three years.
- Hiring a full time manager holding the minimum level of qualification agreed upon by the national association, ACCOSCA and WOCCU (if the credit union does not already have a suitably qualified manager)
- Establishing and publicizing regular business hours, at least three half-days per week
- Obtaining suitable office space or obtaining land from local authorities for the eventual construction of a modest office building

In return, ACCOSCA and the national association will provide the technical assistance package and on going technical support for the life of the project.

If a credit union, after committing itself in writing, fails to comply with the conditions of the agreement then it will be liable for expulsion from the program and another credit union will be brought in to replace it. Such an expulsion, if necessary, will be made jointly by ACCOSCA and the ACCOSCA Resident Management Advisor, in consultation with the affected national association.

Additionally, specific growth and performance targets and indicators (real value of savings and loans, real value of assets, membership, real value of capital, market share, etc.) must be met according to an established timetable.

The agreement (as in the case of the national association) would also stipulate that non compliance and/or failure to meet targets set forth as per stated timetable would result in immediate review and possible termination of project technical assistance.

d. Annual National and Continental Symposia/Workshops to Share Experiences, Successes and Techniques Developed

Purpose:

To share knowledge gained by pilot credit unions with all other credit unions in the sytem.

Description:

After the pilot credit unions have been operating for a year under this program, an in-country workshop would be held, attended by the leaders of these credit unions, to review the progress made and discuss what changes if any, need to be made to the approach taken to make it more effective.

These workshops would continue to be held on an annual basis throughout the duration of the project.

A similar review workshop attended by representatives of participating national associations would be held after the program had been operating at the credit union level for not less than twelve months.

At least one further workshop would be held during the course of the project.

2. Institutional Strengthening

The bulk of project resources will be directed towards transferring skills to ACCOSCA and national association staff and the staff and leadership of the pilot credit unions so that they are fully conversant with the new market-based approach and will have the capabilities to train other credit union leaders in this new approach. This would be achieved through the development of diagnostics, technical assistance and training packages and on the job training.

The five principal components of the institutional strengthening objective would be the following:

a. Development of the Technical Assistance Package

Purpose:

To develop the technical assistance package to be used to transform individual credit unions into prototype, market-based models of financial services providers.

Description:

At project inception, a WOCCU technical advisor would be hired to transfer and/or ensure that existing ACCOSCA staff have the necessary skills and tools to be able to provide the type of workshop presentations/training consistent with the market model.

The technical assistance package would cover and highlight new product and service development, institutional strengthening and improved safety and soundness.

Again, in the context of financial institutions in general and this project proposal specifically, a "tool kit" is not necessarily a box full of material objects used to "fix" other objects. Instead, what we mean by "tool kit" is a series of resource materials that can be used to "fix" or diagnose and then treat a problem or situation. The term "tool kit" is used because it reflects that fact that these resources already exist and can be used, even adapted to the specific need, without having to create something from scratch. The tool kit envisioned in this proposed project to help accomplish the project components would include paper or electronic copies of "how to" materials and such items as:

- IA/Diagnostic process description
- IA/Diagnostic samples
- Member survey examples
- Break-even analysis
- Business, marketing and stabilization (the latter where necessary) plan models
- Generic/suggested institutional agreements
- Auditing manual (ACCOSCA)
- Inspection/examination manual (WOCCU)
- Membership promotion (WOCCU TSP)
- Savings Mobilization (WOCCU TSP)
- Central Finance Facility (WOCCU book)
- Financial Management (WOCCU book)
- Accounting Manual (ACCOSCA)
- Training manual on board and committee duties and responsibilities (ACCOSCA)

(1) Loan Delinquency and Loan Collection

An important component of the technical assistance package would be the development of techniques to handle loan delinquency and loan collection. Loans become delinquent when there is bad loan appraisal, bad loan approval procedures, non-existent or non-functional loan committee, bad or nonexistent loan follow-up

procedures, poor leadership, loans diverted to risky business enterprises, and the injection of external funds to finance member loan demand without sufficient care or proper training. All of these problems are scheduled to be addressed through the technical assistance package developed. Moreover, the improved auditing, examinations and inspection system proposed in this project should aid in reducing bad loan problems.

A loan delinquency policy and loan collection system will be developed and put into place. It is proposed that the actual loan delinquency policy and loan collection program be developed under the proposed project and tailored to meet the specific country conditions and legal regulations.

(2) Additional Skills and Tools

In addition, the tool kit would contain a complete inventory of other useful tools (such as books, manuals, sample rating systems, etc.), as well as where and how to obtain them.

ACCOSCA will be responsible (as shown below) to transfer the technical assistance package to the national leagues and to the individual credit unions.

Under the present project, a number of ACCOSCA staff have acquired considerable knowledge and skills in the analysis of national association and credit union operations. Further experienced staff would need to be added to successfully implement the project; however, the intent is that ACCOSCA would be paid fees to achieve the project objectives and so the exact staffing requirements would be left to ACCOSCA to decide. This concept will be elaborated on in the implementation section of this proposal.

Additional skills transfer would occur to ensure that the ACCOSCA staff had the ability to transfer the necessary technical assistance to transform the credit unions.

b. Establishment of Initial Diagnostics at the National Association and Individual Credit Union Levels

Purpose:

To establish initial benchmarks, aid in the establishment of growth targets and determine the financial needs of the members and potential members.

Description:

After selection of the credit unions and the national associations, two levels of diagnostic checks will be performed. The first level would be to identify appropriate

growth and performance indicators at the credit union level, along with each credit union's current status with respect to each. These benchmarks would be used to establish growth and performance targets for each credit union. Additionally, a follow-up on the IA performed by ACCOSCA during the past ACCOSCA project would be done to evaluate the current status of the national association.

The second level would involve surveying the needs of both members and potential members in the individual credit union fields of membership. This would require that surveys, along the lines of those used by CUNA in the United States in the 1970s be developed and employed. A representative model can be seen in a recent report on surveying members' and non-members' reasons for joining a credit union in Honduras⁴ or those used by WOCCU in their credit union microenterprise programs.

The results of these two levels of diagnostics would be used to establish initial benchmarks and to identify how the credit union is seen by members and non-members in their respective fields of membership. The results of these surveys would be used to identify new products and services that the credit union could provide. Survey results would also provide the foundation for the strategic business plan of the credit union. The initial benchmarks would be used by ACCOSCA to establish the target growth rates to be specified in the contractual agreement between the credit unions and ACCOSCA.

An external consultant would be hired on a short-term basis to assist ACCOSCA in the development and implementation of the survey instrument.

c. Transfer of Technical Assistance Skills to National Association Staff

Purpose:

To develop skills at the national association level to enable the national association staff to assist in the implementation and subsequent monitoring of the program and to enable them to implement similar changes in policy and direction in other member credit unions who are not part of the pilot program.

Description:

ACCOSCA would be responsible for the training of nominated national association field staff who would be assisting the individual credit unions to adopt and implement the market model. The WOCCU technical advisor would also assist in this component, but primarily as a resource person and backstop to ACCOSCA personnel.

⁴ Scott, Katherine KacKinnon, "Credit Unions in Honduras: Characteristics of Members and Non-Members and Factors Influencing Membership Decisions", January, 1992.

The number of national association staff to be trained in this area would be determined by the national association. Similar to ACCOSCA, the association would be contracted to provide this technical support.

Details are discussed in section VII of this proposal.

d. Training of Individual Credit Union Management and Leadership

Purpose:

To begin dissemination of the Technical Assistance Package

Description:

The national association field staff, who had been trained under the project by and in conjunction with ACCOSCA staff, would meet with individual credit union directors and managers and set out how the technical assistance package will be implemented. The WOCCU technical advisor would also assist in this component, but primarily as a resource person and backstop to ACCOSCA personnel.

Intensive training sessions would also take place at this time, so that the basic set of policies, practices and procedures can be incorporated immediately by the individual credit unions.

e. Ongoing transfer of skills at the individual credit union level

Purpose:

To achieve growth targets, increases in market shares, improved growth and performance ratings, and project goals.

Description:

ACCOSCA and the national association would develop a work plan to provide ongoing transfer of technical skills at the individual credit union level over the life of the project. This would include regularly scheduled visits, workshops, and examinations to record progress.

ACCOSCA and national association staff would be responsible for insuring that recommended policies, practices and procedures are being implemented and that the 14 point technical assistance package summarised in Table is adopted and put into practice.

3. Development of Innovative New Products and Services

Most credit unions in Africa provide only one type of deposit account for members which may be titled either "shares" or "savings." Usually withdrawals are not allowed, or if they are, extremely onerous conditions effectively discourage withdrawals. Members are encouraged to take a loan rather than withdraw savings. Further, in most instances either no dividend/interest is paid or the rate paid is well below market.

Loan limits are invariably tied to shares/savings balances with the result that members usually can't obtain the level of loan that they need.

As a result of these outmoded policies, there is a great opportunity to introduce new savings products such as at call accounts, fixed deposits, special purpose savings accounts paying market interest rates. These new products would be a great attraction to members and non members alike.

Also, there is considerable scope for new loan products to be introduced which are tailored to meet the identified needs of the members.

These are just some of the new products and services that can be introduced. However the final decision as to which new products/services should be introduced would be determined by the results of the member survey.

4. Membership and Savings Promotion

To achieve the planned growth rates in membership and savings and the level of development envisaged will require considerable technical assistance from national associations and ACCOSCA in the development of new savings products and in the design and implementation of promotional campaigns.

Further, to have the resource base to handle the growth envisaged may require some modest initial expenditure (for example, a rapidly-decreasing subsidy of a professional manager's salary, improved office premises, etc.) at the beginning of the program by some credit unions. The project would consider providing pilot credit unions with some financial assistance to help defray these initial costs. However, the extent of the assistance (if any), would be considered on a case-by-case basis.

5. Improved Safety and Soundness

This project objective involves improving the controls over and monitoring of credit unions' finances, and thus improving the safety of members' savings deposits and shares. The objective also involves improving the legal and regulatory environment in which credit unions operate. Both components of this objective will benefit greatly

from the systems and methodologies (legal content guide, model credit union guide, comparative legal digest, computerized credit union monitoring and rating systems, etc.).

a. Audits, Examinations and Inspections

Purpose:

To ensure that proper financial and management controls and disciplines have been instituted.

Description:

Each national association would arrange and negotiate the fee for quality, independent auditing services for credit unions participating in the project. The fees for this service would be paid for by the credit union out of their newly-established margins. The auditing program would: 1) be used in the establishment of initial diagnostics; 2) provide regular quality audits; and 3) undertake surprise audits, examinations and inspections to provide additional safety controls. Depending on the national associations' own internal capability, the audits may be conducted by national association staff or by firms of chartered accountants.

Each credit union, working in conjunction with the national association, should strive to obtain a fidelity bond as an additional means to providing savings/shares protection.

b. Legislative/Regulatory Reform

Purpose:

Allow for integration into the financial system and remove any obstacles to policy reform, the provision of new types of services, and the promotion of safety/soundness.

Description:

One of the major problems confronting the African credit union movement is the lack of clear definition of what the role of government should be in relation to the movement.

Worldwide experience has shown that the following broad principles are the most effective:

(1) Credit unions operate most effectively when they are identified as part of the private sector of the economy - not government enterprise. Cooperatives are unique private sector institutions that are owned and controlled by the people they serve.

In too many countries they are seen as an arm of government policy and are subject to excessive government intervention in direction and management.

Legislation should provide the powers and legal basis for operating as a credit union but should not get into details of operating procedures and policies. (e.g interest rates, dividends etc.)

(2) Each sector of the cooperative movement has its own particular legislative requirements. If credit unions have to come under general cooperative law, such law should at least contain special provisions covering the particular needs of the credit union movement.

Credit unions are best served by having their own separate legislation which can comprehensively address all their special needs.

The project would draw on the legislative component of the current ACCOSCA/WOCCU project, as well as on the model legislation guidelines recently developed under WOCCU's AID-funded "Safety and Soundness" project, and would focus on those countries participating in the program. The specific legislative and regulatory constraints in each country would be identified and strategies developed as to how these constraints could be removed. An outside consultant specializing in this area will work with ACCOSCA. Contact will be made with USAID Missions and other donors in African countries not among the eight chosen for intensive assistance, to see whether those missions could assist their countries in this area.

This project component needs to be integrated into the other project components since for the implementation of some of the technical assistance components, it may be necessary to have legislative and regulatory reform first. For example, if there are legal restrictions on the interest rate that a credit union can charge on a loan, then it may not be possible to move immediately to market rates and other options explored (e.g.fees). However, this does not preclude the fact that other technical assistance components could not be undertaken (i.e., improvement in financial and managerial disciplines and control, loan collection, bad debt provision, leadership, etc.).

It is essential that legislative and regulatory constraints be identified immediately and work begun to overcome them once a country has been selected.

D. Inputs

The revitalization of African credit unions through a business and market based approach will require financial assistance totalling USD 4.0 million from USAID over a five year period. It will be used to support on-site technical assistance including both TA and equipment provided by the World Council of Credit Unions (WOCCU) and institutional support to the African Conferderation of Cooperative Savings and Credit Associations (ACCOSCA) and affiliated national associations.

Each of the project participants will have a distinct input in the project as outlined below:

1. ACCOSCA

ACCOSCA will be the principal implementing organization and, as such, will be responsible to transfer a technical assistance package to selected national associations that will help high potential credit unions significantly improve their performance and service delivery capacity with respect to three major components - institutional strengthening, provision of improved services and products, and improved safety and soundness.

In year one, ACCOSCA will coordinate and undertake the implementation of the two symposia/workshops for the national associations and four symposia/workshops for the national associations and their credit unions. ACCOSCA will also provide the necessary trained staff to transfer the technical assistance package to the national associations and credit unions. ACCOSCA will undertake follow up IA's for the selected countries. ACCOSCA will establish the initial diagnostics and growth targets at the credit union level. ACCOSCA will also begin to design monitoring, evaluation and research activities and plans. ACCOSCA will assist the national associations in the hiring of quality independent auditors for credit unions.

ACCOSCA will conduct two additional symposia/workshops for the national associations and a further four symposia/workshops for the national associations and their credit unions. IA follow-ups will also be carried out of the chosen national associations.

ACCOSCA will facilitate the annual workshops of the pilot credit unions to review the progress of the program. It will also convene a workshop of all the participating national associations with a similar purpose.

In years two and three, ACCOSCA will provide monitoring, evaluation and research (ME&R) for the project, provide ongoing technical assistance to national associations and where appropriate, credit unions. Towards the end of year, ACCOSCA will begin to publicize the news and results of the project to provoke a demonstration effect on non-participating credit unions.

In years four and five, ACCOSCA and the national associations will identify additional individual credit unions that will participate in the program. ACCOSCA will assist the national associations with ongoing technical assistance, provide ongoing ME&R, and continue dissemination of the project results. ACCOSCA will also coordinate and present a member-wide symposium/workshop on the findings and results of this project.

During the first three years of the project, ACCOSCA, in conjunction with the WOCCU resident advisor and an external consultant, will work out a timetable to implement legislative guidelines and reforms on a per country basis (as developed during the present ACCOSCA/WOCCU project).

2. National Associations

ACCOSCA will engage its affiliated national associations to provide the technical assistance package to the credit unions. The agreement will be for an initial two-year period.

3. World Council of Credit Unions

The intended project grantee is the U.S.'s Credit Union National Association, Inc. (CUNA), a recognized AID contractor. CUNA has made WOCCU its executing agent for the AID projects and, accordingly, WOCCU will have overall project management responsibility. This will be accomplished largely through the technical and administrative management support provided by WOCCU's home office in Madison.

The WOCCU Project Manager will have overall responsibility for project management, which will include, among other things, recruitment of the resident technical advisor and short-term consultants, review of project progress through regular monitoring, in consultation with USAID determine ACCOSCA'S continued involvement, identification of problems requiring resolution, and on-site visits to review overall project performance, plan subsequent project activities, and briefings with USAID.

The hiring of the ACCOSCA Resident Management Advisor should be done in consultation with ACCOSCA, as should the final approval of the individual for this position.

WOCCU/ACCOSCA will arrange and organize jointly-funded study/exchange tours to developed movements for national association board members and managers. Africa has a limited number of people trained in how to organize and manage safe, sound and service-oriented financial institutions. The absence of knowledge in supply and demand, financial markets, interest rates, profitability, financial analysis, etc.

limits the ability of people who are otherwise very capable and well educated to establish and operate credit unions. These credit unions could play a role in developing efficient financial markets. Study tours provide the opportunity for Africans to learn the basic skills needed for successful development of credit unions. WOCCU's experience has shown that trainees develop a service mentality and vision for the future. They also gain additional credibility as leaders once they return home and put into practice what they have learned. Credit unions and national associations that agree to provide training or host a study tour usually provide the training (their own staff time) for free and also often agree to pay local per diem costs. These credit unions are also often willing to maintain a relationship with trainees, provide training, advice and moral support even after the project has ended.

WOCCU Home Office staff will manage disbursement of project funds, record expenditures, and, in collaboration with ACCOSCA and the ACCOSCA Resident Management Advisor, prepare required financial and progress reports for AID review. The WOCCU advisors, with ACCOSCA, will prepare project reports detailing accomplishments, constraints and development activities for the next period. These reports will be presented to USAID semi-annually.

The ACCOSCA Resident Management Advisor will be hired for 48 months of the project and be responsible for carrying out the following functions:

- a. Monitor overall project implementation, identify problems, propose possible solutions to ACCOSCA management.
- b. Oversee the design of the technical assistance package appropriate for use at league and credit union level.
- c. Participate in training programs to implement the technical assistance package and in the symposia/workshops.
- d. Assist, as appropriate, with the assessment of the selected associations through the IA follow up.
- e. Assist in the establishment of the initial diagnostics and growth targets for participating credit unions. Ensure growth targets are realistic, yet challenging.
- f. Assist in the hiring of a quality independent auditing service for participating credit unions affiliated to the selected associations.
- g. Assist with legislative and regulatory reform at association level.
- h. Assess ACCOSCA'S financial status and identify continued strategies to reach financial self sustainability.

i. Assist in the design of formal agreements at the national association and credit union level.

j. Assist in the planning and implementation of member surveys.

The World Council will also participate in the mid-term evaluation.

4. USAID

As the principal funding partner, USAID will be closely involved in project monitoring and evaluation. Formal project monitoring reports should be prepared and submitted to USAID semi-annually for review and feedback to ACCOSCA and WOCCU. Additionally, USAID will participate in a joint mid-term evaluation which will be organized by WOCCU.

5. Other

Through the development of an effective African credit union strategy, WOCCU and ACCOSCA expect to increase interorganizational collaborative partnerships with organizations such as the Canadian Co-operative Association, the Konrad Adenauer Foundation, CICM, the Irish League of Credit Union Foundation, and Desjardins. These relationships are important to ensure an ongoing coordination of credit union development efforts in Africa, particularly to ensure consistency of approach.

E. Estimated End-of-Project Conditions

A total of at least eighty credit unions in eight different African countries will have changed their operating policies and introduced new products and services. As a result of these changes, these credit unions will be enjoying annual membership and savings growth of not less than 5% to 30%.

Because of the anticipated demonstration effect of these pilot societies, many credit unions in the same and other countries will also equally start enjoying strong growth as a result of converting to a market-based approach.

National association leadership and staff in most ACCOSCA affiliates will have adopted the market-based approach and be promoting it to their member credit unions.

Improved credit union financial management and operating margins introduced through this project will have been implemented by most of ACCOSCA'S national associations. As a result there will be a greater contribution by credit unions through dues and fees towards the cost of supporting national association costs.

It is expected that at least half of ACCOSCA'S member associations will be financially self sufficient which in turn will enable to be able to at least cover its core costs from within the movement.

F. Project Beneficiaries

Existing African credit union members will benefit from:

- Having available a wider range of easily accessible savings and loan services from their credit union which have been developed in response to their identified needs.
- Receiving a higher real rate of return on their savings which will help preserve the value of their savings against erosion by inflation.
- Being able to obtain loans sufficient to meet their borrowing needs. This will particularly benefit those members wishing to borrow for micro enterprise.
- Greater security for their savings as a result of better financial management of the credit union and high quality independent audits.

Middle to lower income Africans will be able to better access the benefits of credit union membership (attractive savings products and reasonable cost loans) and thus improve their standard of living.

This is because under the project, African credit unions will be much more active in recruiting new members and will be able to offer products and services that will attract potential members.

Because of improved operating margins at credit union level, national associations will receive increased income from their membership by way of dues and fees. This will help accelerate their capacity to become financially self sufficient.

The improved financial viability of its national association members will greatly assist ACCOSCA'S chances of becoming self sufficient in the medium term future.

IV. PROJECT ANALYSIS

A. Credit Union Development Experience

1. WOCCU

a. Origins:

In the 1950's, the U. S. national credit union organization (CUNA), spearheaded an effort to spread the credit union message to other countries, particularly in the developing world. Beginning in Latin America, and subsequently in the Caribbean, Asia, and Africa, national movements have been established in eighty-one countries. As national movements matured, regional associations were organized, leading to increasing recognition of the need for a world credit union association. To focus credit union development efforts in Latin America, CUNA created the "CUNA Global Projects Office" (GPO) in Washington, D.C., which managed AID-funded projects for over 20 years.

Finally, in 1971, WOCCU was formed as the world-wide trade association of credit unions and similar financial institutions or, as it is known within the cooperative movement, the "apex" body, whose "primary" units are the credit unions themselves. During its initial years, WOCCU provided assistance in promoting and organizing new movements and in establishing contacts with various international agencies. In 1981, the World Council acquired CUNA GPO from its then largest member, and with it the credit union development programs formerly managed by CUNA GPO. In recent years, WOCCU has expanded the variety of services and programs offered to the international movement.

b. Structure:

WOCCU is a membership organization representing over 80 countries. It works with and through its member organizations. Following the same democratic model that characterizes their own organization, credit unions form regional sections, state or provincial leagues or national associations, and continental or regional confederations. WOCCU's membership includes seven regional confederations/national associations (Latin America, Asia, Caribbean, Africa, the United States⁵, Canada, and Australia), free standing leagues (Fiji, Ireland, New Zealand, Great Britain) and a number of associate members. The governing body of the organization is the Board of Directors, which is composed of delegates from each member organization. Board of Director meetings are held annually. Every third year, an International Credit Union Forum is also held, which includes discussions and presentations on topics of

⁵ CUNA, Inc., is WOCCU's U. S. member.

interest to the international movement. A 6-member Executive Committee is elected from the Board of Directors to oversee the ongoing activities of the organization. Some 81 countries are represented in the World Council structure, with a membership of over 77 million.

c. Functions:

The primary functions of WOCCU are communication, coordination, representation, technical assistance, information, and resource mobilization. The various elements of the world movement use WOCCU to communicate with and learn from each other; to share knowledge and resources; and to represent the interests of the world credit union movement to international organizations and governments.

An important function of WOCCU is technical assistance. The elected leadership of WOCCU has charged its staff with the responsibility of assisting developing movements to accomplish their mission of serving their members. To this end, WOCCU works with its member confederations and with funding from various development agencies to provide technical consultations, documentary information, and support to national associations' development plans through long-term technical assistance/institutional support projects. USAID is a primary funding partner for the latter.

WOCCU's services are provided through long-term development projects, short-term consultancies, training programs, design/evaluation activities, printed and audio-visual material, and other means. All country programs and services are coordinated with the respective regional organization, in this case the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA) based in Nairobi, Kenya.

d. Development Experience/Capability:

Since its inception, WOCCU's efforts have focused on developing countries. WOCCU has a unique capability due to its experiences gained in credit union development in all parts of the world.

In addition to its management and administrative personnel, WOCCU's U.S. based staff includes specialists in such areas as accounting, financial management, agricultural economics, institutional analysis and development, productive credit programs, project design and evaluation, planning, savings mobilization, information systems, communications and credit union development. All professional staff have extensive international experience.

The organized credit union movement has been collaborating with AID since 1962 in development activities in all parts of the world. Currently, the World Council is managing a number of AID-supported development projects in Africa, Asia, Eastern

Europe and Latin America, and has participated in numerous short-term AID-related technical assistance efforts and consultancies. A well-established administrative system is in place to provide the necessary logistical support for all types of international development activities.

e. Finances:

WOCCU financial resources are derived from dues paid by each regular and associate member, and a specific support grant from AID/Washington through the Credit Union National Association (CUNA), WOCCU's U.S. member organization. Several other international funding and development agencies support WOCCU's development projects and activities around the world.

2. ACCOSCA

As the panafrikan credit union body, ACCOSCA is especially committed to seeing the benefits of credit union membership extended to the greatest number of people possible on the African continent. Its mission is to promote the mobilization of personal savings for development, utilizing the credit union model, and in so doing, ameliorate credit union members' living standards and generally improve the communities in which they live.

Detailed summaries of WOCCU's and ACCOSCA's organizational and developmental capabilities are included in this proposal as Attachments F and G.

B. Project Constraints

There are three major constraints that could significantly affect the success of this project, and which are largely beyond the project's scope. They are:

1. ACCOSCA and National Leagues Self-Sustainability

ACCOSCA is currently not a financially self-sufficient organization. It relies on external donor support for the majority of its funding. ACCOSCA will be contracted on a fee-for-service basis under this project. The fees received do not attempt to cover, nor be the only source of, income for ACCOSCA. The same is true for the national leagues. Recent trends indicate that such external funding will be reduced and/or terminated in the next few years.

Hence, ACCOSCA and the national leagues must seek to achieve self-sustainability by other means if they are to survive. If they do not, ACCOSCA and the associated national leagues may not be in position and/or existence to implement the project over its scheduled life.

It should be reemphasized that a purpose of this project is not to provide direct financial support to ACCOSCA and/or the national leagues. ACCOSCA and the national leagues receive money under this project on a fee for service basis.

It also should be noted that WOCCU/USAID is not the only source of external funding for ACCOSCA. ACCOSCA receives funding from CCA and KAF for budget support as well. It is envisioned that funding from these sources, though perhaps reduced will continue.

Finally, the Board of Directors of ACCOSCA is undertaking the implementation of a recommendation contained in the midterm evaluation of the current ACCOSCA project--the development of the property upon which ACCOSCA is housed. This action should result in an excellent way in which ACCOSCA can enhance its income streams and move towards self-sufficiency. Hence, the project contributions to ACCOSCA in the first year of the project provide some "breathing room," until this commercial development is fully realized.

2. Other Projects and Objectives of Cooperating Agencies

There are numerous projects currently undertaken in Africa with ACCOSCA, national leagues and credit unions by various cooperating agencies and even WOCCU. Further, additional projects are perhaps being proposed. The objectives and project outputs may be at odds with the implementation of the market model, or duplicate what is proposed in this project.

If these projects and objectives do not stress the market model and self-sustainability, then this project's goals may be compromised. Projects which exist within national associations may be transferring part or all of the proposed technical package. This results in inefficient use of resources through duplication and indicates such resources would be better used elsewhere.

WOCCU will take a lead role by assuring that its own projects in Africa are consistent with the aims and goals of this project. Accordingly, current WOCCU projects in Togo, Malaŵi and elsewhere in Africa, for example, will fully participate in the modernization process described in this project proposal, but will be *in addition to* the activities proposed here. That is, in addition to the four to five countries targeted for direct assistance by ACCOSCA, WOCCU projects will undertake parallel activities with their own resources. Similarly, WOCCU and ACCOSCA will seek to bring CICM, KAF, CCA, SDID, CRS and other development agencies supporting African credit union development to undertake similar modernization efforts in the countries in which they work. ACCOSCA should also consult with its national league members on the impact of proposed projects in light of this project's goals.

Another way to try to achieve the desired synergy will be for ACCOSCA and WOCCU to disseminate Plan Africa 000 to as many cooperating agencies (e.g., KAF, CCA, SDID, ILCU, and CICM) as possible to enlighten them on ACCOSCA's and WOCCU's vision for the African credit union movement. One way to do this would be to invite and include all cooperating agencies in the regional symposia to be held in Africa under this project.

3. Reasonably-Stable Politico-Economic Environment

As in any economic development project, a certain minimum amount of stability is required for the development process to occur. Law enforcement authorities must be able to minimize theft, banditry, etc., and thus permit a relative peace to facilitate movement of persons, goods and services. A functioning banking and payments system must exist. Economic agents must be able to enter into contracts and be able to enforce them in case of non-performance, and so on. This is not to say that a stable political and economic environment similar to Western Europe's or North America's is a must, but at least people have to be able to interact and carry out their normal activities.

This constraint is probably not as crucial as one might expect, at least in Africa. To illustrate, the severe social upheavals occurring in Cameroon and Togo over the past three years have actually resulted in accelerated membership and savings growth. While the collapse of the banking sector in much of French-speaking Africa explains a good part of this phenomenon, since people will seek out whatever depository institutions they can when banks fail, credit unions' ability to serve small deposit-holders and borrowers quickly has drawn many customers away from the commercial banks they formerly used.

Of course, if all-out civil war breaks out, as in Liberia, then the credit union movement will likely suffer extensive damage just like the rest of society. But if the turmoil related to the "democratization" movement taking place throughout Africa does not get any worse than has taken place in Togo and Cameroon, one can reasonably expect that credit unions will continue to thrive.

C. Project Impacts

1. Democratization

As organizations of people and not of money, credit union members group themselves into financial cooperatives. They are governed by democratic principles: one person, one vote; sharing powers and responsibilities amongst different elected bodies; free and voluntary membership; no discrimination on the basis of race, ethnic or regional origin, religion and gender; neutrality in terms of politics. Even though the credit union needs qualified staff as employees, its functions are based on volunteers. The

credit union is a non-profit financial institution that uses its income (interests, fees, etc.) to pay its operating costs, pay market rates on savings, and to set up reserves necessary for its operation and for its safety. All excess revenues are returned to the members in the form of limited dividends, increased services and/or rebates of interest on loans. Thus credit unions, which are also exempted from taxes by most governments, can offer financial services to members at moderate rates.

a. The Credit Union Model

The credit union model is uniquely suited to support social and economic development. Properly structured and operated, credit unions offer a "self help" approach to mobilizing human and financial resources from within a group. They provide an opportunity for people to learn about democracy through experience in an institution which they democratically own and control to meet their own financial needs. They promote the discipline of regular savings by their members to create capital pools that can be used to make credit available for productive and provident purposes at reasonable interest rates. They are concerned with long term institutional development to support members' economic well-being. They place a heavy emphasis on "people development" through on-going education and training. Some of the main characteristics are:

- they give each member one vote to elect individuals to leadership positions ("leadership" includes a Board of Directors and Credit, Supervisory, and Education Committees),
- the board and committees are composed entirely of members, who are responsible for directing the society's activities,
- the ultimate authority for decisions is vested with the membership of the group,
- they distribute excess of income over operating expenses as interest and dividends on member shares and savings, after allocations to reserves to maintain the financial solidarity of their institution.

Realizing this potential, of course, depends on the ability of the elected leadership and staff to adequately carry out essential procedures and activities. Appropriate disciplines and guidelines need to be provided through appropriate legislation, regulation and a management support system. Experience has shown that credit unions are not totally independent; they are interdependent. As with other kinds of financial intermediaries, they need monitoring to assure that prudential standards and disciplines are maintained. Because of their democratic nature, they also need constant access to training and educational support for development of people emerging as newly elected leaders to boards and committees in the system, and an on-

going management development program. An apex organization is essential to provide those resources needed for development which are not available from within each local group itself.

b. A Laboratory for Democracy

Much of Africa is currently engaged in the process of effecting the transition to political democracy. Credit unions teach practical democracy in an environment where these principles are valued but rarely understood and practiced, and can play a significant role in this process as a *school* for learning democratic processes. Credit union members and elected officials learn to practice democracy in their credit unions and to act in the common interest. The democratic skills practiced in credit unions are directly transferrable to community and political life, where credit unionists can be counted upon as good citizens to contribute responsibly to making and executing decisions.

While credit unions are neutral in regard to party politics, they are resolutely and thoroughly democratic institutions. The principles of one person, one vote; shared authority and responsibility; internal checks and balances; non-discrimination on the basis of race, ethnic or regional origin, religion, and gender, where anyone residing or employed within the agreed-upon "common bond" can join and participate; and equitable treatment for all members are fundamental to credit union life. The highest authority of each credit union is the general meeting, in which each member has equal voting rights. The general meeting makes decisions for the credit union and elects a board of directors and Credit, Supervisory, and Education/Promotion Committees to execute its decisions. The elected bodies are each directly accountable to the general meeting.

Another way credit unions serve as laboratories for democracy is that they provide a structure for individuals to make decisions affecting their own economic well-being. In terms of broad based development impact, few institutions can match the potential offered by the credit union system. In a continent desperately needing stability and pluralism, credit unions represent stable, nonpartisan institutions, able to address regional and group economic problems through the established democratic process. Credit union organizations provide a forgiving environment where people have the opportunity to develop democratic decision-making and problem-solving skills by experience and new development initiatives can take place in Africa.

Finally, it is important to note that the leadership and staff of the credit union system includes all ethnic groups. Thus, it contributes to sustained institutional representation, participation and understanding in nations currently suffering from ethnic strife.

c. Private Sector

Unlike other types of cooperatives, credit unions have been remarkably free of central direction or governmental control. In most countries, credit unions serve as models of private, member-owned, self-reliant democratic institutions with a community orientation.

d. Constant Training

Because of their democratic nature, credit unions also need constant access to training and educational support for development of newly elected leaders to boards and committees, as well as an on-going management development program. The movement follows the long-established cooperative principle of continuing education and renewal by developing leadership and managerial skills through on-going education and training programs for members, staff and leadership. Training and technical assistance for leaders and staff along with member education programs are key components in WOCCU's development approach, ensuring membership control and sound performance over the long term.

2. Policy Dialogue

Although credit unions are private organizations, national policies should be conducive to their growth and development. They have to live within the framework of each country's cooperative or credit union legislation and regulations. Most of the existing legislation has become seriously deficient with the rapid growth of the movement, many laws date from the colonial period, and most focus on agricultural cooperatives, rather than financial coops. There is, therefore, a crying need to pursue policy dialogue in this area. This is particularly true as concerns credit union safety and soundness, supervision, and in general the protection of members' savings.

The proposed project proposes to piggy-back on WOCCU's current AID/W-funded "Safety and Soundness Project," which has prepared model legislation, examination manuals, computerized credit union monitoring and rating systems, etc., which can and will facilitate their adaptation to each of the countries participating in the proposed project. Almost certainly, many other African countries not even formally part of the proposed project will also benefit from these materials and systems, as movements or sympathetic donors come forward to take advantage of what has been prepared.

Beyond the legal and regulatory framework, there is another important aspect of policy dialogue planned for this project. That is, credit unions will be offered incentives to accept new financial and operational policies, particularly as concerns interest rate structures and credit policies and procedures, that will at the same time increase income and stimulate rapid membership and savings growth. In fact, this

policy dialogue *internal* to the movement will most likely have a far greater impact than the progress made in the political/regulatory arena, and will transform high-potential credit unions, initially, into dynamic modern financial institutions. Following success in the 40-50 pilot credit unions, it is anticipated that, as in Togo and in Latin America and the Caribbean movements, this limited number of credit unions will create a "demonstration effect" that will show hundreds of other credit unions the way to success.

3. Women in Development

Enlightened elements within the African credit union movement increasingly recognize that women are a key part of the continent's economic and social structure, and need to have a stronger role in the African credit union movement. These leaders recognize that bringing women into the African credit union mainstream is not just "being nice to the ladies," but considering the female segment of the African financial services market, is clearly in credit unions' long-term interests. This is particularly true in view of the fact that women's loan repayment rates greatly exceed that of men. For these reasons, more and more professional positions are being filled by women in African credit unions, national associations and, yes, even in ACCOSCA.

In fact, many African credit union leagues give special attention to the issue of women's participation in the movement and have for some time had staff at the national level who give attention to this matter. To foster an increased focus on women's development, the Canadian Cooperative Association and the Société de Développement International Desjardins have provided small grants to several African leagues to cover the costs of special activities regarding women - particularly in training.

Other initiatives which have been used to increase women's access to credit and other credit union financial services, as well as augment their level of participation in staff and leadership positions, have included the following:

- employment of women in senior management posts at the confederation, league and credit union levels;
- encouragement of women to seek election to local boards of directors and committees
- special training programs for women conducted through local credit unions
- training for credit union movement staff to sensitize them to women's needs and market potential
- continuous membership education for both women and men

- promotional programs to encourage local credit unions to increase participation of women in membership and leadership activities
- promote income-generating activities among rural women to improve their savings capability and standard of living
- research on current participation of women in the credit union system and the social, cultural or structural elements that might impede full involvement
- funding for a WID officer at the league (and if appropriate, regional) level (role is to encourage women's participation at all levels and to sensitize men and women to benefits and barriers to women's participation)
- a review of credit union policies to determine whether they exclude women inadvertently through membership requirements (individual vs. only through spouse), ineffective promotional techniques, timing and location of training opportunities, hours of operation, terms of collateral or repayment requirements, lack of term limits for directors (tending to keep the "old guard" in control)
- a review of legal restrictions such as the requirement for women to obtain permission to borrow, and a financial guarantee from husband or father in order to qualify for a loan; or the inability of women to own property and development of measures to overcome such barriers.
- give special attention to the issue of women's participation in the credit union movement by establishing a special task force to focus attention on this matter (WOCCU has its own very active WID task force)

While the proposed project does not focus on WID as a specific project objective, both WOCCU and ACCOSCA will continue to foster the above types of approaches to make sure that the female segment of the African credit union market is well served and represented within the movement. WOCCU and ACCOSCA will in this project attempt to coordinate their African WID interests and efforts with the programs and activities of other development agencies, and will periodically assess the need for additional steps which might be taken to enhance the role of women in the African movement through training, leadership development and special programs to provide credit for productive purposes.

4. Private Sector and Micro-Enterprise Development

This proposed project would provide assistance to the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA), its member national associations, and the base level credit unions. All are private sector institutions created to promote and provide savings, credit and other financial services to the

private individuals who own and operate them. Confidence in this private network by its owner/members has been evidenced by the fact that more than 500 million U.S. dollars in savings have been mobilized by more than 20,000 credit unions' 5 million African members. These domestic savings are lent back to the same constituency at reasonable interest rates for provident and productive purposes. Nearly all of this remarkable progress has taken place since ACCOSCA came into existence at its members' request in 1968.

Among the many variables crucial to the credit union movement's success in Africa, the high degree of volunteerism is one of the most important. The very impressive growth in voluntary deposits has already been noted above. In addition, each credit union elects a Board of Directors and three committees (credit, supervisory, and education and promotion) which periodically meet with no financial compensation to manage the credit union. (This is especially true in the earlier stages of a credit union's development.) The same degree of volunteerism is also evident at the regional, national and confederation levels, where representatives meet to determine the policies and directions of their constituencies.

In recent years, ACCOSCA and a number of its affiliates have made another important contribution to development of the private sector. Traditionally, credit unions have emphasized lending for consumptive (or provident) purposes. In countries like Togo, Cameroon, Zaïre, Rwanda, and Malaŵi, productive credit and micro-enterprise development programs emphasizing farm and small business credit have been developed and tested. Although difficult to measure, credit unions also have a significant impact on income and employment generation, both directly when credit unions and national associations hire staff, but also as a result of the lending process when farmers or businesspersons borrow to expand their businesses and have to hire workers. Recognizing that a profitable farm or business loan almost guarantees prompt repayment, ACCOSCA and its affiliates will continue to emphasize this type of program.

Another area of private sector impact which is directly affected by the credit union movement is that of human resource development. ACCOSCA and its member national associations annually train thousands of credit union managers, presidents and committee members. Much of this training, like that of ACCOSCA's and national associations' staff, has been skill-oriented, treating such topics as: loan portfolio management, accounting, internal auditing, promotional techniques, and office management. Considering the voluntary nature of the work of many of these individuals, it can reasonably be assumed that the skills imparted were carried over into other aspects of their daily lives and, therefore, African society as a whole. Since this training is offered each year, the direct impact has been substantial.

a. The Need for Financial Markets

The social and economic transformation of Africa is severely constrained by a financial system oriented almost exclusively to serving government and large-scale commercial, industrial and agricultural enterprises. The average citizen has little or no access to personal and small business or agricultural credit, savings facilities and insurance services. The continent's financial markets remain highly concentrated and inefficient providers of credit to the "real" goods and services markets. Increased competition is urgently needed to increase financial market efficiency by expanding the availability of savings instruments to the mass market and thereby increasing the supply of loanable funds to both the productive and consumer sectors.

Unlike traditional financial institutions, credit unions serve lower- and middle-income families in both urban and rural areas [the principal target populations of the Agency for International Development (AID) and other development agencies]. Credit union members are largely comprised of small entrepreneurs--farmers, artisans, manufacturers, traders, vendors, shopkeepers, merchants, and workers, etc.--who form the core of productive economic activities in nearly all developing world countries, as well as government and private sector employees (such as teachers, civil servants, police, and factory workers). While these may not always be the "poorest of the poor", especially in countries with widespread poverty, they represent an important sector of the lower classes -- motivated, market- oriented, income-seeking individuals.

What they lack is access to financial resources, because of the absence of a financial infrastructure serving rural areas and lower-income savers and borrowers, and because of their lack of assets and inability to provide needed collateral. The fact that their savings ability and capital requirements are small also tends to discourage other formal financial institutions from considering them as potentially viable customers. For this reason, traditional commercial banking institutions in these countries usually have little interest in this market segment, due to the perceived high costs and risks involved. Yet this is precisely the class of individuals that credit unions target as potential clients; credit unions are generally the only formal financial institution that does so.

b. The Credit Union Response to the Need

Credit unions are uniquely positioned to increase the efficiency of Africa's financial markets and hence their contribution to economic transformation and development. Credit unions are private, democratic, self-financing institutions which provide direct access for consumers and small producers to competitively priced and structured savings and credit services. They increase family incomes through increased yields on savings and access to productive credit for income-generating investments in

business and agriculture. They help improve standards of living by providing consumer credit for household purchases, housing, health costs and education.

Credit unions, as private sector cooperative financial organizations, are unique. They are not public institutions, such as government development banks. Neither are they commercial banks. Nor are they part of the informal financial sector, such as savings clubs. Yet, they integrate the positive elements of all three sectors. They are formally registered according to the laws of the country. They are private-sector enterprises owned and operated by their members, and they are accepted as legitimate development institutions by governments. They follow sound businesslike practices similar to those of commercial banks. And most importantly, they are based on a determination to improve the quality of life of their members at the local level.

Through working together in a credit union, the members can participate in financial activities which they could not do successfully as individuals outside the cooperative. A credit union is an essential link in bringing large segments of the African population into a formal financial structure. It benefits the member by improving his or her economic status while making all the members enjoy the same or similar economic advancements.

c. Importance of Credit Unions in Africa

Several other special characteristics of credit unions should be kept in mind when assessing the potential role and significance of credit unions in Africa:

- A large percentage of credit union lending is oriented toward income-generating, productive activities. Poor people do not have the luxury of borrowing for non-essentials. Credit union loans in developing countries are typically for housing, farming, small business activities, education and health services, all of which serve to increase the well-being of the family and increase its standard of living. Many rural members borrow to buy seeds, fertilizers, farm tools, and pay for agricultural labor costs; urban members borrow to improve housing, pay school fees and medical bills, and finance small-scale, income-producing enterprises (such as repair shops and home-based gardens). Additionally, and importantly, credit union savings often serve as the basis for the development of other types of cooperative and for-profit businesses. This approach lies in stark contrast to many internationally supported, externally capitalized lending schemes which require little or no local capital input from the recipient. The credit union, with its simple structure, democratic practices, services to members and social goals, provides a bridge for people to use to make the transition from an informal financial sector to a formal financial sector.

- Even urban-located credit unions are heavily involved in financing rural activities: at least 90 percent of the loans made by urban credit unions are for rural production.
- Credit unions rapidly become self-sufficient, and do not rely on (or require) continuous infusions of government- or donor-provided subsidies to survive. Unlike the public development banks, credit unions throughout the developing world are self-sufficient, earning sufficient income from their financial operations to cover expenses. Credit programs included as a component of a development project that has another primary focus (such as marketing of export crops) have seldom been effective in mobilizing savings and developing a long-term, self-sufficient credit program. Unlike credit unions, most have had severe problems with under-capitalization, delinquency, and inadequate financial margins. Generally, development banks and other quasi-public institutions are heavily subsidized and can draw upon central government resources to cover losses. Credit unions on the other hand, operate in the market place, relying upon their own financial and managerial resources to succeed or fail. Lastly, credit union loans also assist members to obtain resources for health, education, housing and other fundamental needs, another feature that distinguishes credit unions from narrowly-focused productive credit schemes.
- Credit unions are significant. Credit unions are significant mobilizers of savings and providers of credit in many developing countries. In Africa alone, for example, credit unions annually lend approximately \$500 million to their members, an amount equal to nine percent of the entire annual Development Fund for Africa budget. These are small loans to modest people from funds generated by the borrowers' savings and that of their peers.

5. Institutional Impact

The focus of the proposed project is on private sector institutional development. The project is based upon a five-year development plan (Plan Africa 2000) which was developed by ACCOSCA's staff and elected leadership by means of surveys and review of successive drafts by leadership to assure that the plan reflects the felt needs of the movement at the grassroots level. It will, therefore, focus upon real needs of the beneficiaries, whose ultimate concern must be the viability of their network.

ACCOSCA and its member national associations existed prior to the assistance currently being provided, and they would certainly continue to exist (albeit at, of course, reduced levels) without external inputs. This is primarily because it was created by its members, rather than at the behest of its partners or the public sector. This project intends that the institutional network, which has proven itself to be a viable one, be given the opportunity to accelerate its development in order that more

beneficiaries may be reached sooner and with better services. The project proposed here will result in an ACCOSCA and national associations which are technically self-sufficient and capable of self-financing all of their core costs; only certain developmental programs would not be financially self-sufficient by end-of-project. At the credit union level, dozens of currently only moderately successful credit unions will be transformed into dynamic modern financial institutions responsive to their rapidly-growing membership's needs.

The successes enjoyed by the African credit union network have been remarkable. This network serves all geographic regions of Africa, providing basic financial services (savings, loans and insurance) to members in over 5 African countries. Because the movement is a consortium of successful private sector institutions, it aspires to extend its benefits throughout Africa, both in new countries and in areas of current affiliates' countries not yet reached. The project's planned inputs would allow services to be upgraded at a faster pace and permit the expansion of the movement to new zones to occur sooner, rather than later.

Finally, the success of this project's institutional development focus is assured because of the fact that the project's objectives are based upon the confederation's own internally-developed five-year development plan, rather than having been created and/or imposed externally. As long as participatory decision-making is ensured, the growth of the institutional system will continue to accelerate.

6. Development of an Effective Market Economy

Credit unions are private sector cooperative financial organizations, and are quite distinct from public institutions such as government development banks. Neither are they commercial banks. Nor are they part of the informal financial sector, such as savings clubs. Yet, they integrate the positive elements of all three sectors. They are formally registered according to the laws of the country. They are private-sector enterprises owned and operated by their members, and they are accepted as legitimate development institutions by governments. They follow sound business practices similar to those of commercial banks. And most importantly, they are based on a determination to improve the quality of life of their members. Credit unions operate in the marketplace relying upon their own financial and managerial resources to succeed or fail.

In developing countries, credit unions are often the only financial institutions in the formal sector to which members have access. Cases where credit unions compete with usurers are much more frequent than cases where they compete with banks. While they are based on the same principles of social solidarity and frugality adopted by rotating savings groups or other informal institutions, they nevertheless offer advantages which the latter do not provide. Through their credit activities, credit unions offer access to funds, not when "one's turn arrives," but when the individual

most needs the money. As the credit union develops, the financial services that it offers are increased in number and diversified according to the need of its members. The member can progressively benefit from credit not only for social purposes (education, illness, etc.) but also for productive purposes (trade, handicraft, agriculture and housing).

The vast majority of credit union loans to members is financed from member savings. Unlike specialized credit programs and development banks, credit union lending activities do not create additional foreign debt burdens for the host government or depend only on outside funding. In developing countries, regardless of the amount of external assistance provided to the credit union movement, rarely is even ten percent of loans outstanding financed by outside capital. This ability to generate significant levels of capital *internally* from the savings of the lower income sector is the greatest contribution the credit union system can make to national economic development, since credit unions *add to* the national supply of usable savings—a particularly significant addition, since a large proportion of these savings would not have otherwise been captured by alternative institutions. Very often, too, savings mobilized by urban credit unions is recycled through the national association's central finance program to rural societies in need of additional capital to meet their member's needs. This is exactly the opposite of what study after study shows most often happens in the case of commercial banks and even national development banks, namely that capital usually flows *out of* rural areas into cities and towns.

a. Credit Unions vs. Development Banks:

Credit unions provide a system for revolving locally generated financial resources to meet the ongoing credit needs of the members of their group and in so doing, reduce dependency on external sources of capital from donations, loans or scarce government financial resources. They provide a mechanism for leveraging donor resources so that relatively modest seed-capital can generate a capital pool to finance a loan portfolio.

On the other hand, development banks and other quasi-public institutions generally are heavily subsidized and can draw upon central government resources to cover the massive losses they usually incur. The low lending rates used by development banks to supposedly "encourage" the rural poor creates a distortion in the financial marketplace, and generally promotes official corruption to obtain the cheap credit ostensibly being made available to "poor" rural dwellers.

One hard but important lesson WOCCU has learned is the primacy of savings mobilization as a fundamental principle of rural financial market development. Credit unions are not funded by nor do they depend on the infusion of loans or grants from donors or governments. Credit unions principally use member savings to meet the needs and reach *members'* goals, not those imposed by an outside agency. Credit union members repay their loans not only because of feelings of obligation toward

their neighbors and fellow members, but also because they know that only the repayment of loans and regular savings will guarantee that credit will be available in the future. Experience has proved that easy credit based on external funding discourages savings and loan repayment, since beneficiaries have no stake in the lending institution. The unfortunate experience and bankruptcy of the National Agricultural Credit Banks (CNCA) in French-speaking Africa is eloquent proof of this phenomena.

b. Effect of Increased Local Money Circulation

Credit unions are uniquely positioned to increase the efficiency of financial markets and, by playing an essential role in the growth of formal financial markets, contribute considerably to economic development. They provide a secure depository for those who have traditionally kept their savings in nonproductive monetary hoards or other non-financial forms, a practice common in Africa. At the level of the community the effects of the social cohesion, bridging, and economic cooperation of credit unions are obvious because the local resources that were once stockpiled or, worse, expatriated from the community and invested elsewhere, are henceforth serving the community. The credit union movements in Ireland, Dominica, and the Province of Québec in Canada, just to name a few, have been able to involve large proportions of the population, and in so doing have contributed enormously to the economic development and self-sufficiency of their peoples. Local savings no longer migrate to banks outside the community. Rather, they are invested "at home."

c. Credit Unions Extend and "Deepen" Markets

This takes place in a number of ways:

(1) Improved Financial Institution Safety and Soundness

Worldwide credit union development experience has demonstrated the importance to credit unions of being formally organized, incorporated and operated with well-conceived bylaws, policies and procedures. As cooperative organizations, they are owned and controlled by the membership. Government cooperative departments, Finance Ministries or Central Banks are the mechanisms that provide regulations through law, rules and bylaws. Without these recognized safeguards, informal savings groups lack legal recourse if problems arise related to mismanagement of the group's resources.

Experience has also shown that the formation of a member-owned and controlled national credit union organization is critical to the long-term success of a credit union system in a country. Such an organization provides the basis for continued promotion, training, and technical and management support services that credit unions need, and ensures the continuation of benefits after the termination of any external assistance.

(2) Creation of Increased Volume and Types of Financial Services

In any market-based economy, financial mechanisms must be established to respond to the savings and credit needs of individuals and groups. People need a safe place to regularly deposit savings, however small, in the hopes of increasing yields on this savings. They also need a place from which rural dwellers and urban wage-earners can access competitively-priced credit services to meet health, housing, education, and other consumer needs, as well as for productive business and agricultural loans. Credit unions also permit low and middle income borrowers to establish a credit record, and with successful repayment, to qualify for larger and larger loans. Access to these services can be crucial to expanding small businesses, creating employment, raising income levels and general improvement in living standards. Without such services, development at the macro level may have little impact on the average citizen.

(3) Emphasis on Using Market Rates

Individual members *choose* to join the credit union system. Credit Unions pay **market interest rates** on members' savings and deposits. They also lend at **competitive market rates**. These rates are far lower than interest rates the local population pays to money lenders (which frequently reach levels attaining several hundred per cent per annum). Since credit unions' philosophy is to charge and pay "fair" prices, they are in frequent demand by small entrepreneurs, for whom the availability of funds when needed is far more important than the cost of money. The credit union network creates a financial market where those members temporarily needing money and those supplying it can come together.

(4) Skill Improvement

The skills which credit union members learn--in bookkeeping, in management, in planning, in studying markets and analyzing the viability of projects, etc.--are directly transferrable to other economic activities in the community, thereby achieving a multiplier effect.

7. Technology Transfer

The proposed project (as well as its predecessor) does not define the concepts of technology narrowly, that is, only to include tools, implements, and techniques (although development of simple, yet effective, lending methodologies to increase credit union members' productivity is a growing feature of the African credit union industry). In the case of credit union development, the primary technology to be transferred is that of the institution itself.

Even without the "new directions" being proposed here, the current African credit union institutional model has proved itself an appropriate one for development efforts on the continent. The millions of members and millions of dollars of savings mobilized already testify eloquently to that. Such growth would not have been possible if the institutions' members/users did not perceive it to be an appropriate model for their development.

Although the institution is already in most senses culturally and technologically appropriate for Africa, this project proposes to fine tune an already well-functioning model through the encouragement of the adoption of new policies which will lead to more rapid growth along with increased safety and soundness.

V. IMPLEMENTATION PLAN

A. Responsibilities of Participating Organizations

Each of the project participants has a distinct role in the project as follows:

1. ACCOSCA

ACCOSCA will be the principal implementing organization and will be engaged to provide the set of services detailed below. ACCOSCA's capabilities and staff skills are set forth in Appendix G and are only summarized here.

During the period 1989-1993, ACCOSCA has undertaken Institutional Assessments of country movements, provided intensive training/targeted technical assistance to member country staff, and helped put in place sound financial and administrative policies and practices at the national association level.

ACCOSCA provides services in the areas of training, technical assistance, technical publications, information services, and project development. ACCOSCA staff has specialized training skills and skills in all aspects of savings and credit operations such as: accounting, leadership responsibilities, risk management, loan policy, financial management, auditing, strategic planning, central finance management, and women in development and gender sensitization. Its bilingual staff operates easily in both French-speaking and English-speaking Africa.

ACCOSCA has staff specialists skilled in national association management, who advise on how to implement I/A recommendations and how to develop plans for financial self-sufficiency and viability. ACCOSCA provides extensive technical information and advice through manuals, newsletters and statistical reports. ACCOSCA has undertaken numerous consultancies on behalf of donor organizations, many which have translated into significant projects. ACCOSCA also manages a field service program in nine African countries for the Konrad Adenauer Foundation and for smaller CCA projects. ACCOSCA, as noted in the midterm evaluation of the current project, has a capable and qualified finance and administration staff who produce timely program and financial information on all ACCOSCA projects and activities. ACCOSCA'S books and records are audited annually by the international accounting firm Coopers and Lybrand.

ACCOSCA also conducted a very successful week-long symposium for all of the national association managers in August 1992. At this symposium many of the ideas and concepts to be implemented under this project were presented by the ACCOSCA staff. The excellent feedback and positive comments received by the ACCOSCA staff on this symposium are an indication that ACCOSCA is in position to undertake the proposed regional symposia.

2. ACCOSCA Acting with Member National Associations

ACCOSCA will be initially engaged to carry out the functions described in chapter III for years one and two of the project. The agreement would be between WOCCU and ACCOSCA and contain a detailed scope of work and timetable. The performance of the services provided would be reviewed by the WOCCU project manager towards the end of year two. Based on project progress, ACCOSCA's future involvement would be analyzed and determined by WOCCU/USAID after consultation with ACCOSCA.

Additionally, ACCOSCA will engage the national associations to provide the technical assistance package to the credit unions. Again the agreement will be for an initial two-year period. Continued use of the national associations after this period is subject to determination by ACCOSCA, but should not be withdrawn unless performance is substandard. This determination shall be made jointly with the WOCCU project manager.

In year one, ACCOSCA will coordinate and undertake the implementation of the two symposia/workshops for the national associations and four symposia/workshops for the national associations and their credit unions. ACCOSCA will also provide the necessary trained staff to transfer the technical assistance package to the national associations and credit unions. ACCOSCA will undertake follow up IA's for the selected countries. ACCOSCA will establish the initial diagnostics and growth targets at the credit union level. ACCOSCA will also begin to design monitoring, evaluation and research activities and plans. ACCOSCA will assist the national associations in the hiring of quality independent auditors for credit unions.

In year ACCOSCA will conduct a further two symposia/workshops for the national associations and a further four symposia/workshops for the national associations and their credit unions. IA follow ups will also be carried out of the chosen national associations.

ACCOSCA will facilitate the annual workshops of the pilot credit unions to review the progress of the program. In year it will also convene a workshop of all the participating national associations with a similar purpose.

In years two and three, ACCOSCA will provide monitoring, evaluation and research (ME&R) for the project, provide ongoing technical assistance to national associations and where appropriate, credit unions. Towards the end of year , ACCOSCA will begin to publicize the news and results of the project.

In years four and five, ACCOSCA and the national associations will identify additional individual credit unions that will participate in the program. ACCOSCA will assist the national associations with ongoing technical assistance, provide ongoing

ME&R, and continue dissemination of the news of the project. ACCOSCA will also coordinate and present a member-wide symposium/workshop on the findings and results of this project.

During the first three years of the project, ACCOSCA, in conjunction with the WOCCU resident advisor and an external consultant, will work out a timetable to implement legislative guidelines and reforms on a per country basis (as developed during the present ACCOSCA/WOCCU project).

3. World Council of Credit Unions

The intended project grantee is the U.S.'s Credit Union National Association, Inc. (CUNA), a recognized AID contractor. CUNA has made WOCCU its executing agent for the AID projects and, accordingly, WOCCU will have overall project management responsibility. This will be accomplished largely through the technical and administrative management support provided by WOCCU's home office in Madison.

The WOCCU Project Manager will have overall responsibility for project management, which will include, among other things, recruitment of the resident technical advisor and short-term consultants, review of project progress through regular monitoring, in consultation with USAID determine ACCOSCA'S continued involvement, identification of problems requiring resolution, and on-site visits to review overall project performance, plan subsequent project activities, and briefings with USAID.

The hiring of the resident technical advisor should be done in consultation with ACCOSCA, as should the final approval of the individual for this position.

WOCCU/ACCOSCA will arrange and organize study/exchange tours to developed movements for national association board members and managers.

WOCCU Home Office staff will manage disbursement of project funds, record expenditures, and, in collaboration with ACCOSCA and the project ACCOSCA Resident Management Advisor prepare required financial and progress reports for AID review. The WOCCU advisor, with ACCOSCA, will prepare project reports detailing accomplishments, constraints and development activities for the next period. These reports will be presented to USAID semi-annually.

The resident technical advisor will be hired for the full term (60 months) of the project and be responsible for carrying out the following functions:

- a. Monitor overall project implementation, identify problems, propose possible solutions to ACCOSCA management.

- b. Oversee the design of the technical assistance package appropriate for use at league and credit union level.
- c. Participate in training programs to implement the technical assistance package and in the symposia/workshops.
- d. Assist, as appropriate, with the assessment of the selected associations through the IA follow up.
- e. Assist in the establishment of the initial diagnostics and growth targets for participating credit unions. Ensure growth targets are realistic, yet challenging.
- f. Assist in the hiring of a quality independent auditing service for participating credit unions affiliated to the selected associations.
- g. Assist with legislative and regulatory reform at association level.
- h. Assess ACCOSCA'S financial status and identify continued strategies to reach financial self sustainability.
- i. Assist in the design of formal agreements at the national association and credit union level.
- j. Assist in the planning and implementation of member surveys.

The World Council will also participate in the mid-term and end-of-project evaluations.

B. Highlights of Implementation Plan

A detailed implementation plan is shown in Attachment B. A summary of the plan of action follows:

Pre-Project

Prior to the commencement of the project, ACCOSCA will educate its member national associations on the need to introduce the market based approach and to implement the plan for African credit union development as outlined in the **Plan Africa 2000** document.

The current WOCCU advisor will begin training ACCOSCA staff in the operational policies and procedures which will need to be introduced to achieve growth and development at the credit union base.

WOCCU will be seeking to identify a suitable person to carry out the role of resident advisor to ACCOSCA under the new project.

First Year

The new WOCCU resident advisor will finalize the training of the ACCOSCA staff on the new market-based approach, so that they will be able to play a major role in facilitating the regional and national symposia/workshops.

In the second quarter, two regional symposia/workshops will be held and following these workshops, four national associations will be selected to participate in the program. Follow up I/A's of these associations will then be carried out by the WOCCU advisor and ACCOSCA staff.

Intensive training of the national association staff who will be directly involved with the program will be carried out by ACCOSCA staff and the WOCCU advisor. Exchange tours for the representatives of the participating national associations will be also be undertaken.

Symposia/workshops for selected credit unions will be held in each of the participating countries so that following these workshops, the first group of forty pilot credit unions will be selected.

In consultation with the participating national associations, suitably qualified, independent auditors for the pilot credit unions will be appointed.

Concurrently the WOCCU advisor will be working with ACCOSCA staff in developing the technical assistance package to be introduced in pilot credit unions. As part of this task, an outside consultant will be hired to help develop the member survey form.

An institutional assessment will be made of each of the pilot credit unions, the leadership and staff will be trained in the new policies and practices and the technical assistance package will be introduced. New products and services to be introduced into the pilot credit unions will be developed.

Growth and performance targets for the pilot credit unions will be established and ME&R plans will be developed and finalized.

Second Year

Two additional regional symposia/workshops for national associations will be held and a four new national associations selected to participate in the program.

I/A follow ups of the selected additional national associations, intensive training of the national association staff and exchange tours for the N/A representatives will be undertaken.

Symposia/workshops for selected credit unions in the countries just joining in the program will be held and a further group of forty pilot credit unions selected.

An institutional assessment will be made of each of these pilot credit unions, the leadership and staff will be trained in the new policies and practices and the technical assistance package will be introduced. New products and services to be introduced into the pilot credit unions will be developed.

Growth and performance targets for the new pilot credit unions will be established.

Suitably qualified auditors for the new group of pilot credit unions will be appointed. At the end of year, in-country workshops will be held for representatives of the pilot credit unions, national association and ACCOSCA staff to exchange experiences, successful techniques, problems and solutions.

A workshop for the staff of the participating national associations and ACCOSCA staff to review the effectiveness of the program to date, will be held.

ME&R of the pilot credit unions will continue throughout the year.

Third Year

Additional credit unions will be invited to participate in the program to replace any credit unions that may have dropped out.

Further in-country symposia/workshops for pilot credit unions, national associations and ACCOSCA representatives to review the operation of the program, will be held.

ME&R of the pilot credit unions will continue.

Fourth Year

Activities initiated in prior years will continue. In addition, another workshop for the staff of the participating national associations and ACCOSCA staff to review the effectiveness of the program to date will be held.

A seminar to disseminate the results of the project will be held.

Fifth Year

ME&R of pilot credit unions will continue.

The final evaluation of the project will be conducted, the final report drafted, and the WOCCU advisor repatriated.

C. Implementation Policies and Procedures (Guidelines)

1. Integrated Implementation Process

The project will employ a tested development approach tailored to the needs, opportunities and accomplishments of the participating organizations. This approach has already been successfully used in USAID-financed projects managed by WOCCU, in collaboration with both COLAC in Latin America and CCCU in the Caribbean. The education, training and technical support (models, assistance and systems) provided by the project management team (PMT) are key to this development process.

The final choice of the national associations and credit unions to take part in the program (who meet the pre-determined criteria), will be by self-selection as it is important that they be motivated to want to effect change at the credit union level.

A logical and disciplined six-step implementation process will be used to ensure sustainability, accountability and that the desired results are achieved in the targeted credit unions. This approach is currently being used and tested under a GEMINI contract that will enhance credit union ability to serve the microenterprise market niche. This six-step methodology has proven successful because it establishes concrete linkages between results (growth targets and financial indicators), funding and technical support. Additional steps may be required should the diagnostic reveal significant attention should be directed to financial stabilization, i.e., provision of grant or loan resources to help build up the credit union's equity position.

These steps are:

a. Diagnostic Study

A diagnostic of the project participants is carried out by the implementation team consisting of ACCOSCA and national association staff. Generally this will include a survey of the membership and potential membership and an analysis of leadership, management, market, current services, systems and financial condition, including a break-even analysis and pro-forma financial statements. It produces specific recommendations on policies, systems, operations and procedures.

b. Business Plan

This plan is developed by the participant with the support of the team members to define vision, development strategy, objectives, activities and financial plan. Undertaking key project goals and components and organizational participation is based on this plan and the diagnostic study. These will show the potential viability of the proposed activities.

c. Participation agreement through letters of understanding and contracts

This is a formal signed accord between the qualified participant (credit union or association) and the other project participants of which they are a member (national associations, in the case of credit union agreements; ACCOSCA, in the case of national associations). It specifies the conditions and obligations for participation. This would include actions to be taken for non-compliance. It also includes financial/statistical indicators that will be accomplished and considered in the renewal of the agreement. The agreement is renewable every year.

d. Implementation

Implementation of the business plan with support from the project.

e. Evaluation and Monitoring

Evaluation and monitoring will be an on-going process. The project team measures quantifiable indicators against the plan on a quarterly and yearly basis.

f. Renewal/Amendment/Termination

Agreement review is performed yearly based on evaluation and monitoring results and performance. Options include renewal, amendments and termination.

2. Integrated cross-project resource-sharing

Maximum and efficient use of resources and synergy will be accomplished through pooling people, money and organizations.

a. People

- Team management of WOCCU's Africa home office and advisory staff and other WOCCU regions where possible.

b. Costs

- Sharing financial resources to achieve common project objectives. Small contributions from several projects with similar aims will tend to produce outputs greater than independent individual projects can afford or achieve.

c. Organizations

- Through the development of an effective African credit union development strategy, WOCCU and ACCOSCA expect to increase inter-organizational collaborative partnerships with organizations such as CCA, KAF, and CICM.

D. Project Monitoring, Evaluation and Research

An important feature of this project is the monitoring, evaluation and research (ME&R) documentation of how the process of change in credit unions occurs. This feature would be undertaken by engaging ACCOSCA to provide this service. ACCOSCA would be responsible for assessing whether targets are met on time, documenting how skills transfer occurs, documenting pitfalls encountered and suggesting the means to solve problems encountered. This monitoring, evaluation and research effort should enable the project to be flexible in the provision of technical assistance. That is, the order or type of technical assistance should be able to be reworked based on findings of the ME&R effort, so that the agreed-upon growth and CAMEL targets can be attained. ACCOSCA, as the main implementing party, would make this determination in conjunction with the WOCCU technical advisor and, if appropriate, the WOCCU project manager.

The importance of the ME&R effort cannot be stressed enough. Since this project is implemented on a small scale, the entire process must be known so that implementation on a mass scale can be accomplished at minimal cost.

The ME&R should also be reviewed on an ongoing basis by the WOCCU technical advisor to assess the adequacy of ACCOSCA in the provision of its services.

Formal project monitoring reports will be prepared and submitted to USAID semi-annually.

Evaluations will be conducted at the midterm and end-of-project. The evaluation teams will be composed of representatives of all project participants, plus an independent, objective evaluation consultant as team leader. Evaluation findings will be summarized in formal reports to all project partners.

By the end of the first year, as soon as credit unions have been incorporated into the project, a more detailed set of measures and indicators of goal achievement will be prepared and submitted to USAID for concurrence. These measures will serve as the criteria for assessing project performance. An example of some of these measures would be: improvement of performance indicators (capital adequacy, asset quality, management, earnings, liquidity, etc.) and through improvement of growth indicators in the following areas: membership, savings, loan activity (volume and delinquency levels), share capital and market share (savings and loans) and penetration ratios.

The ME&R findings will assess whether targets are being met at the credit union and national association level. Since some credit unions and/or national associations may not live up to their agreements, some credit unions and/or national associations will have to be dropped from the project. The project should include the flexibility to add additional credit unions, and/or national associations. These changes would be worked out between WOCCU and ACCOSCA. Further, a fund whereby financial resources can be drawn on to select and work with new national associations or projects is included in the budget. This fund would only be used in the case of switching national associations and credit unions, or where there is a change in ACCOSCA's implementation agreement.

VI. FINANCIAL PLAN

The proposed project includes funding for an ACCOSCA Resident Management Advisor, based in ACCOSCA Headquarters in Nairobi, Kenya, for the full term of the project. Early on in the project, this advisor will travel extensively with ACCOSCA's senior staff and Technical Service Officers (TSOs), which causes the travel budget to be extremely high in the early years of the project.

On the institutional support side, the project proposes a major break with the practice of previous ACCOSCA development projects. In the past, detailed line item sub-grants have been provided to ACCOSCA, with expenses reimbursed according to the budgets for salaries, staff benefits and allowances, travel, etc. To help ACCOSCA embark on the more businesslike approach it has decided on, this project proposes to reimburse ACCOSCA only for services rendered, according to a pre-established, fixed-price contracts and work orders, although work-in-process advances may be provided. A motivation program will be developed (for example, plaques, certificates, etc.) to reward ACCOSCA for work that is accomplished on or before schedule.

The project also calls for ACCOSCA to contract with eight national associations to carry out the institutional revitalization program in a number of credit unions in each participating country. A motivation program will be developed to similarly reward national associations for work completed on or before schedule. Although ACCOSCA intends to develop a medium-term contract covering the life of the project with eight national associations, the budget includes funding for nine national associations and their limited groups of credit unions. This is because the project also calls for strict compliance with certain new policies and practices, and it is quite likely that one or more national association or its participating credit unions will not have the stamina or will to continue the modernization process all the way to completion. If such backsliding occurs, the offenders will be given no more than three months' notice to comply, and if they fail to do so, the offending national associations and/or credit unions will be promptly terminated from the program, and new leagues and/or credit unions recruited to take their place.

The summary project budget is shown on the following page.

SUMMARY BUDGET

ACCOSCA Financial & Institutional Revitalization Project

| <u>Line Item</u> | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Totals</u> |
|--------------------------------------|---------------------------|---------------------------|-------------------------|-------------------------|-------------------------|---------------------------|
| <u>INSTITUTIONAL SUPPORT:</u> | | | | | | |
| Regional Support | \$372,650 | \$379,081 | \$180,038 | \$159,267 | \$66,126 | \$1,157,162 |
| National Associations | 158,400 | 178,650 | 150,863 | 121,602 | 63,866 | 673,381 |
| Project Administration | <u>69,000</u> | <u>67,500</u> | <u>61,301</u> | <u>46,020</u> | <u>0</u> | <u>243,821</u> |
| Total IS Budget | \$600,050 | \$625,231 | \$392,202 | \$326,889 | \$129,992 | \$2,074,364 |
| <u>TECHNICAL ASSISTANCE:</u> | | | | | | |
| TA Costs | \$319,795 | \$281,500 | \$317,975 | \$355,384 | \$164,067 | \$1,438,721 |
| Equipment | <u>9,500</u> | <u>500</u> | <u>250</u> | <u>0</u> | <u>0</u> | <u>10,250</u> |
| Total Direct Costs | \$329,295 | \$282,000 | \$318,225 | \$355,384 | \$164,067 | \$1,448,971 |
| Indirect Costs | <u>\$114,083</u> | <u>\$98,854</u> | <u>\$110,518</u> | <u>\$122,483</u> | <u>\$60,879</u> | <u>\$506,819</u> |
| Total TA Budget | \$443,378 | \$380,854 | \$428,743 | \$477,867 | \$224,946 | \$1,955,789 |
| GRAND TOTALS | <u>\$1,043,428</u> | <u>\$1,006,085</u> | <u>\$820,945</u> | <u>\$804,756</u> | <u>\$354,938</u> | <u>\$4,030,154</u> |

PROJECT PROPOSAL FOR FINANCIAL AND INSTITUTIONAL REVITALIZATION

OF AFRICAN CREDIT UNIONS

A MARKET BASED APPROACH

| <u>LINE ITEM</u> | <u>YEAR 1</u> | <u>YEAR 2</u> | <u>YEAR 3</u> | <u>YEAR 4</u> | <u>YEAR 5</u> | <u>TOTAL</u> |
|-------------------------------------|---------------------------|---------------------------|-------------------------|-------------------------|-------------------------|---------------------------|
| <u>INSTITUTIONAL SUPPORT</u> | | | | | | |
| A. REGIONAL SUPPORT | \$372,650 | \$379,081 | \$180,038 | \$159,267 | \$66,126 | \$1,157,162 |
| B. NATIONAL ASSOCIATIONS | \$158,400 | \$178,650 | \$150,863 | \$121,602 | \$63,866 | \$673,381 |
| C. PROJECT ADMINISTRATION | \$69,000 | \$67,500 | \$61,301 | \$46,020 | \$0 | \$243,821 |
| TOTAL INSTITUTIONAL SUPPORT | \$600,050 | \$625,231 | \$392,202 | \$326,889 | \$129,992 | \$2,074,364 |
| <u>TECHNICAL ASSISTANCE</u> | | | | | | |
| A. TA COSTS | \$319,795 | \$281,500 | \$317,975 | \$355,384 | \$164,067 | \$1,438,721 |
| B. EQUIPMENT | \$9,500 | \$500 | \$250 | \$0 | \$0 | \$10,250 |
| TOTAL DIRECT COSTS | \$329,295 | \$282,000 | \$318,225 | \$355,384 | \$164,067 | \$1,448,971 |
| INDIRECT COSTS | \$114,083 | \$98,854 | \$110,518 | \$122,483 | \$60,879 | \$506,819 |
| TOTAL TECHNICAL ASSISTANCE | \$443,378 | \$380,854 | \$428,743 | \$477,867 | \$224,946 | \$1,955,789 |
| TOTAL FUNDING REQUEST | <u>\$1,043,428</u> | <u>\$1,006,085</u> | <u>\$820,945</u> | <u>\$804,756</u> | <u>\$354,938</u> | <u>\$4,030,154</u> |

PROJECT PROPOSAL FOR FINANCIAL AND INSTITUTIONAL REVITALIZATION

OF AFRICAN CREDIT UNIONS

A MARKET BASED APPROACH

| <u>LINE ITEM</u> | <u>YEAR 1</u> | <u>YEAR 2</u> | <u>YEAR 3</u> | <u>YEAR 4</u> | <u>YEAR 5</u> | <u>TOTAL</u> |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| INSTITUTIONAL SUPPORT | | (+ 8%) | (+ 8%) | (+ 8%) | (+ 8%) | |
| A. REGIONAL SUPPORT | | | | | | |
| 1. REGIONAL OFFICES | | | | | | |
| a. Salaries | | | | | | |
| — Tech Serv Officers (x 4) | \$100,000 | \$97,200 | \$87,130 | \$63,047 | \$34,045 | \$381,422 |
| — Secretarial Support | \$7,200 | \$6,998 | \$6,273 | \$4,539 | \$2,451 | \$27,462 |
| b. Fringe Benefits | \$9,800 | \$9,526 | \$8,539 | \$6,179 | \$3,337 | \$37,380 |
| c. Allowances | \$25,200 | \$24,494 | \$21,957 | \$15,888 | \$8,579 | \$96,118 |
| d. Travel | \$24,000 | \$23,328 | \$20,911 | \$15,131 | \$8,171 | \$91,541 |
| e. Other Direct Costs | \$6,000 | \$5,832 | \$5,228 | \$3,783 | \$2,043 | \$22,886 |
| f. Equipment (laptop/printers) | \$14,400 | \$0 | \$0 | \$0 | \$0 | \$14,400 |
| SUBTOTAL REGIONAL OFFICES | \$186,600 | \$167,378 | \$150,038 | \$108,567 | \$58,626 | \$671,209 |
| 2. TRAINING | | | | | | |
| a. Regional Seminars | | | | | | |
| — Travel | \$67,200 | \$80,000 | \$0 | \$15,800 | \$0 | \$163,000 |
| — Participants per diem | \$29,400 | \$35,000 | \$0 | \$16,100 | \$0 | \$80,500 |
| — Materials | \$4,200 | \$5,000 | \$0 | \$2,300 | \$0 | \$11,500 |
| — Other direct costs | \$5,000 | \$6,000 | \$0 | \$1,500 | \$0 | \$12,500 |
| b. In-Country Workshops | | | | | | |
| — Travel | \$16,000 | \$24,000 | \$16,000 | \$8,000 | \$4,000 | \$68,000 |
| — Participants per diem | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| — Materials | \$10,000 | \$15,000 | \$10,000 | \$5,000 | \$2,500 | \$42,500 |
| — Other direct costs | \$4,000 | \$6,000 | \$4,000 | \$2,000 | \$1,000 | \$17,000 |
| c. Exchange/Study Tour | \$50,250 | \$40,703 | \$0 | \$0 | \$0 | \$90,953 |
| SUBTOTAL TRAINING | \$186,050 | \$211,703 | \$30,000 | \$50,700 | \$7,500 | \$485,953 |
| SUBTOTAL REGIONAL SUPPORT | \$372,650 | \$379,081 | \$180,038 | \$159,267 | \$66,126 | \$1,157,162 |
| B. NATIONAL ASSOCIATIONS (8) | | | | | | |
| 1. Agreements | \$121,500 | \$118,098 | \$105,863 | \$76,602 | \$41,366 | \$463,429 |
| 2. CU Performance Program | \$22,500 | \$45,000 | \$45,000 | \$45,000 | \$22,500 | \$180,000 |
| 3. Equipment (laptop/printers) | \$14,400 | \$15,552 | \$0 | \$0 | \$0 | \$29,952 |
| SUBTOTAL NAT'L ASSOCIATIONS | \$158,400 | \$178,650 | \$150,863 | \$121,602 | \$63,866 | \$673,381 |
| C. PROJECT ADMINISTRATION | | | | | | |
| 1. Personnel Costs | \$40,000 | \$38,880 | \$34,852 | \$25,219 | \$0 | \$138,951 |
| 2. Travel | \$15,000 | \$14,580 | \$13,070 | \$9,457 | \$0 | \$52,107 |
| 3. Other direct costs | \$10,000 | \$9,720 | \$8,713 | \$6,305 | \$0 | \$34,738 |
| 4. Consultants | \$4,000 | \$4,320 | \$4,666 | \$5,039 | \$0 | \$18,025 |
| SUBTOTAL PROJECT ADMIN | \$69,000 | \$67,500 | \$61,301 | \$46,020 | \$0 | \$243,821 |
| TOTAL INSTITUTIONAL SUPPORT | \$600,050 | \$625,231 | \$392,202 | \$326,889 | \$129,992 | \$2,074,364 |

PROJECT PROPOSAL FOR FINANCIAL AND INSTITUTIONAL REVITALIZATION

OF AFRICAN CREDIT UNIONS

A MARKET BASED APPROACH

| <u>LINE ITEM</u> | <u>YEAR 1</u> | <u>YEAR 2</u> | <u>YEAR 3</u> | <u>YEAR 4</u> | <u>YEAR 5</u> | <u>TOTAL</u> |
|--|------------------|------------------|------------------|------------------|-----------------|------------------|
| TECHNICAL ASSISTANCE | | (+ 5%) | (+ 5%) | (+ 5%) | (+ 5%) | |
| A. TA COSTS | | | | | | |
| 1. PERSONNEL COSTS | | | | | | |
| a. Salaries | | | | | | |
| — Resident Advisor | \$55,000 | \$57,750 | \$60,638 | \$63,670 | \$0 | \$237,058 |
| — Project Monitoring/Support | \$29,500 | \$30,975 | \$32,524 | \$34,150 | \$35,858 | \$163,007 |
| — Training Support | \$8,500 | \$8,925 | \$9,371 | \$9,840 | \$10,332 | \$46,968 |
| b. Fringe Benefits (30% of salaries) | \$27,900 | \$29,295 | \$30,760 | \$32,298 | \$13,857 | \$134,110 |
| c. Consultant Fees (\$333/day) (3 person months/year) | \$29,970 | \$31,469 | \$33,042 | \$34,694 | \$21,129 | \$150,304 |
| SUBTOTAL PERSONNEL COSTS | \$150,870 | \$158,414 | \$166,335 | \$174,652 | \$81,176 | \$731,447 |
| 2. ALLOWANCES (Resident Advisor/family of 4) | | | | | | |
| a. Temporary Lodging | \$15,520 | \$0 | \$0 | \$10,191 | \$0 | \$25,711 |
| b. Housing | \$13,500 | \$14,175 | \$14,884 | \$15,628 | \$0 | \$58,187 |
| c. Post Differential (10%) | \$5,500 | \$5,775 | \$6,064 | \$6,367 | \$0 | \$23,706 |
| d. Education | \$15,350 | \$16,118 | \$16,923 | \$17,770 | \$0 | \$66,161 |
| SUBTOTAL ALLOWANCES | \$49,870 | \$36,068 | \$37,871 | \$49,956 | \$0 | \$173,765 |
| 3. TRAVEL/RELOCATION | | | | | | |
| a. Recruiting | \$5,000 | \$0 | \$0 | \$0 | \$0 | \$5,000 |
| b. Orientation (Madison x 2) | \$1,850 | \$0 | \$0 | \$0 | \$0 | \$1,850 |
| c. Relocation | | | | | | |
| — Airfare (RT x 4) | \$18,000 | \$0 | \$0 | \$20,837 | \$0 | \$38,837 |
| — Excess Baggage (22 lbs ea.) | \$330 | \$0 | \$0 | \$382 | \$0 | \$712 |
| — Unaccompanied Baggage (700 lbs @ \$3.75/lb) | \$2,625 | \$0 | \$0 | \$3,039 | \$0 | \$5,664 |
| — Misc. (visas, physicals) | \$1,200 | \$0 | \$0 | \$1,389 | \$0 | \$2,589 |
| — Shipping | \$19,500 | \$0 | \$0 | \$22,574 | \$0 | \$42,074 |
| d. Debriefing (Madison x 1) | \$0 | \$0 | \$0 | \$1,500 | \$0 | \$1,500 |
| e. R&R (RT airfare x 4) | \$0 | \$8,000 | \$0 | \$0 | \$0 | \$8,000 |
| f. Home Leave (x 4) | \$0 | \$0 | \$9,000 | \$0 | \$0 | \$9,000 |
| g. Consultation Visits (Madison) | \$0 | \$5,500 | \$1,500 | \$0 | \$0 | \$7,000 |
| h. Emergency Travel (x 1) | \$0 | \$0 | \$4,500 | \$0 | \$0 | \$4,500 |
| i. Intra Africa Travel (Resident Technician) | \$10,000 | \$10,500 | \$11,025 | \$11,576 | \$0 | \$43,101 |
| j. Consultant Travel (airfare, per diem, misc.) | \$29,300 | \$30,765 | \$32,303 | \$33,918 | \$20,656 | \$146,942 |
| k. Project Monitoring (3 trips/year) | \$12,000 | \$12,600 | \$13,230 | \$13,892 | \$14,587 | \$66,309 |
| SUBTOTAL TRAVEL/RELOCATION | \$99,805 | \$67,365 | \$71,558 | \$109,107 | \$35,243 | \$383,078 |

PROJECT PROPOSAL FOR FINANCIAL AND INSTITUTIONAL REVITALIZATION

OF AFRICAN CREDIT UNIONS

A MARKET BASED APPROACH

| <u>LINE ITEM</u> | <u>YEAR 1</u> | <u>YEAR 2</u> | <u>YEAR 3</u> | <u>YEAR 4</u> | <u>YEAR 5</u> | <u>TOTAL</u> |
|--|------------------|------------------|------------------|------------------|------------------|--------------------|
| TECHNICAL ASSISTANCE | | (+ 5%) | (+ 5%) | (+ 5%) | (+ 5%) | |
| A. TA COSTS | | | | | | |
| 4. EVALUATIONS | | | | | | |
| a. Midterm (Yr 3-30 days) | | | | | | |
| — Fees (\$333/day) | \$0 | \$0 | \$11,014 | \$0 | \$0 | \$11,014 |
| — Airfare (RT MSN-NRB) | \$0 | \$0 | \$4,961 | \$0 | \$0 | \$4,961 |
| — Per diem (\$124/day) | \$0 | \$0 | \$4,101 | \$0 | \$0 | \$4,101 |
| — Misc/Local Travel | \$0 | \$0 | \$500 | \$0 | \$0 | \$500 |
| — Other direct costs | \$0 | \$0 | \$1,000 | \$0 | \$0 | \$1,000 |
| b. Final (Yr 5-45 days) | | | | | | |
| — Fees (\$333/day) | \$0 | \$0 | \$0 | \$0 | \$18,214 | \$18,214 |
| — Airfare (RT MSN-NRB) | \$0 | \$0 | \$0 | \$0 | \$5,470 | \$5,470 |
| — Per diem (\$124/day) | \$0 | \$0 | \$0 | \$0 | \$7,592 | \$7,592 |
| — Misc/Local Travel | \$0 | \$0 | \$0 | \$0 | \$650 | \$650 |
| — Other direct costs | \$0 | \$0 | \$0 | \$0 | \$1,500 | \$1,500 |
| SUBTOTAL EVALUATIONS | \$0 | \$0 | \$21,576 | \$0 | \$33,426 | \$55,002 |
| 5. OTHER DIRECT COSTS | | | | | | |
| a. Resident Technician | | | | | | |
| — Telecommunications | \$3,200 | \$2,800 | \$2,940 | \$3,087 | \$0 | \$12,027 |
| — Administrative Support | \$3,500 | \$3,675 | \$3,859 | \$4,052 | \$0 | \$15,086 |
| — Office Supplies | \$500 | \$525 | \$551 | \$579 | \$0 | \$2,155 |
| — Resource Materials | \$100 | \$105 | \$110 | \$116 | \$0 | \$431 |
| — Miscellaneous | \$250 | \$263 | \$276 | \$290 | \$0 | \$1,079 |
| b. Project Monitoring | | | | | | |
| — Telecommunications | \$3,200 | \$3,360 | \$3,528 | \$3,704 | \$3,889 | \$17,681 |
| — Delivery Services | \$1,500 | \$1,575 | \$1,654 | \$1,737 | \$1,824 | \$8,290 |
| — Compliance Audit | \$6,500 | \$6,825 | \$7,166 | \$7,525 | \$7,901 | \$35,917 |
| — Miscellaneous | \$500 | \$525 | \$551 | \$579 | \$608 | \$2,763 |
| SUBTOTAL OTHER DIRECT COSTS | \$19,250 | \$19,653 | \$20,635 | \$21,669 | \$14,222 | \$95,429 |
| SUBTOTAL TA COSTS | \$319,795 | \$281,500 | \$317,975 | \$355,384 | \$164,067 | \$1,438,721 |
| B. EQUIPMENT | \$9,500 | \$500 | \$250 | \$0 | \$0 | \$10,250 |
| (includes desktop PC, printer, modem, laptop and software) | | | | | | |
| TOTAL DIRECT COSTS | \$329,295 | \$282,000 | \$318,225 | \$355,384 | \$164,067 | \$1,448,971 |
| INDIRECT COSTS: 32.2% as follows: | | | | | | |
| TA/Total Direct Costs | \$106,033 | \$90,804 | \$102,468 | \$114,433 | \$52,829 | \$466,569 |
| IS/first \$25,000/yr | \$8,050 | \$8,050 | \$8,050 | \$8,050 | \$8,050 | \$40,250 |
| SUBTOTAL INDIRECT COSTS | \$114,083 | \$98,854 | \$110,518 | \$122,483 | \$60,879 | \$506,819 |
| TOTAL TECHNICAL ASSISTANCE | \$443,378 | \$380,854 | \$428,743 | \$477,867 | \$224,946 | \$1,955,789 |

VII. MONITORING PLAN

Formal project monitoring reports will be prepared and submitted to USAID semi-annually. ACCOSCA, through the monitoring, evaluation and research (ME&R) process, will be engaged to document how the process of change in credit unions occurs. It will assess whether targets are met on time, document how skills transfer occurs, document pitfalls encountered and suggest the means to solve problems encountered. A quarterly progress and performance report will be developed to track growth, profitability, capital adequacy, asset quality, liquidity and financial structure of participating organizations.

This ME&R process will allow the project to be flexible in the provision of technical assistance. That is, the type of technical assistance can be reworked based on findings of the ME&R effort, so that the agreed-upon growth and CAMEL⁶-type targets can be attained. The ME&R will be reviewed on an ongoing basis by the WOCCU technical advisor to assess the adequacy of ACCOSCA's provision of services.

By the end of the first year, as soon as credit unions have been incorporated into the project, a more detailed set of measures and indicators of goal achievement will be prepared and submitted to USAID for concurrence. These measures will serve as the criteria for assessing project performance. An example of some of these measures would be: improvement of CAMEL performance indicators, and improvement of growth indicators in the following areas: membership, savings, loan activity (volume and delinquency levels), share capital and market share (savings and loans) and penetration ratios. Use of a CAMEL-like performance rating system for periodic monitoring of the health and growth of the participating credit unions will track key financial institution indicators as well as growth.

In addition, baseline information collected during the initial diagnostics (member/non-member services needs survey, and a financial and institutional analysis) of each pilot credit union will lead to strategic business plans that set goals related to key credit union performance indicators. These business plans will provide an accurate, realistic and easily measurable base for assessing progress. These diagnostics will also result in baseline data on membership, shares, savings, loans, delinquency levels, reserve levels, dividend/interest rate history, liquidity, etc. The success of the project will be measured by comparing the actual performance of the pilot societies at various stages of the project against this baseline data.

A sample of some of the measurements that should be used to assess progress of the participating credit unions are: new savings products introduced; market interest rates/dividends being paid on savings/shares; full-time manager/good office accommodation/convenient office hours introduced; significant increase in membership; significant increase in total shares/savings; books up-to-date and in balance; regular, comprehensive financial

⁶ CAMEL- A financial institution performance and rating system used in the US. This refers to Capital adequacy, Asset quality, Management, Earnings and Liquidity. In addition, the system introduced to these African credit unions will also measure Growth.

statements being produced; lower loan delinquency; market loan rates being charged; improved loan policies introduced (higher limits/more flexibility), delinquency follow-up, provisions/reserve requirements; introduction of effective internal controls; regular, effective external audit by a competent auditor; operating margin delivering at least a modest surplus; no significant cash discrepancies; and transparency in the management of the society.

The major role of the national associations will be to provide training and technical support to the leadership and staff of the pilot societies. Their performance can be measured by: the knowledge and competence of the board, committee members and staff of the pilot societies; actual performance of the pilot societies compared to the measurements outlined above; the extent to which these new operating policies have been introduced into other member societies who are not part of the pilot program and any notable effects these new policies have had on the operations of these other societies; the increased level of dues and fees received from the pilot societies in particular and other members in general, as a result of the introduction of the new policies; this should translate into an improved level of financial self-sustainability of the national association.

ACCOSCA's major role is to provide training and technical support primarily to the national association staff and, in the initial stages, training of the leadership and staff of the pilot societies. Its other major role is to manage the project on a day-to-day basis, including periodic reporting requirements, which would include regularly monitoring the performance of the pilot national associations and primary societies to ensure that the targets set are being met. ACCOSCA's performance can be measured by the following criteria: pilot primary societies achieving the targets set; well trained, competent national association staff providing a high level of training and technical support to the pilot societies; timetable for project implementation being met; all narrative and financial reports produced correctly and on time; project monies properly accounted for.

The draft format for the quarterly progress and performance reports follows.

Quarterly Progress and Performance Report

Credit Union/League/ACCOSCA

| PERFORMANCE CATEGORY & INDICATORS | Year -3 | Year -2 | Year -1 | Year - to - Date | | Variance | |
|--|---------|---------|---------|------------------|---------|----------|-------|
| | | | | Actual | Plan | Absolute | --%-- |
| GROWTH: | | | | | | | |
| Membership | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Loans Outstanding | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Total Shares & Savings | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Total Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Gross Income | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Operating Expenses | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Net Income | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Reserves + Undivided Earnings | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| PROFITABILITY: | | | | | | | |
| Spread Analysis: | | | | | | | |
| Gross Return on Loans | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Gross Return on Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Cost of Capital | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Gross Spread | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Operating Expenses & Provisions | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Net Income/Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Operating Expenses/Gross Income | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| CAPITAL ADEQUACY: | | | | | | | |
| Total Reserves + Undivided Earnings/Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Delinquent Loans/Total Reserves + Loan Loss Allowances | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Debt/Equity Ratio | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Net Worth/Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| ASSET QUALITY: | | | | | | | |
| Delinquent Loans/Total Loans | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Delinquency Schedule (%): | | | | | | | |
| Current Loans | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Delinquent 2 - 6 months | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Delinquent 6 - 12 months | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Delinquent 12 - 18 months | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Delinquent > 18 months | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Total Loans Outstanding | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | XX % |
| Non-Earning Assets/Total Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| LIQUIDITY: | | | | | | | |
| (Cash + Bank + CLF)/Total Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| FINANCIAL STRUCTURE: | | | | | | | |
| Cash + Bank/Total Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Investments/Total Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Loans/Total Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Fixed Assets/Total Assets | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |
| Objective Rating Score (0 to 100) | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XXXXX | XX % |

VIII. EVALUATION PLAN

By the beginning of the second year, evaluation will be an ongoing element of project implementation. The participating organizations will be evaluated regularly to ensure their continued eligibility for participation in the project.

The project will undertake a mid-term evaluation after the first thirty months of project implementation. The second obligation of project funding will be subject to the results of the mid-term evaluation. This puts all the project partners on notice that they have to produce results if project funding is to continue.

The evaluation teams will be composed of representatives of all project participants, and an independent, objective consultant as evaluation team leader. The evaluation team will focus on attainment of project objectives, success of overall project approach, impact and results at the primary society level, and fulfillment of contractual obligations of the participating organizations.

Specific scopes of work for each evaluation will be developed at least four months prior to the evaluation and will be submitted to USAID for approval. Evaluation findings will be summarized in formal reports to all project partners.

ATTACHMENTS

Attachment A
Logical Framework

LOGICAL FRAMEWORK

| LEVEL | INDICATOR | MEANS OF VERIFICATION | ASSUMPTIONS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|-----------|-----------|------------|--------|------------|--|--|--|--|--|--|--|-----------------------|---|---|---|---|---|---|-----------------|---|---|---|---|---|---|----------------------------|----------|-----------|-----------|-----------|-----------|-----------|--|--|--|--|--|--|--|-------------------|----|----|----|----|----|----|-----------------------|---|---|---|----|----|----|----------------------|----|----|----|----|----|----|--------------------------------|--|--|--|--|--|--|------------------|---|--|--|--|--|---|--------------------------|----|----|----|--|--|----|---|---|---|---|---|---|----|--|--|--|--|--|--|--|-----------------|--|---|---|--|---|---|--------------------|--|---|---|--|---|---|--|--|--|--|--|--|--|------------|---|---|---|---|---|---|--------------|---|---|---|---|---|---|---------------|---|---|---|---|---|---|--|----|----|----|----|----|----|---|--|
| <p>GOAL: To increase private financial market opportunities and effectiveness available to low-to-middle income Africans, to enable them to improve their socio-economic conditions, by improving the availability, quality and performance of credit union services in Africa.</p> | <ol style="list-style-type: none"> 1. The average savings account balance will increase 50% in participating credit unions. 2. At least one quarter of participating credit unions' members will have had access to credit by end-of-project. 3. At least one-third of participating credit unions' new loans will be for productive purposes. | <ol style="list-style-type: none"> 1. Project, ACCOSCA, WOCU, national associations' and credit union accounting and statistical records. | <ol style="list-style-type: none"> 1. African governments will permit use of positive real interest rates. 2. Support and non-interference of African governments in movement affairs. 3. Reasonable political and economic stability. 4. Togo's revitalization success can be replicated elsewhere in Africa. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>PURPOSE: To help self-selected high-potential credit unions significantly improve their performance and service delivery capacity with respect to:</p> <ul style="list-style-type: none"> - Institutional Strengthening - Provision of Improved Services and Products - Improved Safety & Soundness | <ol style="list-style-type: none"> 1. BY EOP, at least 80 credit unions will have been strengthened and revitalized in at least eight ACCOSCA-affiliated, USAID priority countries participating in the project 2. Other donors will buy into the process such that at least 5 other countries will have adopted and be implementing essentially the same revitalization approach in a number of credit unions in each such additional country 3. Participating credit unions, national associations and ACCOSCA will achieve the increased levels of financial self-sufficiency specified in the output indicators shown below. | <ol style="list-style-type: none"> 1. Project, ACCOSCA, WOCU, national associations' and credit union accounting and statistical records. 2. Formal agreements of participating institutions | <p>Same as for Goal</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>OUTPUTS:</p> <ol style="list-style-type: none"> 1. No of countries & national associations participating in program (net of withdrawals & terminations): <ul style="list-style-type: none"> - Central AID Project - Other Buy-ins 2. No. of credit unions participating in AID project <ul style="list-style-type: none"> - Entered Program - Withdrew/Terminated - Net No. active CUs 3. CU Strategic Business Plans <ul style="list-style-type: none"> - Model Designed - No. CUs Adopting Plans 4. No. CU & Nat. Assn. Toolkit components developed 5. New Products & Services Introduced: <ul style="list-style-type: none"> - Loan Products - Savings Products 6. CAMEL-Like CU Performance Rating System <ul style="list-style-type: none"> - Designed - Documented - Operational - Ave. Participating CU's Score (Max = 100 Pts.) | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Year 1</th> <th>Year 2</th> <th>Year 3</th> <th>Year 4</th> <th>Year 5</th> <th>TOTAL/EOP8</th> </tr> </thead> <tbody> <tr> <td>1. No of countries & national associations participating in program (net of withdrawals & terminations):</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>- Central AID Project</td> <td style="text-align: center;">4</td> <td style="text-align: center;">8</td> </tr> <tr> <td>- Other Buy-ins</td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Total No. Countries</td> <td style="text-align: center;">5</td> <td style="text-align: center;">10</td> <td style="text-align: center;">11</td> <td style="text-align: center;">12</td> <td style="text-align: center;">13</td> <td style="text-align: center;">13</td> </tr> <tr> <td>2. 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CAMEL-Like CU Performance Rating System</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>- Designed</td> <td style="text-align: center;">1</td> </tr> <tr> <td>- Documented</td> <td style="text-align: center;">1</td> </tr> <tr> <td>- Operational</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> </tr> <tr> <td>- Ave. Participating CU's Score (Max = 100 Pts.)</td> <td style="text-align: center;">50</td> <td style="text-align: center;">55</td> <td style="text-align: center;">60</td> <td style="text-align: center;">65</td> <td style="text-align: center;">70</td> <td style="text-align: center;">75</td> </tr> </tbody> </table> | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | TOTAL/EOP8 | 1. No of countries & national associations participating in program (net of withdrawals & terminations): | | | | | | | - Central AID Project | 4 | 8 | 8 | 8 | 8 | 8 | - Other Buy-ins | 1 | 2 | 3 | 4 | 5 | 5 | Total No. Countries | 5 | 10 | 11 | 12 | 13 | 13 | 2. No. of credit unions participating in AID project | | | | | | | - Entered Program | 25 | 75 | 92 | 94 | 95 | 95 | - Withdrew/Terminated | 3 | 6 | 9 | 12 | 15 | 15 | - Net No. active CUs | 22 | 69 | 83 | 82 | 80 | 80 | 3. CU Strategic Business Plans | | | | | | | - Model Designed | 1 | | | | | 1 | - No. CUs Adopting Plans | 22 | 47 | 14 | | | 83 | 4. No. CU & Nat. Assn. Toolkit components developed | 5 | 5 | 5 | 3 | 2 | 20 | 5. New Products & Services Introduced: | | | | | | | - Loan Products | | 1 | 1 | | 1 | 3 | - Savings Products | | 1 | 1 | | 1 | 3 | 6. CAMEL-Like CU Performance Rating System | | | | | | | - Designed | 1 | 1 | 1 | 1 | 1 | 1 | - Documented | 1 | 1 | 1 | 1 | 1 | 1 | - Operational | 0 | 1 | 1 | 1 | 1 | 1 | - Ave. Participating CU's Score (Max = 100 Pts.) | 50 | 55 | 60 | 65 | 70 | 75 | <p>For All Outputs:</p> <ol style="list-style-type: none"> 1. Project, ACCOSCA, national association and credit union accounting and statistical records. <p>For Outputs 3, 4, 5, & 6:</p> <ol style="list-style-type: none"> 2. Examination of manuals, toolkits, strategic plans, policy statements, etc. <p>For Output 6:</p> <ol style="list-style-type: none"> 3. Examination of rating system periodic output reports (printouts) | <p>For All Outputs:</p> <ol style="list-style-type: none"> 1. CU Members & general public will value and trust the CU movement's increased service capability 2. Pricing & margins at CU level adequate to maintain self-sufficiency 3. CUs & Natl. Assns. willing to adopt the market model 4. Project staff have adequate data base skills and record-keeping ability 5. In general, adequately-prepared staff can be recruited and trained to satisfactorily carry out their duties 6. Package of TA to CUs developed and received on schedule 7. Technical advisor can be obtained on time & at budgeted amounts |
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | TOTAL/EOP8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. No of countries & national associations participating in program (net of withdrawals & terminations): | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Central AID Project | 4 | 8 | 8 | 8 | 8 | 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Other Buy-ins | 1 | 2 | 3 | 4 | 5 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total No. Countries | 5 | 10 | 11 | 12 | 13 | 13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. No. of credit unions participating in AID project | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Entered Program | 25 | 75 | 92 | 94 | 95 | 95 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Withdrew/Terminated | 3 | 6 | 9 | 12 | 15 | 15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Net No. active CUs | 22 | 69 | 83 | 82 | 80 | 80 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. CU Strategic Business Plans | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Model Designed | 1 | | | | | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - No. CUs Adopting Plans | 22 | 47 | 14 | | | 83 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. No. CU & Nat. Assn. Toolkit components developed | 5 | 5 | 5 | 3 | 2 | 20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. New Products & Services Introduced: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Loan Products | | 1 | 1 | | 1 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Savings Products | | 1 | 1 | | 1 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. CAMEL-Like CU Performance Rating System | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Designed | 1 | 1 | 1 | 1 | 1 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Documented | 1 | 1 | 1 | 1 | 1 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Operational | 0 | 1 | 1 | 1 | 1 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Ave. Participating CU's Score (Max = 100 Pts.) | 50 | 55 | 60 | 65 | 70 | 75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Provisional Page Number

LOGICAL FRAMEWORK

| LEVEL | INDICATOR | | | | | | MEANS OF VERIFICATION | ASSUMPTIONS |
|--|--|-------------|-----------|-----------|-----------|----------------|--|---|
| OUTPUTS (Cont.): | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | TOTAL/ EOPS | | |
| 7. Annual Growth Rates of participating CUs: | | | | | | | For Output 9: 4. Natl. Assn. and CU financial and statistical records 5. IMF Monthly Monetary Statistics | 8. Dissemination of results will provide catalyst to encourage widespread adoption of the market model |
| - Membership | 2% | 5% | 10% | 15% | 20% | 20% | | |
| - Shares & Savings | 4% | 10% | 15% | 20% | 30% | 30% | | |
| - Loans Outstanding | 4% | 6% | 10% | 12% | 15% | 15% | | |
| - Total Assets | 4% | 11% | 17% | 23% | 33% | 33% | | |
| 8. Specific CU Performance Measures of Participating CUs (Ave. Values): | | | | | | | For Outputs 1,2,3,7,8 & 9 9. Togo "revitalization" project results can be replicated elsewhere in Africa 10. Staff & Leadership of credit unions and project will value training and participate fully 11. Some CUs will drop out of failing to live up to agreement For Outputs 1 thru 9: 12. Qualified TSOs can be recruited, trained and motivated to perform quality and timely assistance and monitoring | |
| - % Non-Productive Assets | 35.0% | 27.5% | 22.5% | 15.0% | 10.0% | 10.0% | | |
| - Debt/Equity Ratio - No. | 20 | 16 | 13 | 10 | 8 | 8 | | |
| - Reserves & Undivided Earnings/Total Assets | 1% | 2% | 3% | 5% | 7% | | | |
| - % Loans Delinquent | 30% | 26% | 20% | 15% | 10% | 10% | | |
| - Bad Debts Reserves & Allowances as % of Delinquent Loans | 5.0% | 15.0% | 30.0% | 40.0% | 50.0% | 50.0% | | |
| - Gross Yield on Loans | 10% | 14% | 16% | 17% | 18% | 18% | | |
| - Gross Return on Assets | 9.0% | 12.0% | 14.0% | 14.5% | 15.0% | 15.0% | | |
| - % +/- RoR on Member savings compared to market | To be determined following the initial diagnostics | | | | | | | |
| - Liquid Assets/Total Assets | 10.0% | 15.0% | 20.0% | 20.0% | 20.0% | 20.0% | | |
| 9. CU Overall Market Share in Participating Countries | | | | | | | | |
| - Savings | 0.5% | 1.5% | 2.5% | 3.6% | 5.0% | 5.0% | | |
| - Loans | 1.0% | 2.0% | 3.0% | 4.0% | 5.0% | 5.0% | | |
| 10. Financial Self-Sustainability as defined by common formula | | | | | | | | |
| a. ACCOSCA Core Budget | 50.0% | 60.0% | 75.0% | 80.0% | 100.0% | 100.0% | | |
| b. Participating national associations | 25.0% | 33.0% | 45.0% | 60.0% | 75.0% | 75.0% | | |
| c. Participating Credit Unions | 40.0% | 60.0% | 75.0% | 90.0% | 100.0% | 100.0% | | |
| INPUTS: | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | TOTAL/ EOPS | | |
| 1. USAID Funding (US\$) | | | | | | | 1. WCCCU, ACCOSCA & Natl. Assn. Employee time & accounting records 2. National Associations' staff time, payroll & accounting records | 1. Continued good US Govt. Relations with participating African governments 2. African governments allow duty-free import of advisor's and project equipment & H/E |
| On-Site Technical Assistance (\$ '000): | | | | | | | | |
| - Resident Advisor | \$200,740 | \$199,154 | \$209,652 | \$225,905 | \$254,769 | \$1,090,220 | | |
| - Other | 244,621 | 180,369 | 222,673 | 189,863 | 324,526 | 1,162,062 | | |
| Institutional Support | | | | | | | | |
| - ACCOSCA | 599,800 | 594,526 | 331,752 | 255,256 | 122,027 | 1,873,361 | | |
| - National Assn. & CUs | 174,400 | 195,772 | 167,626 | 135,114 | 70,962 | 744,874 | | |
| Total Funding | \$1,169,561 | \$1,170,851 | \$931,703 | \$808,138 | \$772,284 | \$4,870,537 | | |
| 2. Other Inputs | a. Substantial non-counted CU, natl. ass'n. & ACCOSCA non-funded staff and leadership volunteer time b. Complementary WCCCU, CCA, SOD, KAF, etc., projects in other countries | | | | | | | |

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Attachment B

Detailed Implementation Plan

DETAILED IMPLEMENTATION PLAN

| Act. No. | Activity | Pre-Project | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | | |
|----------|--|-------------|--------|---|---|---|--------|---|---|---|--------|---|---|---|--------|---|---|---|--------|---|---|---|--|
| | | | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | |
| 1 | Grant negotiation and agreement | ✓ | | | | | | | | | | | | | | | | | | | | | |
| 2 | Regional symposia/workshops held for all national associations | | | ✓ | | | | ✓ | | | | | | | | | | | | | | | |
| 3 | Hiring and posting of ACCOSCA Resident Management Advisor | ✓ | ✓ | | | | | | | | | | | | | | | | | | | | |
| 4 | Acquisition of computers and other commodities | | ✓ | ✓ | | | | | | | | | | | | | | | | | | | |
| 5 | Review and update project implementation plan and budget | ✓ | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | | | | |
| 6 | Design and Implement Project Management Information System (Consultancy Involved) | | ✓ | ✓ | | | | | | | | | | | | | | | | | | | |
| 7 | WOCCU advisor trains ACCOSCA staff in market model and technical assistance package | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | | | |
| 8 | Leagues selected and formally express willingness to participate in project | | ✓ | ✓ | | | | | | | | | | | | | | | | | | | |
| 9 | Study/Exchange tours arranged and undertaken (when Leagues will have responded) | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | | | ✓ | | | | | | | | | | |
| 10 | Institutional Assessment of pilot credit unions | | | | ✓ | ✓ | | ✓ | ✓ | | | | | | | | | | | | | | |
| 11 | Symposia/workshops for selected Leagues' credit unions | | | | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | |
| 12 | ACCOSCA and WOCCU advisor transfer skills to selected national League staff and leadership | | | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | |
| 13 | Training of Management and Leadership of selected credit unions | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | |

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DETAILED IMPLEMENTATION PLAN

| Act. No. | Activity | Pre-Project | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | | |
|----------|---|-------------|--------|---|---|---|--------|---|---|---|--------|---|---|---|--------|---|---|---|--------|---|---|---|--|
| | | | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | |
| 14 | Independent auditors hired for credit unions | | | | ✓ | | | | ✓ | | | | | | | | | | | | | | |
| 15 | Development of ME&R plans | | | | ✓ | ✓ | | | | | | | | | | | | | | | | | |
| 16 | Conduct of IA follow-up of selected Leagues | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | |
| 17 | Conduct of annual independent audits of credit unions | | ✓ | | | | ✓ | | | | | | | | ✓ | | | | | | ✓ | | |
| 18 | Ongoing ME&R | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| 19 | New Financial Services and Products Consultancy | | | | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | | |
| 20 | Growth and performance targets established | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | | |
| 21 | Computerized credit union accounting/info system consultancy | | | ✓ | ✓ | ✓ | | | | | | | | | | | | | | | | | |
| 22 | Implementation of technical assistance package at the credit union level | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| 23 | Preparation/Distribution of Semi-Annual Progress Reports | | | | ✓ | | ✓ | | | ✓ | | ✓ | | ✓ | | ✓ | | | | | ✓ | | |
| 24 | Dissemination of project results to date | | | | | | | | | ✓ | | | ✓ | | | ✓ | | | | | | ✓ | |
| 25 | Workshop for pilot credit union leadership and staff and staff responsible for program implementation to exchange experiences, successful techniques and problems and solutions | | | | | | | | | | ✓ | | | ✓ | | ✓ | | | | | | | |

DETAILED IMPLEMENTATION PLAN

| Act. No. | Activity | Pre-Project | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | | |
|----------|--|-------------|--------|---|---|---|--------|---|---|---|--------|---|---|---|--------|---|---|---|--------|---|---|---|---|
| | | | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | |
| 26 | Workshop for national association leadership and staff to exchange experiences, successful techniques and problems and solutions | | | | | | | | ✓ | | | | | | | | | ✓ | | | | | |
| 27 | Conduct of Annual Promotion Program at Credit Union Level | | | | | ✓ | | | | ✓ | | | | ✓ | | | | | ✓ | | | | |
| 28 | Evaluation of ACCOSCA and Leagues and determination of continued involvement of each | | | | | | | ✓ | | | | ✓ | | | | ✓ | | | | | | | |
| 29 | Assess whether established and agreed-upon targets have been achieved | | | | | | | | ✓ | | | | ✓ | | | | | ✓ | | | | | |
| 30 | Removal of nonperforming credit unions | | | | | | | | ✓ | | | | ✓ | | | | | ✓ | | | | | |
| 31 | Inclusion of replacement credit unions for those removed from program | | | | | | | | ✓ | | | | ✓ | | | | | ✓ | | | | | |
| 32 | Identification of new credit unions to be included in subsequent years | | | | ✓ | | | | ✓ | | | | ✓ | | | | | ✓ | | | | | |
| 33 | Mid-Term Project Evaluation | | | | | | | | | ✓ | ✓ | | | | | | | | | | | | |
| 34 | Preparation of new ACCOSCA 5-Year Development Plan | | | | | | | | | | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| 35 | Final symposium/workshop held for all ACCOSCA member national Leagues' Boards and Managers to disseminate results of the project | | | | | | | | | | | | | | | | | | | | | ✓ | |
| 36 | Final Evaluation | | | | | | | | | | | | | | | | | | | | | ✓ | ✓ |
| 37 | Preparation/Distribution of Final Report on Project | | | | | | | | | | | | | | | | | | | | | ✓ | ✓ |

DETAILED IMPLEMENTATION PLAN

| Act. No. | Activity | Pre- Pro- ject | Year 1 | | | | Year | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|-------------|---|----------------------|--------|--|---|---|------|--|---|---|--------|--|---|---|--------|--|---|---|--------|--|---|---|
| | | | 1 | | 3 | 4 | 1 | | 3 | 4 | 1 | | 3 | 4 | 1 | | 3 | 4 | 1 | | 3 | 4 |
| 38 | Repatriation of ACCOSCA Resident Management Advisor | | | | | | | | | | | | | | | | | | | | | ✓ |

Attachment C

ACCOSCA Resident Management Advisor's Position Description

Job Description:

ACCOSCA Resident Management Advisor

Position: ACCOSCA Resident Management Advisor

Supervisor: Director of Technical and Developmental Services, the World Council of Credit Unions, and his designee, WOCCU's ACCOSCA Project Manager

Major Responsibilities:

The Advisor will work under the direction of, and in collaboration with, the Executive Director of the African Confederation of Cooperative Savings and Credit Associations.

The Advisor will be responsible for providing on-site technical advice to the Board and Executive Director of ACCOSCA and to its affiliated national credit union movements, in addition to project liaison and reporting, in the following areas:

A. Duties:

1. Project Planning, Monitoring and Evaluation

The ACCOSCA Resident Management Advisor will be responsible for project liaison and reporting, planning and monitoring of progress, as well as for financial and program reporting.

In collaboration with ACCOSCA staff and the WOCCU Home Office Project Manager, the advisor will assist in the continued preparation and monitoring of ACCOSCA's and the project's long-range and annual work plans. He/she will also assist ACCOSCA and national association staff in training credit union staff and leadership to prepare written operational plans and to design long-range strategic plans.

With the assistance of WOCCU Home Office staff, the advisor will also develop a computerized project management information system similar to that used in other WOCCU projects. This will allow WOCCU and ACCOSCA to continuously monitor all important indicators at the credit union, national association and confederation levels, and greatly facilitate quarterly progress reports to all concerned partners.

2. Liaison, Reporting and Administrative Procedures

The advisor will serve as the primary liaison agent between WOCCU and ACCOSCA, concerned USAIDs, participating national associations, African governments, and other interested or collaborating organizations in Africa, and will regularly evaluate these liaison efforts and take any corrective steps required to assure effective communication between the project and these organizations. In particular, he will:

- a. Determine the information requirements of USAID, WOCCU, ACCOSCA, and other project participants as concerns the project.
- b. Assure mutual agreement on the objectives of the project and the project's role in achieving these and clearly identify any lack of consensus on those subjects which may exist.

- c. Assist in defining and ensuring mutual agreement on the project responsibilities and obligations of each of the project's principle parties, i.e., USAID, WOCCU, ACCOSCA, and the participating national associations.
- d. Provide all funding agencies with documentation which clearly establishes WOCCU's responsibilities and plans and with adequate, timely updating which will allow for proper monitoring by these agencies of the accomplishments of the project, as well as difficulties encountered.
- e. Prepare and forward progress reports, in an agreed-upon format and periodicity, plus any other special reports and studies as required, to USAID, WOCCU, ACCOSCA, or other parties as required.
- f. In written reports, draw to the attention of USAID, WOCCU's Project Manager, ACCOSCA, and other interested parties of any changes in conditions which could significantly affect the proper execution of the project.
- g. Determine appropriate communication channels and assure that all communications are carried out through these channels.
- h. Assure identification and provision of adequate and timely provision of TDY technical assistance to ACCOSCA or participating national associations and their member credit unions.
- i. Promptly remit monthly expenditure reports to WOCCU's Home Office and monitor project expenditure financial reports and ensure that the reports contain all of the information required for effective monitoring of expenditures.
- j. Prepare annual budget proposals and submit to WOCCU a minimum of 90 days prior to new budget periods.
- k. Assure proper safeguarding of all project's assets under the control of the advisor.

Technical Duties:

A. General

The advisor will be responsible for providing on-site technical advice to ACCOSCA Technical Support Officers (TSOs), African national credit union associations participating in the project, and to their affiliated credit unions.

B. Specific Duties

The advisor's technical activities will primarily focus on the design and documentation, as well as training of ACCOSCA and national associations in the use of techniques and systems to modernize and redynamize participating credit unions and their national associations. As such, his/her duties will include the following:

1. System Design and Configuration

In collaboration with ACCOSCA staff, as well as with participating national association and credit union staff, the Advisor will develop an initial implementation plan, monitor progress towards achievement of milestones, and periodically revise the implementation time table as necessary.

2. Personnel Recruitment and Training

In collaboration with ACCOSCA staff, the advisor will:

- a. Prepare job descriptions for ACCOSCA's Technical Support Officers. These TSOs should be selected on the basis of their knowledge of credit union operations and mechanics, in particular their financial skills and experience.
- b. Serve a member of a recruitment committee to recruit required personnel.
- c. Train personnel as required, based on assessment of their skills and previous experience.

3. Program Implementation

In concert with ACCOSCA staff and TSOs, as well as with participating national associations staff, the advisor will assure timely implementation of the program at the national association and credit union level, including but not limited to the following:

- a. Monitor overall project implementation, identify problems, propose possible solutions to ACCOSCA management.
- b. Design technical assistance package appropriate for use at national association and credit union level.
- c. Participate in training programs to implement technical assistance package and in the symposia/workshops.
- d. Assist, as appropriate, with assessment of selected national associations' follow-up IAs.
- e. Assist in establishment of initial diagnostics and growth targets for participating credit unions. Ensure that growth targets are realistic, yet challenging.
- f. Assist in the hiring of a high-quality independent auditing service for credit unions participating in the project.
- g. Assist in legislative and regulatory reform at the national (association) level.
- h. Assess ACCOSCA financial status, identify continued strategies to reach financial sustainability.
- i. Assist in design of formal agreements at the national association and credit union level.
- j. Assist in the construction and implementation of member surveys.
- k. Assist in the development of new savings, credit and other financial products appropriate to the African financial marketplace
- l. Assist in the development of effective development plans and strategies at the national and local credit union levels

- m. Assist ACCOSCA in the selection, installation and management of automated information systems at the confederation, national association and credit union levels
- n. Assist ACCOSCA and national associations to design and implement effective, reasonable-cost membership and savings promotion programs
- o. The adviser will also act as chief of party.

4. Miscellaneous Duties

In addition to his/her principle duties as listed above, the advisor may be called upon by WOCCU's Project Manager to perform any or all of the following:

- a. Assist ACCOSCA, national association and credit union staff to develop effective systems to overcome difficulties that arise and/or to streamline their operations such that member service quality generally improves.
- b. Assistance in resolving problems with any of the participating national association's modernization efforts.
- c. Assist with training of ACCOSCA, national association and credit union staff in the use of the various project implementation instruments.
- d. Submission of written quarterly progress and any required special reports to the WOCCU Project Manager.
- f. Other tasks as assigned by the WOCCU Project Manager.

C. Job Qualifications

1. Minimum Requisites

- a. Education: Master's Degree in Business Administration, Accounting, or Economics. This may be waived in the case of extensive credit union and national association experience.
- b. Experience: A minimum of five years' experience at a senior level in credit union management and operations. Experience with other types of depository institutions will be considered in the absence of specific credit union experience.
- c. Demonstrated skills in management, training, planning, promotion/marketing, organizational development, budgeting, and supervision, preferably in credit unions and/or credit union organizations.
- d. Other Essential Skills and Experience:
 - Fluency in oral and written French and English
 - Proficiency in microcomputer-based accounting, spreadsheet, and word processing.
 - Familiarity with both the French Uniform Accounting Plan, as well as Anglo-Saxon (British/American) accounting practices (GAAP).

- **Proven ability to communicate complex ideas precisely and coherently through written and oral presentations**
- **Previous experience working abroad, preferably in Africa or other parts of the developing world, with proven ability to identify and systematically solve problems in cross-cultural situations**
- **Demonstrated tact, trustworthiness and perseverance**
- **Demonstrated ability to perform with little direct supervision**
- **Demonstrated analytical skills**
- **Demonstrated ability to formulate and use concise planning documents**
- **Demonstrated ability to identify the strengths and weaknesses of colleagues and to design methods to overcome skill or attitude limitations**
- **Commitment to overseas development efforts**
- **Commitment to membership-directed development institutions and focus on membership development**

2. **Additional Desirable Characteristics**

- a. **Education: Graduate work involving independent research and analysis.**
- b. **Experience, skills and attitudes:**
 - **Experience in financial and statistical analysis, budgeting, and project planning and programming**
 - **Experience in the design and implementation of institutional information systems**
 - **Experience in institutional monitoring and control functions**
 - **Experience in design and implementation of Management Information Systems.**
 - **Experience in relating to high-level officials in an international context**
 - **Demonstrated skill in the preparation of project proposals, project management and in project evaluations and monitoring**