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of Freedom from Hunger

Credit with Education for Women Cooperative Agreement

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B

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c

Table of Contents

List of Acronyms

1.	ASHONPLAFA	Asociacion Hondurena de Planificacion de Familia
2.	CA	Credit association = village bank
3.	CIDA	Canadian International Development Agency
4.	CFA F	Franc of the Communaute Francaise de l'Afrique (monetary unit of Burkina Faso--$1 = 500 CFA F)
5.	CP	Caisse Populaire = credit union
6.	CV	Caisse Villageoise = village bank
7.	CREDO	Christian Relief and Development Organization (formerly World Relief/Burkina Faso)
8.	CS	Child survival
9.	CWE	Credit with Education
10.	DID	Developpement Internationale Desjardins
11.	FAMA	Familia y Medio Ambiente
12.	FFH	Freedom from Hunger
13.	FOPRIDEH	Federacion de Organizaciones Privadas de Desarrollo de Honduras
14.	FY	Fiscal year
15.	KAP	Knowledge, Attitudes, Practices
16.	INCAP	Instituto de Nutricion de Centroamerica y Panama
17.	Lps.	Lempiras (Honduran currency--$1 = 11.11 Lps.)
18.	ORPA	Observe, Reflect, Personalize, Act
19.	PROCATMER	Programa de Credito y Asistencia Tecnica a la Microempresa Rural
20.	RCPB	Reseau des Caisses Populaires du Burkina Faso

Executive Summary

Freedom from Hunger, whose International Center is located in Davis, California, has 50 years of experience in assisting the chronically poor in the United States and overseas. Founded in 1946, the organization first focused on hunger relief through distribution of multi-purpose food supplements. By the 1980's FFH had specialized in applied nutrition programs, relying on growth monitoring of infants and community self-help programming. In 1988 FFH received a first five-year matching grant from USAID, which enabled the organization to transform its activities in developing countries from relatively costly, small-scale, largely unsustainable community interventions to a fusion of health education and village banking known as "Credit with Education."

In 1993 FFH received a second matching grant from USAID to consolidate and expand the successes of the Credit with Education (CWE) methodology. During this second five-year period FFH has continued to convert former subsidiaries to village banking with education, or, increasingly, to seek new partners with already established experience in financial management.

After 2 1/2 years of implementation of the second matching grant, this evaluation was commissioned by USAID and FFH to assess progress and make recommendations for mid-course corrections. The evaluation was conducted jointly with the mid-term evaluation of a similar matching grant to World Relief Corporation.

A joint evaluation was undertaken in order to compare and contrast four country programs, two in Honduras and two in Burkina Faso. In each country FFH and WRC have a village banking program which began in the early 1990's. The four programs not only represent two distinct cultural contexts for village banking, but also permit a comparison of WRC's straight village banking with the CWE model. FFH's partner organizations are FAMA in Honduras and Reseau des Caisses Populaires du Burkina Faso (RCPB) in Burkina Faso. WRC's partners are World Relief/Honduras (WRH) and CREDO in Burkina Faso. Evaluation fieldwork occurred in two phases between April and July, 1996.

The results of this joint evaluation are presented in both comparative and program-specific form, but each matching grant constitutes a separate report. The most general conclusions are that basic grant implementation has occurred on schedule and without mishap, and all four village banking programs have been successful, although some are progressing more rapidly than others toward operational and financial sustainability. Program assumptions have generally remained valid, but high membership turnover in Honduras and substantial illiteracy of members in Burkina Faso have hindered loan growth, health message assimilation, and self-management, leading to the virtual abandonment of bank graduation.

Departing from the same village banking model introduced in Latin America by FINCA in the mid-1980's, all four programs have introduced distinct innovations, some more successful than others. In three of four programs, graduation of banks has been abandoned. In only one program (CREDO) do men still belong to village banks, and this has been problematic. Turnover of members within banks and single female membership are much greater in Honduras than in

Burkina Faso. Bank member savings policy is probably the most variable component of these programs, ranging from minimal and voluntary to substantial and obligatory, with member ability to withdraw savings from cycle to cycle varying from total to nil.

The CWE model is being successfully implemented, with minimal changes to FFH education materials. In the absence of comparative impact studies, jointly scheduled by WRC and FFH for late 1996, it cannot yet be determined whether CWE confers significantly improved welfare impacts, particularly for infants. Moreover, the relationship between women's increased income and health education remains to be determined, since several of the key behaviors do not require increased income for their adoption.

Relations between WRC and FFH and their implementing partners in the field are cordial and generally collegial. Three of four partnerships are between the US PVO and former subsidiaries, and relations are close. The most innovative, and in many ways most difficult, partnership was established between FFH and RCPB, a rapidly growing federation of credit unions in Burkina Faso. While satisfied with the education component of the CWE model, RCPB has wished to introduce modifications to the banking model to bring its policies into line with the needs of its credit union movement. The frictions inherent in the partnership of rather different organizations have occasionally been apparent in this program.

FAMA, on the other hand, represents an organization converted from the former applied nutrition program and with interests in sustainable agriculture. It will need to concentrate its attention on bank portfolio growth, if it is to remain successful in village banking. Without significant progress toward self-sufficiency, its village bank program will remain dependent on donor contributions, themselves shrinking rapidly.

Common to all programs, in fact, is the need to increase loan size and the number of village banks served, in order to progress to operational and financial sustainability. In some cases, particularly FAMA in Honduras, the number of members per bank should be raised. Increasing loan size to banks and bank members depends on reducing member turnover, discouraging the use of internal fund lending, and uncoupling loan size from amount of savings. Key to the cost-effective expansion of the village bank portfolio is moving from four-month cycles with weekly reimbursement of interest and principal to six-month cycles with biweekly or monthly repayment meetings. This will allow promoters to handle a greater number of village banks.

Several of the recommendations of this evaluation focus on the need to deepen technical support to partners, especially in sociological analysis and impact evaluation. FFH has been very successful in developing and distributing its own technical materials to its partners, particularly in program monitoring and health education. WRC focuses primarily on monitoring the credit portfolio and does not have home office capacity to produce its own technical materials.

While the basic financial problems of village banking are now fairly well understood by practitioners, including an appreciation of how to move toward operational and financial sustainability, the sociological and micro-economic dimensions of village banking are largely unknown. A precise appreciation of how women's businesses generate income, how this income is reinvested or consumed, and how consumption is directed to human needs is still lacking after nearly a decade of village banking.

The need to gauge the enhanced impact of CWE compared to straight village banking has led FFH to develop several surveys, which it will implement late in 1996 in both Honduras and Burkina Faso in collaboration with WRC and all four partner organizations. Impacts on mothers and children from CWE are to be compared not only to straight village banking impact but to the effects of child survival programs. FFH hopes to demonstrate that CWE can be a financially sustainable, low-cost alternative to child survival programs.

The evolution of village banking from large group lending to loans to individuals or small, solidarity groups appears to be an inevitable trend. Both WRH and CREDO have launched such programs, and WRH appears ready to experiment with other modalities. Beyond these shifts in the basic model, FAMA continues to permit internal fund lending in its more experienced banks, while the RCPB is moving steadily toward longer loan terms with unchanged interest rates. While there are dangers to cost containment in such experimentation, whether from increased need for promoter oversight or reduced annual interest revenue, experimentation with next steps for credit to women entrepreneurs is both warranted and inevitable.

I. INTRODUCTION

Freedom from Hunger, whose International Center is located in Davis, California, has 50 years of experience in assisting the chronically poor in the United States and overseas. Founded in 1946 as Meals for Millions, the organization first focused on hunger relief through distribution of multi-purpose food supplements to needy populations. By the 1980's FFH had specialized in applied nutrition programs (ANP's), relying on growth monitoring of infants and community self-help programming. By the end of the 1980's FFH undertook to define the major components of chronic hunger and malnutrition and to identify key interventions to reduce or end them.

In 1988 FFH received a first five-year matching grant from USAID, which enabled the organization to transform its activities in developing countries from relatively costly, small-scale, largely unsustainable community interventions to a highly focused health and nutrition program coupled with group-guaranteed, micro-loans to women. This fusion of health education and village banking is called "Credit with Education."

In 1993 FFH received a second matching grant from USAID to consolidate and expand the successes of the Credit with Education (CWE) methodology, already evident by the midterm evaluation of the first grant. During this second five-year period FFH has continued to convert former subsidiaries to village banking with education, or, increasingly, to seek new partners with already established experience in financial management. By introducing the basic principles of village banking and focused health education messages into existing credit union movements and regional banks, FFH hopes to define its niche in the rapidly expanding field of microenterprise lending.

After 2 1/2 years of implementation of the second matching grant, this evaluation was commissioned by USAID and FFH to assess progress and make recommendations for mid-course corrections. The evaluation was, however, conducted jointly with the mid-term evaluation of a similar matching grant to World Relief Corporation of Wheaton, Illinois. Four country programs were examined, two in Honduras and two Burkina Faso. In each country FFH and WRC have a village banking program, which began at about the same time in the early 1990's. The four programs not only represent two distinct culture contexts for village banking, but also illustrate the contrast between converting former subsidiaries to village banking and introducing CWE to an experienced financial management institution. Above all, what distinguishes these programs is CWE, since WRC has decided not to depart from strict banking activities in its programs.

CWE depends on a number of factors for its success: focused, high impact messages; large scale; financial self-sufficiency; localized adaptation, and local management. CWE is what has been called FFH's "distinctive competency", but it requires considerable village banking expertise as well as focus on the five key health topics of diarrhea, breastfeeding, nutritional foods, vaccinations, and birth spacing (family planning). A comparison of FFH and WRC village banking programs therefore involves considerable attention to the functioning and potential sustainability of basic village banking.

Each evaluation constitutes a separate report, but each will be preceded by the same comparative summary of key issues treated and lessons learned. Following the comparative section and a brief program description, each report contains a section on conclusions and recommendations. A final chapter on detailed country findings may be consulted for considerable detail.

There are various potential audiences for this mid-term evaluation report: USAID, Freedom from Hunger, Familia y Medio Ambiente (FAMA), Reseau des Caisses Populaires du Burkina Faso (RCPB), and microenterprise practitioners in general. Because this is, strictly speaking, a joint evaluation commissioned and funded by the Office of Private and Voluntary Cooperation of USAID, its first audience must be those officers charged with supervision of the matching grant. For this reason, a large amount of detail is produced here with which the partner organizations are probably all too familiar. Nevertheless, for both USAID and general practitioners of village banking, this detail will be useful to understand the characteristics, dynamics, and issues inherent in the Freedom from Hunger partner programs examined.

Both Freedom from Hunger (FFH) and its partner organizations, FAMA in Honduras and RCPB in Burkina Faso, will look to this evaluation for assistance in achieving a more objective view of the progress of their programs. The value of an external evaluator for them lies in his or her ability to view the programs in comparison to others, to rise above daily immersion in the details of making village banking work to seek honest appraisal of successes and shortcomings.

II. COMPARATIVE ISSUES AND LESSONS LEARNED

Four distinct village banking programs were examined in this joint evaluation of Freedom from Hunger and World Relief matching grants. While each program is unique, three fundamental comparisons were intended: village banking with and without health education; village banking in Latin America and sub-Saharan Africa; and village banking with implementing partner organizations chosen for their financial and credit management skills and those partners whose mission has been recast from child survival, natural resource management, or disaster relief.

Each of the four programs has modified the original FINCA village banking model to suit its taste and realities. Most of this innovation has come from the implementing partner, and there are cases of relative success and failure. Clearly, innovation is necessary and should continue in these programs, and lessons learned should be exchanged for the good of all. Although the basic village banking model, now rapidly expanding cross-culturally after little more than a decade of existence, is capable of reaching large numbers of poor women in a financially sustainable manner, there is danger that it may remain marginalized within national economies and poorly understood as a socio-cultural phenomenon.

The following represents a summary of key comparative issues gleaned from the joint evaluation. While each program is unique, some experiences and lessons learned may be recommended between programs.

Fundamental Comparisons

1. Credit with Education (CWE) and Village Banking

There is yet no detailed impact study available for the two CWE programs examined in this evaluation. Studies had been planned to this end, but they were postponed until late in 1996. Available evidence is thus anecdotal or impressionistic.

The CWE model developed by Freedom from Hunger is both simple and finely tuned. The education component represents considerable experience and effort by technical staff of the FFH International Center. It is certainly the least modified component of the CWE program introduced by FFH to its implementing partners in Latin America and Africa.

The CWE objective of imparting key health and nutrition messages to women during regular village bank meetings is being reached, although the time involved in these education sessions is about twice that envisaged by the model. There is also some loss of content when bank groups conduct these lessons themselves, without the assistance of promoters.

CWE is reaching women with its key messages, but KAP studies in both Honduras and Burkina Faso indicate that women are already partly familiar with these messages before CWE is introduced. They receive this knowledge from independent child survival programs, health ministry information activities, special vaccination campaigns, and from the media, primarily radio.

In CWE programs there is also the problem of key message fatigue, particularly as messages are reintroduced in later credit cycles. This is partially compensated by the high turnover in some contexts and by variation or reduction of health messages in older bank groups. The problem remains that CWE is logically more cost effective in the first two years of village bank operation, during which time five topics are covered in some depth, since only one topic is treated in the 16 weekly meetings of the cycle. Moving village banks to longer loan cycles with biweekly or monthly meetings after one or two years of successful operation may not only reduce promoter workloads, but render CWE less repetitive.

The close link between supplementary income generated by village banking and women's increased expenditures for children's food, medicines, schooling, and clothing is evident from interviews with bank groups in all four programs. The pattern of expenditures is remarkably similar between Honduras and Burkina Faso. CWE, however, probably has its greatest impact in those areas less related to increased disposable income: diarrhea treatment, breast feeding, vaccinations, and birth spacing (family planning). The payment of school fees and the purchase of school supplies, children's clothing, and many already appreciated foods, such as meat, fish, and legumes, largely depend on increased income and may not require a CWE program.

In contrast, breast feeding practices, weaning foods, treatment of infant diarrhea, proper sequencing of vaccinations, and birth spacing techniques certainly require health education. The lifesaving impact of these health messages justifies their introduction into women's group activities, even if they do not necessarily depend on increased disposable income for their implementation. The caveat is that these messages must remain focused, finely tuned, clearly communicated, participatory, and short. The evaluation revealed that CWE education sessions in both Honduras (FAMA) and Burkina Faso (RCPB) are generally too long and insufficiently participatory.

The joint evaluation also revealed that organizing women's groups for village banking or CWE activities not only provides a forum for the introduction of key health education messages, but establishes an effective vehicle for women's empowerment. The experience of participating in a disciplined credit program is uplifting for women's groups, regardless of the degree to which they can sustain the activity without significant promoter assistance. Moreover, these largely uneducated women take pride in the skills and new knowledge they acquire, whether these concern managing their loans, running their businesses, or improving the health and well-being of their families.

Regardless of the extent of additional health and welfare impacts CWE may promote beyond those of the straight village banking practiced by World Relief partners, health education sessions are appreciated by women's groups and do not appear to hinder credit activities. Although it is credit availability that draws women to organize themselves and participate in regular meetings over time, the acquisition of new knowledge, particularly that which focuses on women's roles as caretakers of small children, will generate behavior change. While not necessary to conduct successful village banking activities, CWE can have important welfare and empowerment impact for women's groups with additional costs estimated by FFH at no more than 3%. In order for this to remain true, education sessions must be held to 15 to 20 minutes, not always the case currently.

It seems reasonable to suggest some form of health education program for all women's village banking groups. Both World Relief partners, WRH and CREDO, may wish to examine this possibility. Some degree of basic business management and economics education, as currently practiced by FFH partners FAMA and RCPB, could also be usefully introduced to World Relief partner programs in both Honduras and Burkina Faso.

2. Cultural Context: Central America and West Africa

There are four factors which stand out most in comparing the village banking programs of Honduras with Burkina Faso. The first is the high-level of membership turnover in Honduras (20% per year) compared to Burkina. The second is the extremely high level of illiteracy and resulting promoter dependence of women's banks in West Africa compared to Central America. Third is the relatively high rate of loan delinquency within the loan cycle in Honduras compared to Burkina. A fourth contrast is the large percentage of women in Honduras who are single heads of families (nearly 1/3), a social situation quite rare in Burkina.

Socio-cultural factors are largely responsible for these four, sometimes striking contrasts. There is a high level of population mobility in Honduras, involving whole families in rural to rural and, especially, rural to peri-urban migration, compared to Burkina Faso where migration is more limited to male household heads in search of seasonal agricultural income. Where rural to urban migration does occur in Burkina, as into peri-urban areas of Ouagadougou, some of the same signs of social instability common to Honduras have been noted.

Beyond population mobility and general rootlessness, both high membership turnover and single-parent status are promoted in Honduras by the pervasive machismo of Central American men. Young men, particularly in peri-urban areas, tend not to seek family stability but move from one woman to another, often deserting children in the process. Again, the ability to avoid domestic responsibilities is enhanced in a relatively mobile and rootless Honduran society.

High membership turnover and a significant level of late repayment of individual loan installments within cycles testify to the poor functioning of solidarity groups in Honduras, compared to their very real role of social suasion in Burkina. The lack of effective solidarity groups, particularly in peri-urban Honduras, is largely a function of Honduran social structure, while effective solidarity groups in both RCPB and CREDO programs reflect the powerful forces of kinship and village in rural Burkina.

High illiteracy in Burkina (85%), roughly the converse of that in Honduras, condemns Burkinabe women to continued dependence on promoters in managing village bank transactions. This is the single greatest barrier to organizational sustainability of village banking in West Africa. On the other hand, high turnover in Honduran banks is largely compensated by a core of better educated leaders, who hold the bank together through significant change in membership over the course of a few years. While bank officers in Burkina are also strong leaders who tend not to be replaced over time, they are overwhelmingly illiterate and consequently incapable of taking charge of credit disbursement and collection activities.

In spite of these socio-cultural differences between Central America and West Africa, many striking similarities occur in the banking programs. Women's roles and responsibilities within households are very similar, and this is also true of their income-generating activities. The latter overwhelmingly consist of food processing and small-scale peddling activities, often the purchase of commodities in bulk and selling in small quantities. In West Africa most selling occurs in one or more periodic markets, while in Central America selling is often door-to-door. In all programs bank members engage in their customary income-generating activities, rarely diversify their activities, do not join economically with other bank members, and employ few others, with the exception of occasional unpaid family members.

The uses of village bank income, as reported by bank participants, are also quite similar between Honduras and Burkina Faso, focusing on household needs, primarily children's food, health, and clothing. The high value women place on this supplementary income, and the great difficulty, if not impossibility, of securing it from other sources, is common to all four programs evaluated.

3. Organizational Context: Efficiency of Implementing Partners

The results of this evaluation confirm what many already sensed: those organizations which have converted their mission and personnel to village banking from disaster relief, child survival, sustainable agriculture, or other social welfare endeavor have more difficulty in maintaining cost effective and financially sustainable programs than those which have been formed expressly for village banking activities or have proceeded to banking from related financial management experience.

The difficulty in converting an organization to the discipline of village banking lies primarily in its personnel and their organizational culture. This has affected both US PVO's of this evaluation, as well as one of their implementing partners in Honduras (FAMA) and Burkina Faso (CREDO). Changes of key personnel within both Freedom from Hunger and World Relief Corporation in the late 1980's permitted the launching of village banking in those partners (then subsidiaries) capable of adopting the new mission. WRH also made major shifts in personnel in order to launch village banking in 1991, while RCPB came directly to village banking (1993) from substantial experience in building a credit union movement in Burkina Faso.

In 1991 both FAMA in Honduras and CREDO in Burkina shifted its mission and personnel to a major focus on village banking, while keeping some of their former interests and activities. They have been considerably less successful in avoiding problems and growing their programs toward operational sustainability than the more focused, more business-oriented organizations of the evaluation.

There seems little doubt that village banking requires a considerable degree of financial discipline, business orientation, focus on operational scale, and cost consciousness to be successful and eventually self-sustaining. Of the four programs evaluated, only WRH had a clear plan for operational and financial sustainability. The three other programs would do well to study its example.

Special Issues

1. Internal Fund Lending and Graduation

Of the four programs examined during this evaluation, only one (FAMA) has continued to permit the use of the internal fund for intra-bank lending, although all but the newest program (RCPB) has experimented with its use. Internal fund lending is a key part of the original FINCA village bank model and is linked closely to the concept of bank graduation and continued self-sufficiency.

Just as the concept of graduation has been abandoned by all but one program (CREDO), in practice not even CREDO has graduated banks capable of maintaining their operations as before. After three years CREDO banks amass savings capable of serving as future loan capital, but bank members tend to appropriate these savings for their own needs. Only the older FAMA banks continue to make internal loans from this sometimes considerable fund, members often reducing their external loans to take advantage of internal loans with more generous conditions, such as lump-sum repayment for two to three-month loans within the four or six-month external cycle.

The use of the internal fund by bank members, coupled with lack of desire for bank graduation, means that external loan use in the FAMA program has stagnated, while promoters' workloads have increased due to the need to supervise both external and internal fund lending. When this is accompanied by the need to oversee CWE activities, as is the case for FAMA, the hope of operational sustainability fades.

The contradiction here is that management of the internal fund by village bank groups is highly empowering and instructional, but, in the effective absence of bank graduation, internal fund lending competes with the external fund managed by the NGO and whose interest revenue pays promoter salaries and office overhead. As the internal fund, grows bank members need NGO financial resources less, but NGO operational sustainability depends on a growing external fund and interest revenues. To move toward operational sustainability FAMA will need to take a decision either to graduate banks at some point or to reduce or eliminate internal fund lending. Another option would be to charge largely independent banks service fees for promoter oversight.

It is not recommended that any of the three implementing partners currently proscribing use of the internal fund change its policy to imitate the FAMA experience. FAMA itself is no longer allowing internal fund lending in its newer groups. Once FAMA has reached operational sustainability, it may then wish to experiment with moving some banks now practicing internal fund lending toward graduation.

2. Women's Empowerment and Male Bank Members

Only one of the four programs examined (CREDO) contains banks with male members. In most cases men are a distinct minority within these banks, but there have been enough problems to warrant the recommendation that CREDO not allow mixed groups in future. While not all men pose problems for timely repayment and respect for bank by-laws, mixed groups reduce the empowering benefits of women's groups. Men tend to dominate meetings and to monopolize leadership positions within banks. This is partially due to their general educational superiority, particularly true in West Africa.

Creation of CWE banks also argues against the inclusion of men, since health messages are tailored specifically to women's needs. Men's roles in both Central America and West Africa preclude direct child care, and much of the educational content of CWE would be rendered ineffective.

It is not recommended that any of the three programs exclusively targeting women in their banks modify this practice to include men. On the contrary, CREDO should not encourage male membership in future groups, even if women so request. Even in the absence of CWE in CREDO groups, the objective of women's empowerment will suffer with the inclusion of men. Although inclusion of one or two men may not change bank group dynamics, this could lead to pressure for more male membership, with unpredictable consequences for female members. The simple presence of men in some banks can induce many husbands to resist their wives' participation.

3. Repayment Frequency and Loan Term

In all four programs evaluated village bank members sought longer loan periods, less frequent repayment installments, and greater flexibility in late payment. Only in the case of internal fund lending in some older FAMA banks are repayment installments less frequent than biweekly, but such lending policy is considered to be the purview of the banks concerned.

Village banks in the CREDO program repay their interest and principal monthly. All village banks in the remaining three programs examined begin their activities with weekly repayment of interest and principal over a four-month loan term. All programs except CREDO provide for banks having perfect credit records to lengthen their loan terms and sometimes repayment frequency. Thus, RCPB moves banks after three four-month cycles (1 year) to six-month loan terms, with biweekly meetings in the fourth cycle and monthly repayment meetings from the fifth cycle onward. The disciplined nature of Burkina groups and complete control by promoters make this possible.

All but a few of the oldest FAMA village banks have four-month loan cycles for their external loans with weekly repayment meetings. For the 10% of banks with six-month cycles, repayment is conducted biweekly.

WRH village banks remain on four-month loan cycles through the fourth cycle. During the fifth and sixth cycles the loan term is five months. From the seventh cycle onward, assuming no repayment problems, loans are given to banks for six months. Repayment installments remain weekly, regardless of the loan term.

The issue of loan term length and frequency of repayment installments is one of cost versus risk of default. Certainly all programs begin cautiously with the standard practice of 16 weekly repayment meetings over four months. While the original FINCA model prescribed nine successive four-month cycles over three years to constitute internal savings equal to the next expected external loan, in practice all programs of the joint evaluation have experimented with or adopted six-month cycles and biweekly or monthly repayment installments after an initial trial period. Even CREDO experimented with six-month cycles but found them risky.

Moving village banks with excellent credit standing to longer cycles and less frequent repayment meetings reduces loan servicing costs, primarily the promoter's salary and transportation costs. In this way, each promoter can handle a greater caseload, assisting the program as a whole to reach the scale necessary to generate operational sustainability. Financial sustainability, depending on the degree of portfolio value loss from inflation, is also attainable given sufficient scale, progression of loan size, and an appropriate interest rate.

The RCPB experience in moving its village banks to longer loan terms and less frequent repayment meetings has responded to the call by bank members for more time to repay the total loan with less frequent installments. Since most women are unable to visit more than one, local market held every three days, family emergency or other illness can result in loss of one or more market visits during a given week. This risk is mitigated, if more time is given to bank members to repay their loan. Longer loan terms also encourage women to attempt visits to other markets held on different days but located in the same region.

Another factor arguing in favor of greater time between repayment installments and of longer loan cycles is the fact that both in Central America and West Africa bank participants must, themselves, extend credit to many of their clients. Particularly in the early stage of loan repayment, women must sometimes use a part of the original loan to meet their reimbursement obligation.

Gauging the riskiness of lending at various rates, loan terms, and repayment frequencies is, of course, dependent on the local cultural and economic situation. Income-generating activities in one location can differ greater from those in another. With all appropriate caveats notwithstanding, it is possible to recommend that WRH consider moving some or all of its groups with six-month loan terms to biweekly loan repayment meetings. One of the barriers to this is high membership turnover, with a constant influx of novices. Nevertheless, it may be possible to free some promoter time by scheduling less frequent bank meetings for more experienced groups. This is all the more necessary given the growing number of individual microenterprise loans being granted by WRH to its most creditworthy bank members, all of which are supervised by the same promoters as those assisting the village banks.

It can also be recommended that FAMA move more of its older banks to six-month cycles with biweekly repayments. CREDO should also follow suit, once the problem of savings redemption and false graduation of banks is resolved. Many of its rural banks suffer the same constraints as those of RCPB, with economic opportunities largely dependent on twice-weekly local markets.

4. Interest Rate Policy and Sustainability

Interest rate policy and operational sustainability are two areas currently creating some anxiety within implementing partners and between these and US PVO's. USAID is, of course, a key part of this tension, since it has chosen to focus nearly exclusive attention to financial and institutional viability of NGO's, before focusing on other issues, such as the nature and magnitude of the welfare impacts of increased income from micro-loans.

Village banking has the theoretical potential of being both operationally and financially sustainable. If interest rates are set high enough, overhead costs kept reasonable, and programs move to large scale, a financial breakeven point can be surpassed. Such sustainability is certainly within reach of all programs of this joint evaluation. WRH is essentially already there with an operational sustainability ratio of 114% and a level of financial self-sufficiency of 95%.

One of the interesting socio-political findings of this evaluation is the sensitivity in Burkina Faso to the charge of usury. While charging 10% interest for a four-month loan appears to require 15% interest when groups move to a six-month cycle, a 15% interest charge appears usurious. Thus, when RCPB honored women's requests for more time to pay their 10% loan, it preferred not to increase the rate to 15% for six-month loans. The loss of income implied by a constant interest rate as groups move to six-month cycles appears to be more than compensated for by increased loan size. RCPB credit union clients have traditionally taken one-year loans at 10% annual interest, making the 30% real annual interest for village bankers appear usurious.

CREDO also charges 10% per four-month cycle but has recently launched a program of individual one-year loans for graduated bank members at 12%. Not surprisingly, demand for these loans is brisk. An interest rate above this level, however, bumps into usury ceilings established for commercial banks. One way to avoid this trap, should RCPB and CREDO feel the need, is to adopt the Honduran practice of a monthly interest rate. Certainly CREDO should avoid the labor-intensive management of individual loans, unless the interest rate can be set several times higher.

The individual loan program now growing rapidly among WRH's best village bank clients grants loans for one year at 36%, the same rate as for village banks. Given the much larger sums lent and the labor intensity of managing individual loans, it is recommended that WRH raise the interest rate slightly to compensate for increased risk and promoters' service time. Although repayment is monthly and in the context of village bank meetings, a small rate premium rate is warranted, perhaps 1% per month (48% per annum).

Both World Relief partners have introduced individual loan programs, with WRH considerably more capable of managing such a credit facility, now serving about 5% of village bank members. RCPB already has a program of individual loans distinct from its village banking program and granted through its network of credit unions. It is not advisable that FAMA introduce such a facility to its clients before reaching operational sustainability with its village banking program. CREDO, which does have an individual loan program, should hold back on expanding this program until it, too, has reached operational sustainability in village banking. As in the WRH program, loans should be made by CREDO only to individuals still active in village banks.

5. Savings Policy

One of the areas of greatest variation within the four programs examined in this evaluation is that of savings policy. In two of the programs, WRH and CREDO, savings are mandatory, 20% of loan size per cycle for WRH and 10% for CREDO. These savings are, moreover, not redeemable until member withdrawal or bank dissolution. The inaccessibility of these savings contributes to membership turnover for WRH and to bank dissolution (graduation) after three years in the case of CREDO.

The FFH partner organizations, on the other hand, depart considerably from the village bank model for compulsory savings. In the case of FAMA, savings are now no longer mandatory. In newer banks members are encouraged to save at least $2.90 per cycle, but other monies are raised for bank reserves (group fund) by solidarity group commercial activities. These activities involve all solidarity groups in turn during the loan cycle, and 3/4 of income generated by this collective endeavor is divided by members and 1/4 remains as collective savings and emergency reserve.

In the older FAMA banks bank reserves and additional member income is raised through interest on internal fund lending, 3/4 of which is taken as dividends by members at end of loan cycle with 1/4 left in the group fund as a loan loss reserve or as collective savings.

RCPB, newest (1993) of the programs examined, has not yet settled on a common savings policy for its various program zones. Although all members are required to save about $3.20 per basic cycle, which they recuperate at end of cycle, each program zone has established a distinct policy for supplementary savings and constitution of the group fund. Thus, the village banks in one zone levy a 10% interest surcharge on themselves during a cycle, half of which is taken back as dividends at end of cycle and half remains in the group fund for emergencies. A second group follows the same practice with a 5% interest surcharge, while banks in a third zone levy a fixed surcharge of $0.60 per cycle, none of which returns to members but goes to constitute the group reserve fund.

The great variety of savings practices, from minimal (or none) to substantial interest surcharges, contrasts with the conservation--at least for one year or so--of the basic model of four-month cycles with weekly meetings. Savings, of course, were essential to the original graduation model of village banking, which assumed the constitution of internal savings capable of sustaining bank functions beyond graduation from the program. In the absence of graduation, now the norm within village banking, savings policy and practices have become largely the purview of bank members, who still value this facility, particularly if they can have access to their savings without quitting the bank.

Since bank members highly value the opportunity to save, a possibility rarely available to them in the absence of village banks, and given the fact that, beyond a reasonable group fund for emergencies, holding substantial obligatory savings for members may encourage early member withdrawal or even bank dissolution, it is recommended that savings remain voluntary, once the reserve fund is constituted. Moreover, the practice of linking loan size to savings plus previous (or original) loan size should be eased to encourage member's use of savings without penalty to loan size progression.

The flexibility of the two FFH partners with regard to savings policy should be emulated by other programs. In the case of FAMA, members withdraw and reimburse part of their savings over a loan cycle, in addition to the external and internal loans they may receive. Certainly, a version of the RCPB or FAMA group savings plus dividend distribution appears superior to a fixed percentage contribution which cannot be accessed until the member withdraws or the bank graduates (dissolves).

6. Solidarity Groups

The use of solidarity groups to mutually guarantee member loans within village banks is much more highly developed in Burkina Faso than in Honduras. Traditional West African culture, particularly in rural areas where these programs have most of their village banks, heightens the effectiveness of small, group-guaranteed borrowing and saving activities. Loan reimbursement is conducted first within the 5 to 6-member solidarity groups in both RCPB and CREDO banks; group leaders then make payment to the village bank officers. Loan disbursement occurs in reverse order. Rarely do solidarity group members fail to cover for members unable to make a particular reimbursement obligation. Solidarity groups are key to the smooth functioning of Burkinabe village banks.

On the other hand, solidarity groups in the programs examined in Honduras, while existing on paper, do not function as guarantors of individual loans. FAMA uses groups in newer banks to contribute to the group fund and to generate member dividends each cycle. In WRH solidarity groups do not function at all, although it has been suggested they be reinforced to serve as intermediaries in loan reimbursement as in Burkina Faso. Repayment collections may be made within groups and deposited directly into commercial bank accounts for collection or consolidation by WRH promoters.

The use of solidarity groups to collect repayment installments and to deposit monies into commercial accounts can be useful to both FAMA and WRH as a means to overcome growing security risks to promoters and village bank officers alike. In this way, large sums of money will not accumulate in banks during loan cycles, tempting thieves and delinquents. This has been a problem for FAMA, where monies reimbursed from both internal and external loans are accumulated until end of cycle.

Solidarity groups may also have a future function in the inevitable diversification of lending modalities, once village banking has become operationally and financially sustainable. While individual loan programs are not to be discouraged, cost effectiveness can be increased by lending relatively large sums directly to small solidarity groups (2-4 members). An ancillary objective of such lending will be to encourage some women to enter into joint commercial activities over time, thus surpassing the current practice of wholly individual endeavors.

Whither Village Banking?

The variety of practice and policy found in only four programs in two cultural areas testifies to the rapid evolution of the village banking model around the world. Such evolution of form and procedure is both normal and inevitable. Moreover, village banking can be expected to generate new, as yet unknown, loan modalities. Two of the four programs examined are experimenting with individual loan programs, one of which (WRH) already involves about 5% of village bank members. CREDO's program, while similar, is fledgling and is not linked to village bank membership. The advantage of individual loans lies in their much greater size (4 to 5 times the average village bank loan), but they may become overly labor intensive for promoters. Nevertheless, these microenterprise loans represent the first complementary program for bank members.

Such experimentation with new loan modalities should be encouraged by USAID and US PVO's, while implementing NGO's will need advice on experiences and lessons learned by US PVO partners in various culture areas. While care must be taken to respect local cultural dynamics and to involve members themselves in generating new modalities, the widespread success of the basic village bank model argues in favor of the generalized introduction of numerous innovations created in diverse country contexts. The fundamental similarity of poor women's roles and needs throughout the world, and their universal ability to organize well-functioning, dynamic, and relatively stable associations for mutual support of individual financial objectives, is the pillar upon which microenterprise credit programs can evolve.

III. FFH PROGRAM DESCRIPTION

1. The **program goal** of the matching grant agreement is "to help the vulnerable poor to manage the immediate causes of their chronic hunger and malnutrition through the creation of income and education opportunities for the poor of developing nations."

2. The **program purpose** of the grant agreement is to support Freedom from Hunger to "motivate large numbers of very poor, rural women in seven developing countries to change their behavior to:

- earn and use income to gain access to adequate quality and quantity of food for themselves and their families, especially their younger children,
- breastfeed their infants for the first six months,
- practice contraception,
- manage diarrheal episodes, and .
- seek the full immunization series locally available."

3. **Principal activities** are also outlined in the program description of the matching grant (cooperative) agreement. These all relate to that "unique combination of poverty lending (small-scale productive credit to the very poor) and nonformal adult education (for better maternal/child health and nutrition" known as **Credit with Education** (a non-registered service mark of Freedom from Hunger). These activities are:

- "Strengthen the nonformal adult education component of the Credit with Education Strategy, especially by incorporating a new emphasis on family planning information, education and communication, and on community-based distribution of contraceptive supplies where they are not otherwise available."
- "Demonstrate that programs can be scaled up to 'high performance' levels."
- "Each program will develop the indigenous institutional capability to deliver critically important benefits to many thousands of very poor women at a cost that can be borne mostly or even fully by the revenue generated by the program itself."
- "Develop these large-scale demonstration programs in seven countries: Bolivia, Burkina Faso, Ghana, Honduras, Mali, Togo, and Nigeria."

IV. CONCLUSIONS AND RECOMMENDATIONS

A. *CONCLUSIONS*

General Conclusions

1. The Credit with Education for Women cooperative agreement with Freedom from Hunger (FFH) is progressing successfully and fully satisfactorily. At the end of nearly three years of matching grant activity all program components are proceeding well

toward the end-of-program status defined under program purpose. Success in reaching scale and operational sustainability has, however, much depended on the nature and background of the implementing partner.

2. The timing and levels of spending of matching grant funds and the provision of required program inputs have been appropriate, on schedule, and fundamentally as planned in the cooperative agreement. All evidence points to successful achievement of expected program outputs. Underlying program assumptions, moreover, appear to be valid.

3. By means of this matching grant with USAID, Freedom from Hunger has refined and disseminated its Credit with Education methodology (CWE) to its partners and, through its annual Learning Exchange symposium, to other village banking institutions interested in multiplying health impacts on children.

4. Freedom from Hunger staff of the International Center have successfully reduced the content of key health education messages to short presentations added to regular village bank meetings. While not usually limited to the 15 to 20 supplementary minutes desired by FFH, these conversations are clearly valued by village bank members and constitute an attraction to membership, although not to the same degree as the availability of credit.

5. Considerable skill has gone into developing the health education component and materials, including the design and translation of lesson plans, sequencing of topics by loan cycle according to their degree of impact on infants, development of learning games and role playing, and the use of ORPA, a participatory learning process for bank members relying on Observation, Reflection, Personalization, and Action.

6. While the quality of health education delivery varies according to the dynamism and experience of the promoters or, in the case of many FAMA banks in Honduras, the quality and motivation of "natural leaders", there is no doubt that the education component of CWE is taken very seriously by FFH partners, both in Burkina Faso and in Honduras.

7. The quality of educational materials in village bank and microenterprise management is less well developed and is complicated by the context-specific nature of such instruction. Partner organizations are adapting these and health education materials to the local cultural context, but the utility of current bank and business management instruction appears more problematic than that in health education.

8. The financial reporting system, both internal to the partner and from partner to FFH, is well developed and owes much of its sophistication to FFH technical assistance from the International Center. Freedom from Hunger requires careful, bank by bank, monthly tracking of the credit portfolio, in addition to a monthly administrative report complete with bank reconcilation statements. At the end of each quarter a set of summary tally sheets are forwarded to the FFH International Center from partners. These are carefully

analyzed and feedback, replete with graphs of major variables, is returned to the partners. While appreciated by partners, such detailed feedback appears to be overly sophisticated for their purposes and is probably not given the analysis it deserves.

9. Program reporting is not a forte of either RCPB or FAMA, in spite of FFH's attempts to assist them in this process. The process of long-range (strategic) planning with annual action plans containing performance indicators has been promoted by FFH, but neither its partner in Burkina Faso nor in Honduras has been very successful in developing such materials. Annual plans often appear to be wish lists with inadequate relationship to reality. In the case of FAMA in Honduras, even the numerical objectives of new bank start-ups bore no relationship to actions. If action plans are to be meaningful, they should reflect realistic possibilities and should not be substantially revised each year or indefinitely extended.

10. The program planning, budgeting, and reporting process, itself currently being revised in the International Center, will still be time consuming and complex for partner organizations. While a worthwhile endeavor, it is likely that some partners may find this process onerous. This is also true for the new financial information system, which will require careful training of users to be successfully implemented.

11. Staffing and support systems in the FFH International Center and in partner organizations appear adequate to continue successful implementation of the cooperative agreement. Quality of technical expertise is high in FFH headquarters, as reflected in the various education materials, technical notes, and reporting modalities disseminated to partners. On the other hand, the ability of regional liaison personnel to monitor the details of partner operations is stretched, even with the location of regional representatives in Africa. The amount of face-to-face interaction between FFH representatives and partner executives should probably be increased.

12. Promoter workloads are also heavy in most cases, particularly in the RCPB, where rapid expansion of the number of village banks is leading to increasing workloads. In Honduras, FAMA promoters are also handling a heavy caseload of village banks, but this number is growing only very slowly at present.

13. Relations between partner organizations and the International Center of FFH have generally been close and friendly, although this has been truer for FAMA in Honduras, orginally a subsidiary of Freedom from Hunger. The relationship between the RCPB in Burkina Faso and FFH suffered some strain during the last six months during negociations leading to the renewal of their cooperative agreement. The two organizations differ considerably in organizational and country culture and communication difficulties were to be expected. FFH has found that the obvious advantage of allying itself with an existing financially-oriented organization can be accompanied by hidden difficulties of national sensitivities, styles of communication, ownership of ideas, and perceptions of program realities and progress.

14. The relationship between FAMA and FFH has been significantly modified with the end of their partnership agreement in June. The future of FAMA will depend on its ability to increase the scale of its village banking program, while at the same time managing the increasing use by banks of their internal funds. Just as use of these funds for internal lending reduces their need for external funds and limits FAMA's move to operational sustainability, overseeing bank use of internal funds also requires increased management time from FAMA promoters. If internal funds are not managed well, this could cause collapse of village banks and their loss to the overall FAMA portfolio.

15. The future of FAMA's education component may become problematic, as more of its implementation is left to "natural leaders" in the push to reach operational sustainability. Although there is no doubt of FAMA's commitment to health education, when FAMA moves toward operational sustainability it may lose its ability to maintain the quality of the education component. Nor is it likely that FAMA will wish to pay for technical assistance from FFH in the future.

16. The impact of CWE has yet to be effectively measured. There is certainly much anecdotal and intuitive evidence suggesting that women's increased income from village banking credit is used for children's welfare, particularly better food, clothing, medical care, and education. It is also likely that key health information imparted to women in their normal banking meetings will result in changed behaviors in the use of this income. To its credit, the FFH International Center is currently developing impact measurement surveys for use in both Honduras and Burkina Faso. The measurement of impact on beneficiaries and their children, particularly important in demonstrating the superior impact of CWE, remains elusive. During the remainder of the matching grant, FFH may be able to validate its methodology with statistical results.

17. Major problems for the village banking programs of FFH partners differ between regions. In Honduras the major problem for FAMA is high membership turnover, rural location with small group size and undeveloped markets, use of the group fund for internal lending, and lack of a portfolio growth orientation coupled with an inability to calculate operational sustainability. In Burkina Faso the major problems for RCPB are the overwhelming lack of literacy among bank members; rural location with dispersed, periodic markets favoring longer loan length; unclear notion of the use of accumulating group funds; lack of an interest rate policy and sustainability plan jointly understood by FFH and its partner; uncertain relationship of the CWE unit to the overall credit union movement; and lack of a clear village bank growth strategy.

18. The ultimate end of generating income coupled with health/nutrition education is to guide women's new income into raising the health and general welfare of the family, particularly small children. This consumption objective, however, runs counter to the need for women to grow their enterprises, particularly to need to reinvest to achieve higher levels of production or operations.

Key Findings and Conclusions--FAMA

1. The new FAMA board of directors now contains a mix of field practitioners and development professionals that can and should move rapidly to devise a long-term strategic plan for portfolio growth and operational sustainability. Interest revenues are currently covering about 68% of operating expenses.

2. FAMA carefully complies with monthly and quarterly financial and non-financial reporting to FFH. This reporting system has been successfully internalized by FAMA administrators and has permitted FFH to oversee credit, administrative, and health education activities. FFH monitoring includes lengthy feedback to FAMA on each quarter's activities. The quarterly program report, on the other hand, lacks depth.

3. The long-term strategic plan developed by FAMA in 1995 requires urgent reformulation. Its annual objectives and those of the FY 1996 annual plan are woefully unrealistic, given the current stagnation in portfolio growth and loan size.

4. In early May 1996, there were 79 active village banks in the FAMA program with 1,390 members. The total loan portfolio was $102,591. Only eight of the 79 FAMA village banks (10%) have moved to a six-month cycle from the usual four-month periodicity. This is a very conservative approach given the length of participation of many of these banks (six years for some).

5. The average number of members in FAMA village banks is relatively small, less than 18. This is not cost effective for promoters. Average loan size is also relatively small at $74, especially considering the length of time many banks have been functioning--eight banks are in the 16th loan cycle and seven have six-month loan terms.

6. Village bank members, all women, report that few bank members had engaged in income-generating activities prior to the availability of working capital through the banks. This contradicts the stated FAMA policy that experience in a business activity is a pre-requisite for joining a bank and receiving credit.

7. About one-third of bank members are single women, often with children. A KAP study on bank-eligible women in four communities of El Paraiso department in late 1994 revealed a level of female family headedness of 36%.

8. A great majority of women in FAMA banks are literate, even in rural areas. The 1994 KAP study indicated this proportion to be 87%. Such a high level of literacy is reflected in the quality of the bank executive committees, fully capable of keeping records of financial disbursements and repayments. This is exactly the reverse of the situation in Burkina Faso, where an equal proportion of women is illiterate.

9. Women's business activities in FAMA banks center on food processing, purchase and sale of vegetables and maize, purchase and sale of medicines or cosmetics, butchering

pigs for sale of parts, small grocery stores (pulperias), sale of new or used clothing, and sewing. Many of the women reported selling on credit to their customers, including up to a month. Women do not collaborate in their income-generating activities with others of the bank group. Very few have employees, whether paid or unpaid.

10. Bank members use a large portion of their profits for increased food consumption, rather than reinvesting in business activities or accumulating productive assets. Use of income for the purchase of medicines or payment of school fees is also common. Saving is highly valued as a disciplined means to secure the purchase of a major household item, such as a new roof or cement floor.

11. FAMA bank group members maintain that they keep their credit and its accounting separate from their husband's income, but that they do not separate this economic activity and its income stream from other sources of their own revenue.

12. Turnover is high in the FAMA village banks; in a 1994 mini-study, it was found that on average only 21% of founding bank members were still taking loans in the eighth cycle (approximately 2 1/2 years later). The greatest decline in membership occurred between the first and third loan cycle, where half of borrowers leave the program.

13. Membership turnover restricts the average number of cycles completed by bank members and thus limits loan size growth. This reduces FAMA's interest income and constitutes a barrier to achieving operational sustainability. The CWE program also suffers, because individual members have received on average less education than the group has received as a whole.

14. In Olancho department weekly or biweekly payments of interest and principal are accumulated by bank groups and are not collected by FAMA until the end of cycle (four or six months). This accumulation is aggravated by the lending of internal fund monies to bank members, all of which is due with interest by the end of cycle. This poses an increasing security problem for bank treasurers and FAMA promoters.

15. Savings beyond a required two lempiras per week is optional in FAMA banks, but the size of subsequent loans is linked to the previous loan plus total savings. Exceptions to this policy appear to be common with loans up to 1 1/2 times the previous loan plus savings apparently permissible, depending on the group's confidence in the requesting member.

16. Total internal loan repayment arrearage is given as 4% by FAMA. Default on loans from members is stated to be 1% at most. Only three banks have had to be closed by FAMA over the years.

17. FAMA continues to condone the use of village bank internal funds for secondary lending to members and some non-members, but only among older banks in Olancho department. New banks are not allowed to lend out their internal fund. Use of the

internal fund as a second loan fund may seriously hinder growth of the external loan. Members often take an internal loan equal to their external loan and may also withdraw a portion of their savings during a loan cycle. Use of the internal fund for intra-group lending does not occur in the other programs examined in Honduras and in Burkina Faso.

18. Internal fund lending is attractive to the women of the village banks for several reasons. Probably most important is the decoupling of loan size from the controlled step increases of the external loan. Internal loans can be taken at any time during the cycle, carry the same interest rate as external loans, and are repaid as as lump sum after two to three months of a four-month cycle. Loans are approved by the village bank group's leaders for members or outsiders based on their perceived credit worthiness.

19. Of considerable interest to the village bank group as a whole is the payment after each cycle of dividends constituting 75% of interest payments from internal loans. All members receive an equal dividend. On the other hand, a 25% portion of interest payments remains in the group account as a loan loss reserve.

20. Where use of the internal fund is not authorized, as in El Paraiso department, solidarity groups of 5-6 members in turn undertake joint economic activities during the loan cycle to create a significant group account separate from member savings. At the end of each cycle 75% of this money is divided between all members, while 25% is left in the group account. This group fund also serves as a loan loss reserve for the village bank.

21. The failure of most bank members to increase the size of their loans, termed "loan stagnation", was found to be significant in a 1994 study. The study found that average loan size in FAMA banks is only $61 in the third loan cycle, $71 in the fifth cycle, and $82 in the eighth cycle. This is not simply due to membership renewal. Average loan size of those members consistently borrowing over the preceding four cycles was found to be only $87 in the eighth cycle.

22. Contributing to FAMA loan size stagnation is the increasing use of internal lending, which grows rapidly to the point where nearly half of the money lent to members (44%) is from internal funds by the eighth cycle. The average total internal loan for members is $36 in the third cycle and $64 in the eighth cycle. In addition to this, members are able to withdraw a portion of their savings during a cycle to augment total working capital size. While loan stagnation characterizes all village bank programs examined, the use of the internal fund is unique to the FAMA banks.

23. Graduation of village bank groups, which previously had been typical of the village banking model, also implies a serious reduction in revenues to the external fund as high loan amounts are replaced by new low-loan groups. FAMA has abandoned the concept of graduation of groups.

24. FAMA personnel have heavy workloads and have come to rely on "natural leaders" in village bank groups to conduct health education message delivery. The quality and

capacity of natural leaders varies considerably, yet they are key to successful delivery of high impact health and nutrition messages. The education impact of the use of these bank members is not known.

25. Among the decisions facing FAMA are whether and how to achieve operational sustainability. If FAMA chooses the path toward operational and eventual financial self-sufficiency, it should target assistance from USAID/Honduras through the Fundacion Covelo.

Key Findings and Conclusions--RCPB

1. Financial and program reporting is essentially the same as that conducted by FAMA in Honduras. The procedures and reporting forms have been effectively internalized and provide timely and key information for tracking program administrative expenses, the credit portfolio, health education activities, and attainment of long-term and annual planning objectives.

2. As in Honduras for its partner FAMA, Freedom from Hunger engages RCPB in both long-term and annual strategic planning exercises. The current long-term (1996-99) plan was completed and forwarded to FFH in April, 1996 to correspond to the period of the new cooperative agreement. The long-term (strategic) plan identifies the CWE program as moving into its extension phase (Phase II) from its pilot phase over the last three years. The extension phase is projected to last one year (1996-97) and then slide into Phase III, the dissemination phase for the following two years (1997-1999).

3. The long-term plan identifies 16 objectives and eight performance indicators for the extension phase and 13 objectives and ten output indicators for program status in 1999, at the end of the dissemination phase. Most of the objectives listed are actually activities and, when quantified, many of the indicators are actually objectives. Strategic planning in RCPB, while needing some improvement, does indicate that the process is being taken seriously by the CWE unit and the RCPB as a whole.

4. A comparison of the FY 1995 and FY 1996 annual plans reveals an increased attempt to quantify outcomes in FY 1996. Ten of the 13 objectives are quantified, while none were of the 15 listed in 1995. This is clearly a result of assistance from Freedom from Hunger.

5. The annual plans call for 80% self-sufficiency for the village banks of the three current zones of the Central Plateau by July, 1997 and 100% operational self-sufficiency by July, 1999. The plans only state objectives and do not discuss the means to achieve them. It appears the long-range plan to achieve operational self-sufficiency focuses on placing two promoters with each local credit union to be paid out of interest revenue from the 40 or so village banks each promoter will be supervising in the surrounding area.

6. All in all, the annual plan for 1996-1997, although ambitious for an already heavily encumbered administrative staff, represents a considerable improvement over the 1995-96 document. However, the CWE coordination unit should be careful not to overstate its abilities during a given year. Some of its 1995 outputs--baseline studies, literacy training for members of the village banks, training for the education officers of the banks, longitudinal case studies, and the replication manual--were not accomplished last year and had to be restated as objectives for the upcoming year. Strategic planning, if it is to be useful, must be realistic.

7. During the past year a growing misunderstanding of the nature of the partnership between Freedom from Hunger and the RCPB led to serious debate over the content of the second cooperative agreement beginning July 1, 1996. Much of this debate became focused on the degree to which each partner should consult the other in taking significant decisions, particularly those affecting interest rate policy and the future financial sustainability of the CWE program. RCPB, in particular, felt its sovereignty was being infringed, that it was being patronized by FFH. These misunderstandings now seem largely resolved.

8. The CWE program is currently located in three zones of the Central Plateau region but will be expanding soon into another credit union region (Passore and Yatenga). Training of 10 new promoters has just been completed. Currently 18 promoters--all women--service the 353 village banks of the Central Plateau, an average of 20 banks, 588 members, and 406 borrowers per promoter. Promoters have overly heavy workloads, of which they are very much aware.

9. Total membership of the 353 village banks at the end of May, 1996, was 10,590 women with 7,312 borrowers (69%). Of these 353 banks 26 appear not to be currently active and as many as 10 of them may have to be closed. This will be determined with the pick up of economic activities after the 1996 rainy season.

10. Village banks are relatively large with an average of 30 members, but only 21 of these on average are currently borrowers. Loans granted to these 353 banks total $385,844, or some $1,093 per bank on average. Average loan size for the 7,312 borrowing members is about $53. It is not clear why such a large number of members are not currently borrowers, especially since these figures do not reflect the slowdown in borrowing in the June to October rainy season.

11. Loan volume growth, as well as number of village banks, has been extremely impressive since the beginning of the program in early 1993. Loan volume disbursed in the second semester of calendar 1993 totalled $1,178. During the next year (1994) loan volume equaled $55,204, then swelled again to $301,178 in 1995. For the first quarter of 1996, loan volume had already reached $172,109.

12. Interest income, upon which sustainability projections for the CWE program depend, has risen as a fixed 10% of loan volume. Thus, program income has risen from about

$118 in the last half of 1993, to $5,520 in 1994, to $30,118 in 1995, to $17,211 for the first quarter of 1996. At its current rate of growth interest income could total an impressive $85,000 to $100,000 for all of 1996.

13. While interest income is based on a fixed 10% of loans extended, duration of these loans now varies. Village banks, originally all on four month cycles, now progress to six-month cycles after one year (three cycles). The interest rate, however, remains the same. There is, thus, an effective drop in annual interest rate from 30% to 20% for groups reaching six-month cycles.

14. This annual interest rate shift has also been accompanied by an altered division of interest income between the CWE program and the overall RCPB. Until July, 1994 the division of the 10% loan charge was 7.8% for the CWE program and 2.2 for the local RCPB credit unions servicing the village banks. This was altered about one year ago to a division of 7% and 3%. When village bank groups were allowed to proceed to six-month cycles in the second semester of 1994, this division was altered again to 5.5% for the CWE unit and 4.5% for the credit unions.

15. Although the effective annual interest rate has dropped from 30% to 20% for banks with six-month cycles, the credit union share has remained constant at 9%. This is very similar to the 10% interest charge levied on regular loans of the credit unions. The part of interest revenue attributed to the CWE unit, however, has dropped from 21% to 11%.

16. It was argued by the RCPB director that this drop in program revenue would be offset by the increased loan sizes taken by women moving into six-month cycles. There is evidence to support this assertion. An examination of average loan size increase over the period January, 1995 through May, 1996 indicates that average loan size for 374 banks moving from one four-month cycle to another rose 62%. Average loan size of the 155 banks moving from four month to six-month cycles, on the other hand, rose 150%. For the 71 banks moving from one six-month cycle to another, average loan size only increased 21%.

17. Group funds are constituted in RCPB village banks in different ways in each of the three zones: by an additional interest rate levy of 10% in Sabou, of which half is returned to borrowers at end of cycle; by an additional interest rate levy of 5% in Ziniare, of which half is returned at end of cycle, and by a fixed levy of 300 francs (60 cents) per borrower in Sapone, of which none is returned to members. There is also a 250 franc (50 cents) membership fee each cycle.

18. Groups funds collected have swelled over the last three years of activity, rising from about $142 collected in the last semester of 1993, to $17,192 during 1994, to $46,709 in 1995, and $16,996 already collected in the first quarter of 1996. Since little or none of this money has been released back to banks for collective use, at the end of March, 1996 there should have been about $81,039 on deposit in the nine credit

unions servicing the 353 village banks. This is an overall average of some $230 per village bank, but averages vary between the three zones.

19. Savings of village bank members, as distinct from the group fund, are taken back by borrowers at the end of each loan cycle. A mandatory savings amount of 100 francs per week is in effect. Monies redistributed include both the savings contribution made at each repayment meeting, from 100 to 400 francs, and half the additional interest rate levy. Savings set aside each repayment meeting are about four times larger for monthly meetings than for weekly repayment meetings, reflecting the weekly nature of minimum savings. Thus, in addition to profits consumed from their business activities, village bank members can count on a significant sum to be returned to them at the end of each loan cycle.

20. Savings mobilized by the village bank program has risen in tandem with loan volume and group funds. Thus, bank members saved--and redeemed--some $744 in the second semester of 1993, $28,057 in 1994, $74,720 in 1995, and $27,335 already by end of March, 1996.

21. The volume of savings already mobilized by the village bank program thus totaled some $130,856 by end of March, 1996. This sum, plus the $81,039 of group funds still on deposit in the credit unions, yields an average of about $600 per bank. Of course, many older banks have much larger group funds on deposit and have saved and redeemed greater than average savings.

22. To illustrate the level of savings and group fund generation, a typical woman in Sabou zone in a six-month cycle with a $100 loan and saving $1 per repayment period can expect to save and redeem $11 while contributing another $5 to the group fund and $10 to the local credit union. Of the latter, $5.50 belong to the CWE program and $4.50 to the coffers of the credit union. The same woman in Zinaire would save and redeem $8.50, while giving $2.50 to the group fund. In Sapone the same woman would save and redeem $6 and provide 60 cents to the group fund.

23. With the savings account orientation of the credit unions, one would have expected a policy of holding onto total village bank savings for long periods, especially since the Caisses Populaires pay no interest on accounts and lend at 10% to individuals for up to one year. The problem of such accumulation is that the sum at some point becomes tempting to village bank members, who may leave the bank if this is the only way to redeem their savings. This is what is currently happening to the CREDO banks in Burkina Faso and to a lesser degree to the FFH and World Relief partner programs in Honduras.

24. It is obvious that the village bank program is growing considerably faster in the rural areas than the regular loans and deposits of the credit unions. In peri-urban Ouagadougou village banks appear to contribute about one-quarter of loan activity to the Caisses

Populaires, while in rural areas to the north this figure was 56% at the end of 1995 and 71% by late June, 1996.

25. Solidarity groups are strong in the RCPB village banks, covering member late payments extremely effectively. There appear to be no late payments by solidarity groups within loan cycles and no defaulting by banks at cycle's end. This is, at least, the picture painted by program promoters. The situation within solidarity groups, where members are expected to reimburse their group mates is not known. It is unlikely arrearage within groups lasts more than a few weeks and almost certainly only reflects emergency situations.

26. The internal fund, which in the absence of member savings consists of a group fund only, is not relent to members. The major purpose of the group fund is to defray bank expenses and serve as a loan loss reserve.

27. A KAP (Knowledge, Attitudes, Practices) study conducted as baseline in the Burkina Faso program zones in July, 1993 revealed the basic profile of the women currently in village banks. The KAP indicated 83% illiteracy, an extremely low level of female household headedness, and some exposure to health messages prior to the program. No further KAP studies or focus group work apparently has occurred in the program zone, with the exception of an excellent study of three village banks by an economic anthropologist in early 1996.

28. Membership turnover appears quite low in the RCPB village banks. A number of banks in their fourth and fifth cycles of activity (nearly two years) have lost only 5% to 10% of their founding members. The internal organization and discipline of both solidarity groups and the entire village bank are quite strong, compared to Honduran banks. Resistance to the joining of new members does not seem significant, as it does in the more urban CREDO banks in Burkina Faso.

29. Loan size stagnation does not yet appear to be a significant phenomenon yet for RCPB village banks, although comprehensive statistics were not available for analysis. Evidence does suggest that the rate of growth does slow considerably after attainment of six-month cycles, following a distinct surge in loan size at that time (150%).

30. The CWE methodology, developed by Freedom from Hunger, is being applied by promoters much as in Honduras. As village banks are formed a series of health topics and accompanying dialogues follow suit: diarrhea, breastfeeding, weaning foods and children's nutrition, vaccination, and family planning (birth spacing).

31. The FFH education program appears to be followed with considerably less local adaptation than the credit program itself. Management of the CWE program feel that the five-theme package is excellent and that it should be left as is.

32. As in Honduras it is not clear that the ORPA methodology is being properly used to stimulate group discussion rather than one-way communication and rote learning. Just as promoters handle all paperwork for the bank group, there is a tendency for promoters to lecture bank members, expecting them to learn health messages by rote.

33. In the ORPA sessions observed, the "personalize" component can sometimes be weak. Women still appear to be learning lessons passively and by rote from the promoter. Attention seems to focus on whether women have understood the messages and can repeat them correctly. However, bank members do appear to keenly follow these lessons and will ask questions.

34. The microenterprise education component contains a number of elements, purportedly useful to improving women's businesses. This supposition needs to be evaluated. Women are said to particularly appreciate the lesson on how to distinguish profit from overall earnings. RCPB also claims that many have learned to diversify their activities, analyse future business activities, take larger loans when commercial opportunities arise, and so on. This is intuitively appealing, but responses by women in bank groups to questions on these matters reveal conflicting opinions.

35. As for FAMA in Honduras, the RCPB health and microenterprise education sessions with bank members are taking considerably longer than the 15 to 20 minutes originally intended. In addition to somewhat lengthy education sessions, running up to 45 minutes or more, the repayment process can take hours. This is not a great problem for monthly repayments, but weekly meetings can take a serious amount of time from women's ordinary activities. Added to the two or three hours necessary for reimbursement and the education session, there is often some time lost as members arrive late for meetings.

B. RECOMMENDATIONS

Freedom From Hunger (International Center)

1. While only two country programs were examined of the seven funded under this matching grant, it appears that the same basic technical assistance materials have been distributed to all in the appropriate language (see Annex 5). While these are of great importance to FFH's partners, they are sometimes overly sophisticated for their needs. Many of the health materials, for example, have been simplified by RCPB. Much of the feedback on the quarterly credit association tally sheets is highly detailed and should be simplified to suit client needs. The planning, budgeting, and reporting process should be simplified as much as possible. The financial management information system developed for RCPB appears overly complex, and further assistance to RCPB in its implementation is needed.

2. The quality of translations produced by the International Center should be improved. This is true for many of the materials produced in both French and Spanish. While grammatically sound, these documents are not always idiomatic and often reveal the

translator's lack of professional familiarization with the subject matter. This can become seriously problematic in the translation of sensitive memoranda to field partners. Some of the communication problems between FFH and RCPB management have been due to well-intentioned, but too literal, translation of English forms of expression.

3. It is important to increase face-to-face interaction between technical staff of the International Center and their partner organizations. Language training should be given to those from the International Center likely to interact with partner management in Latin America and West Africa. Partners appreciate visits to their programs, as well as invitations to visit the International Center.

4. The posting of a regional advisor to Latin America with duties similar to those of the advisors in West Africa is recommended. This will assist in increasing communication between the International Center and implementing partner organizations. Salaries of all field advisors should be set sufficiently high to retain or attract high quality personnel.

5. More attention to tracking operational and financial sustainability of partners should be undertaken in the International Center. Technical assistance should be given to partners in calculating these and other ratios of the 16 developed by the SEEP network. The grant agreement specifies that partners should be assisted to move to a point that program costs "can be borne mostly or even fully by the revenue generated by the program itself." RCPB and FAMA program management units were unable to generate sustainability ratios and did not understand how to calculate them. The International Center calculates a running, year-to-date operational self-sufficiency ratio, but this remains a headquarters operation.

FAMA

1. Freedom from Hunger should continue to assist its former Honduran subsidiary and partner, even in the absence of a signed cooperative agreement. Although the degree to which FAMA can afford to purchase this assistance in future is certainly limited, the step to a strategy of moving to scale and achieving operational sustainability is within reach. The new board of directors should ensure that FAMA take this step by focusing on a strategy of securing FFH guidance in qualifying for assistance from Fundacion Covelo. Lesser alternatives are continuing in the present mode of uncertainty and program stagnation or seeking to merge with another Honduran NGO, such as World Relief/Honduras.

2. FAMA will need to address the problems of village bank membership turnover, loan size stagnation, increasing reliance on internal fund lending, promoter overload with portfolio growth, effectiveness of natural leaders, and unmeasured program impact, particularly that of health education. Freedom from Hunger is best placed to continue assistance in education and appraisal of impact, but guidance from Fundacion Covelo should be sought for many of the banking problems.

3. FAMA should ease promoter workload and cost per bank by shifting more of its village banks to six-month cycles with biweekly, or even monthly, repayment meetings, as seems to be increasingly the case for RCPB bankings in Burkina Faso.

4. A means should be found to deposit funds from weekly and biweekly group repayments in nearby financial institutions or other secure place in the local community. The current practice of having promoters collect all external and internal sums due during the cycle at the end of cycle constitutes a rapidly growing security problem. To a greater or lesser extent this problem concerns all four organizations evaluated, both in Honduras and in Burkina Faso. World Relief/Honduras is currently considering a practice by which each bank or solidarity group can deposit weekly repayments directly into local financial institutions. FAMA's rural-based groups are more isolated, but promoters may still collect monies on every visit or monies may be held by rural authorities.

5. The irony of internal fund lending, solely allowed by FAMA of the four programs evaluated, is that this practice promotes empowerment and autonomy, at the same time that it compromises FAMA's external loan growth and increases management oversight. In the absence of a graduation strategy, FAMA should move to limit this practice in future, even in existing groups. Alternatively, if groups agree to truly graduate from dependence on FAMA promoters, they should continue--and even increase--internal fund lending, since this will be the basis for future independent operations. A reconciliation of the policies of no graduation and the achievement of complete operational self-sufficiency for FAMA is thus necessary.

RCPB

1. Now that the debate surrounding the terms of the new cooperative agreement has receded, it is important that Freedom from Hunger and RCPB maintain the face-to-face communication so successfully employed during the recent visit of the FFH president to Burkina Faso. Long-distance communication has been a problem, particularly in view of distinct organizational and national cultural differences between the two partners. Each partner respects and values the other, but RCPB is particularly sensitive to any perceived undermining of its decision-making authority. It has felt at times patronized by FFH in the last year and may have reacted overly strongly. More frequent visits by the FFH regional advisor and technical staff to Burkina Faso should be pursued whenever possible, but FFH should be careful to understand the local social and political realities with which RCPB management chooses to conform. This includes the issues of interest rate policy and progress toward operational self-sufficiency.

2. In spite of sensitivities, discussion should continue on the RCPB plan to achieve full operational and financial sustainability. There is no doubt of the substantial and increasing impact of the village banks on the credit unions. On the other hand, without the existence of these depository institutions, village bank growth would not be at its current rapid pace. The financial management advisor from FFH, whose suggested financial management information system is being studied and adapted by RCPB, should

undertake a consultancy to assist in the further development of the RCPB sustainability plan. There is real assistance to be given here by FFH, in addition to its education component.

3. RCPB should deal with the issue of the discrepancy between village bank members and those members which borrow. The December, 1994 (mid-term) evaluation determined that nearly half of members did not borrow and, while this proportion seems to have fallen to 30%, there is some mystery to this, since current policy allows banks only 5 non-borrowing members. Perhaps this proportion of non-borrowers reflects inactive banks or represents members who have left banks but continue to be counted. There seems to be no reason why banks should have such a high proportion of inactive members or savers only, and RCPB should be encouraged to limit this practice.

4. The continued assistance provided by the FFH regional training advisor in the training of new promoters should be continued as part of FFH assistance, as well as continued provision of technical assistance in health education. With continued expansion of the village bank network and increasing interest revenues, assistance from FFH will cease to be financial; this may already be the case. Yet FFH has both a regional training and regional management advisor close to Burkina Faso to supply needed expertise as the RCPB continues its remarkable expansion.

5. Rapid expansion of the number and spread of village banks has led to work overload for promoters, now serving an average of 20 banks per person (600 persons). Interest revenues should provide a facile means of affording new promoters, but as the village bank program spreads, the ability of the CWE unit in RCPB headquarters to manage the program will be stretched. There are currently only two managers in headquarters, although a decentralization of operations may lead to local oversight on a region by region basis. Decentralization of one or two managers to each regional credit union federation headquarters should be pursued actively by RCPB.

6. RCPB should move to establish a uniform group fund and savings policy for all zones. Currently each zone establishes the means by which savings are accumulated during loan cycles and distributed at end of cycle. Savings beyond a minimum level are voluntary, but a further contribution to the group fund is often partly returned to members at end of cycle. It is recommended that the Sapone policy of contributing a fixed and modest sum to the group fund each cycle, without partial redemption at end of cycle, be extended to other zones as a general policy.

7. The redistribution of savings, on the other hand, while doing little to contribute to credit union liquidity, avoids the problem occurring in CREDO and World Relief/Honduras banks, where large sums have accumulated and appear increasingly tempting to members who have no choice but to leave groups in order to redeem them. The problem of what to do eventually with group funds should be resolved by the RCPB. Can these funds be used collectively by village bank groups in new ways, such as collective field cultivation, or should they remain as a passive loan loss reserve? Such policy questions should be addressed in the near future.

8. It is not recommended that RCPB reconsider its graduation or internal fund use policies, which reflect the continued total dependence of village banks on promoter assistance. On the other hand, literacy training is essential for bank executive committee members, if banks are to move toward more self-management of activities and accounts. A means of training one or more committee members must be found, perhaps in conjunction with other village banking organizations, such as CREDO, which are grappling with the same challenge. A comparison with how women manage their bank activities in Honduras shows the potential of empowering Burkinabe women through literacy and numeracy training.

9. The strong solidarity group structure of Burkinabe village banks merits extension to the Latin American context, where they do not operate to assure very low levels of repayment arrearage. Obviously, the cultural context plays a large role in the usefulness of group solidarity, but World Relief/Honduras, in particular, should rely more on such groups to restrain arrearage. Group solidarity in RCPB village banks does not seem to imply resistance to new members, as it does in the CREDO banks of Burkina Faso. This difference should be examined, although it is only a problem for CREDO.

10. The CWE unit of RCPB should continue its process of strategic, or long-term planning, including development of annual action plans. The latter are increasingly quantified, but continue to appear overly ambitious. If an annual plan is to be useful, it should be realistic and correspond to human and resource availabilities. Restatement of many of the same objectives each year tends to diminish the usefulness of the plan. This can be remedied by reducing the number of activities and objectives to realistic levels each year. Freedom from Hunger should continue to assist the CWE unit in this process.

11. Promoters should take care to employ the ORPA methodology in health education sessions, particularly the participatory aspects of personalizing the messages. The downside to this is that health education sessions are already running much longer than the 15 to 20 minutes originally envisaged. This also occurs in the FAMA banks and may be linked to imparting health messages in a participatory manner to groups of bank members without experience in such interactive processes. Promoters need to streamline these messages and methodologies more, while not neglecting participation by bank members.

12. The content of the microenterprise education component should reflect a better understanding of women's activities and marketing strategies. Constraints to such activities should be better understood, particularly the relationship between length of loan term, frequency of reimbursement, and the specific mix of economic activities. The relationship between loan size and seasonal choice of activities should also be better understood, particularly in the context of giving key economics or marketing messages.

V. DETAILED PROGRAM FINDINGS

A. HONDURAS

1. Nature and Quality of Staffing and Administrative Support

1.1 *Governance*

1. FAMA underwent a change in its board of directors (junta directiva) in early February, 1996. Two members resigned from the board, including its president, but remain active in the general assembly. Two members of the general assembly, both employees of FAMA, became new board members: Maria-Teresa Henriquez (education coordinator) and Ismael Vargas (instructor in the Teaching Learning Center). Hilda Mejia, INCAP representative in Tegucigalpa, replaced Zoila Alvarez, as president of the board. The new board met once in March to discuss new directions and to finalize rewriting of its by-laws. It met for the second time during the evaluation (April 25, 1996) to hear preliminary findings and to meet with FFH president, Chris Dunford, concerning the future of its relationship with Freedom from Hunger.

1.2 *Organization of the Credit Program*

1. The 79 FAMA banks include 29 in El Paraiso department and 50 in Olancho department. Three of the 29 in El Paraiso were only halfway through their first cycle in May, 1996.

2. Overall, there is an average of 17.6 members per village bank. Banks in Olancho department are slightly smaller (17 members) than those in El Paraiso department (18.7 members). Overall loan size per member averages 820 Lps. ($74), divided into 970 Lps. ($87) in Olancho and 582 Lps. ($52) in El Paraiso.

3. Seven village banks are in their 16th cycle, having begun operations in May, 1990. Only eight banks (10%) have moved to 6-month cycles and accompanying biweekly repayment. While monies are collected by FAMA normally only at the end of each lending cycle for repayment of the entire external loan, in the new banks of El Paraiso department accumulated principal and interest is collected each month. This reduces the problem of theft.

4. Although few banks have been permitted to move to a 6-month cycle, all banks evaluate their performance after each cycle by agreeing on a color rating. Thus banks classify their previous performance and current situation as green, yellow, or red. Obviously, few banks are placed in the yellow category and rarely does one have a red rating.

5. Savings amount is optional in FAMA banks, but the size of subsequent loans is linked to previous loan and total savings. In general, each loan is equal in size to the previous

loan plus accumulated savings, but exceptions to this practice appear to be common. Loans up to 1 1/2 times the previous loan plus savings are said to be permissible, depending on the group's confidence in the requesting member.

6. Repayment of interest, principal, and savings occurs weekly for those groups having a 4-month cycle and biweekly for those with 6-month cycles.

1.3 *Strategic Planning*

1. The seven objectives pursued and reported on by FAMA in its current (FY 1996) **quarterly program reports** are:

- Continue strengthening the institutional capacity of FAMA.
- Conduct an impact evaluation on the credit with education and sustainable agriculture programs.
- Promote, train, and inaugurate 60 new village banks, increasing to a total of 120 banks, and create a third local operating unit.
- Strengthen the capacity of existing natural leaders and identify and train new ones.
- Update the materials used in the education sessions of the village banks.
- Continue the promotion of the Teaching Learning Center to new contributors.
- Maintain positive relationships with existing donors and initiate contacts with new donors.

2. The basic documents from which these objectives are taken are the long-term planning framework, covering the period July, 1995 through June, 1998, and the annual work plan for FY 1996 (first year of the long-term plan). These documents respond to FFH admonitions to engage in strategic planning and objective setting, and the first annual plan received substantial assistance from the FFH regional coordinator based in Davis, California.

3. The **long-term planning framework** was prepared in March, 1995 and runs for three years beginning July, 1995. The document has the form of a logical framework (logframe) and contains six objectives for each year, many of which are a continuation of the first year's objectives. These six objectives are those currently reported on in quarterly program reports, although a seventh has been added to quarterly reporting without modification to the strategic plan. The only numerical objectives are those of creating 50 new village banks each year, bringing totals to 120 by July, 1996, to 170 one

year later, and to 220 by July, 1997. A new local operations unit (LOU), essentially a cost center, was to be created each year.

4. The planning framework also lists general indicators of achievement (evidencia de exito) for each year's objectives and contains final columns on end-of-project status and benefits delivered to target beneficiaries. The plan framework appears to have been generated by FFH headquarters for the use of its affiliates.

5. The **annual work plan** for FY 1996, completed in May, 1995, has added a seventh objective and contains general activities to be carried out during the year for each objective. There is also a section describing six administrative functions and those personnel responsible for carrying them out. A change has been made in this annual plan to target 60 new banks, rather than the 50 foreseen in the strategic plan. The document format has clearly been provided by FFH headquarters.

6. Handwritten numerical targets on the cover sheet of the 1996 Plan seem largely divorced from reality. According to the plan there should have been 131 banks operating by the end of June 1996, with some 2,751 members and an outstanding loan portfolio of \$135,490. In early May 1996, there were only 79 active banks, 1,390 members, and a loan balance of \$102,591. Only if we adjust this projected loan balance for depreciation of the lempira over the last year, do we reach the projected portfolio dollar value. It is not clear how such a high, depreciation-adjusted figure for outstanding loans could have been envisioned with such meager growth in the number of groups (+ 3) and in membership (+ 272). In fact, the adjusted figure for June, 1996 is 65% higher than the figure given by FAMA for June 30, 1995. This does not seem a realistic annual objective, in view of recent stagnation in portfolio growth and loan size.

7. There is urgent need for FAMA to revise its long-term strategic plan in view of the lack of serious progress in the expansion of its village bank program. By July 1997 its long-term plan foresees 220 functioning banks, 5,500 bank members, 220 natural leaders (39 now), and 14 promoters. Moreover, none of the other objectives have clear annual outcomes and seem to range over three years with little distinction by year. If this planning exercise is to have any value, it should be realistic from the start.

8. FFH headquarters carefully reviews both monthly and quarterly reporting by FAMA. Especially useful is the review given to the detailed credit and non-credit information on banks finishing a cycle during each quarter. These "tally sheets" are the object of extensive feedback within a few months of receipt of each quarterly report. Especially prized by FAMA staff are the numerous graphical representations of key variables in the tally sheets.

9. However, there appears to be some mismatch between the sophistication of this feedback (and other strategic planning assistance) and the interests and perceived needs of FAMA management. While certainly well-intentioned, much of this feedback seems

to be above the heads of the FAMA field management. Recent quarterly report feedback should, in any case, be studied by all FAMA board members, which is not yet currently routine. The end of the cooperative agreement between FAMA and FFH will mean the end of such feedback, but assistance can still be sought on a periodic basis.

1.4 *Personnel*

1. FAMA personnel number 14 persons: 1 executive director, 1 education coordinator, 5 promoters, 2 training center instructors, 1 accountant, 1 secretary, 1 driver, 1 part-time driver, and 1 part-time security guard. The two instructors are located at the Teaching Learning Center in San Nicolas and are not involved with the village banking program. Two village bank promoters are located in the regional office in Danli (El Paraiso department), while four others are found in Juticalpa (Olancho department). One of the promoters handles only 10 village bank groups funded by CIDA (Project Guayape), while the others generally handle about 13-15 banks apiece. The education coordinator also fills in as a promoter. Promoters are expected to be able to handle a caseload of up to 15 village banks with at least 300 members.

2. Nature and Effectiveness of Financial Monitoring and Reporting

1. Freedom from Hunger requires the submission from FAMA each month of a financial administration (financiero administrativo) and credit (financiero de credito) reports. This procedure is being honored by FAMA and supplies FFH with the ability to closely watch the credit program and FAMA general administrative expenses.

2. The *financial administration report* consists of: a summary page; a form on total monthly receipts; a form on disbursements by local operating unit; and a bank reconciliation statement. The same set of forms track petty cash inflows and outflows by regional office.

3. FAMA must do two financial reports per month for its various donors, and three on village banking credit. The FFH credit report concerns the 42 village banks for which it is financially connected (702 members, but only 656 loan receivers in March, 1996). However, FFH also tracks the credit reports for the other donors, thus monitoring the status of all village banks.

4. The *village bank monthly credit report* consists of a summary page and a report on the monthly activity of each village bank. The bank activity (status) sheet identifies the number of borrowers and outstanding loan balance at the beginning of the month, loan amounts reimbursed, amounts overdue, new loans during the month, and the number of borrowers, loan balances outstanding, dates of loans due, and status and number of members (as distinct from borrowers).

3. Nature and Effectiveness of Program Monitoring and Reporting

1. A comprehensive quarterly report is submitted by FAMA to FFH and includes both credit association and program monitoring. The **credit association monitoring system report** includes:

a. A detailed report on each village bank beginning a cycle during the quarter, including characteristics of its members and education messages by type.

b. A second form on the economic activities of the members of all banks covered.

c. A report on the weekly education messages for those banks terminating a cycle.

d. A detailed accounting of the status of all banks completing a cycle during the quarter, including information on number of members, repayment of the external loan, and status of the savings, group fund, and total internal account.

e. A form reporting information on members terminating a cycle, supplying information on profitability or innovation in member's economic activities, on reaching goals of more abundant or nutritious family food supply and learning of new health and nutrition practices, and a survey of why women do not intend to take a subsequent loan.

f. A final form ranking those banks completing a cycle along various dimensions, including a general ranking from A to C on bank finances, health education, profitability of businesses, group solidarity, and self-management, and a bank financial ranking according to risk (red, yellow, or green) from sub-rankings on timeliness of repayment, feasibility analysis of bank loan, and quality of bank accounting.

2. This quarterly credit association (village bank) monitoring report is submitted to FFH, Kellogg Foundation, Inter-american Foundation, Guayape Project (CIDA), and FOPRIDEH. A separate report is filed for each of the two FAMA activities: the village banking program and the Teaching Learning Center (sustainable agriculture).

3. The **quarterly program report** consists of the following narrative: summary of project, covering the three components of institutional strengthening, sustainable agriculture, and credit with education; progress and lessons learned during the quarter by objective; and a human interest story.

4. The seven objectives currently pursued and reported on by FAMA in the quarterly program report correspond to those contained in the annual work plan and the long-term strategic plan (July, 1995 through June, 1998). These are discussed under strategic planning.

4. Characteristics of the Village Bank Groups

1. The following village bank groups were visited during the evaluation:

Village Bank	Members	Cycle	Location
Senderos al Exito	20	13	San Nicolas
Superacion	17	14	Cayo Blanco
Corazon de Jesus	22	8	Campamento
Luz y Vida	25	10	La Empalizada
Sagrada Familia	24	3	El Arenal
Mi Esperanza	13	5	Zapotillo
La Esperanza	22	4	El Benque

2. FAMA's village banks are rural, although members tend to live in village groupings (aldeas). Women reported that few bank members had engaged in income-generating activities prior to the availability of working capital through the village banks. In one bank 18 of 22 (82%) members had never engaged in a business activity before. Opportunities for income generation were largely limited to agricultural wage labor prior to the advent of the banks.

3. The general lack of previous experience of village bank members in self-employed entrepreneurial activity contradicts the stated FAMA policy that experience in a business activity is a pre-requisite for joining a bank and receiving credit. Other requirements for village bank membership, at least in theory, are: length of time in community (10 years or more desirable); poverty; marketing opportunities in the area; and at least 18 years old.

4. Many of the women reported selling on credit to their customers, including up to a month. This is generally true for women's products, except for low-cost processed foods.

5. Women's business activities center on food processing (bread, pastry), purchase and sale of vegetables and maize, purchase and sale of medicines or cosmetics, butchering pigs for sale of parts, small grocery stores (pulperias), sale of new or used clothing, and sewing.

6. Women in the FAMA groups declare that they value savings for consumption purposes, particularly for large projects in the home, such as a cement floor for the house or a new roof. It is clear, too, from interviews with bank members that they are generally using those profits they realize beyond their savings for increased food consumption, rather than reinvesting in business activities or accumulating productive assets. Use of increased income for purchase of medicines or payment of school fees was also a common response, although not nearly so consistent as purchase of food.

7. The question of whether women in FAMA's rural Honduran banks keep their income separate from their husband's and whether they keep their village bank loan money separate from other sources of revenue they may have cannot yet be answered based on existing data. Consensus among women seems to be that they do control their own loan and the process of accumulating income for its repayment with interest, but that they do not separate this economic activity and its income stream from other sources of their own revenue. This question of income commingling and internal household control is a vibrant topic for discussion without resolution in the Honduran context.

8. Turnover is high in the FAMA village banks, although no detailed study has been made. In one group questioned, only six of the current 22 members had been founding members eight cycles (2 1/2 years) earlier, and only two more had been members one year previously. Some two-thirds (14 of 22) of those in this bank had been members less than one year. This is probably typical for the FAMA banks (and for banks in general in Honduras).

9. A high percentage of women in the village banks is single, perhaps 1/3 or more, although there seems to be no overall accounting of this status in FAMA records. A count in one group found 5 of 13 (38%) meeting attenders to be single (including widows). A KAP study on bank-eligible women in four communities of El Paraiso department in late 1994 revealed that 36% of these women were single, many with dependent children.

10. The 1994 El Paraiso KAP study also revealed the following characteristics of the women who would soon be organized into village banks:

- The average number of children is four, with 33% of the women having infants less than five years old.
- 87% of the women know how to read and write.
- 92% of the women indicate that there is a serious food deficit each year between June and August.
- 98% of those interviewed vaccinate their children during the first two years and apparently also vaccinate themselves against tetanus.
- 77% indicate that they treat diarrhea in their infants with oral rehydration preparations and 48% claim to use other medicines, including traditional treatments.
- 94% indicate that they give colostrum milk to their babies.
- 84% of mothers indicate they give supplementary liquids to their babies before six months of age and 61% use bottled milk.
- 60% of women, on the other hand, introduce solid foods to their babies before the age of six months.

- 76% of women state that their two year-olds should be given food 3-4 times daily.
- 92% of women indicate that when they are nursing they increase their food intake.
- 77% of women use some method of family planning (pill, condom, loop, and--rarely known--vasectomy).
- Only 42% of women received any health message in the previous year and always directly from the local health center.

5. Nature and Progress of Program Outputs

5.1 Progress of the Credit Portfolio

1. There are currently 79 active village banks in the FAMA program, three of which began only in March, 1996. The total number of bank members is 1,390, divided between 849 members in 50 banks in Olancho department and 541 members in 29 banks in El Paraiso department. The total active loan portfolio for both program areas is 1,139,790 Lps. ($102,591), divided into 824,760 Lps. ($74,236) for Olancho and 315,030 Lps. ($28,356) for El Paraiso.

Current Status of FAMA Village Banks
May l, 1996

	Olancho Department	El Paraiso Department
Village Banks	50	29
Members	849	541
Members per Bank	17.0	18.7
External Loans	824,760 Lps.	315,030 Lps.
Av. Loan per Bank	16,495 Lps.	10,863 Lps.
Av. Loan per Member	970 Lps.	582 Lps.
Internal Funds.*	1,671,490 Lps.	134,729 Lps.
Av. Internal Fund per Bank	33,930 Lps.	4,216 Lps.
Savings*	953,911 Lps.	84,655 Lps.
Av. Savings per Bank	19,078 Lps.	3,256 Lps.
Av. Savings per Member	1,122 Lps.	171 Lps.
Group Fund.*	742,605 Lps.	24,967 Lps.
Av. Group Fund per Bank.	14,852 Lps.	960 Lps.
Av. Group Fund per Member	875 Lps.	51 Lps.

N.B. $1 = 11.11 Lps.

* Very small internal funds (savings plus group fund) from 3 newly created banks (March, 1996) in El Paraiso are not included here.

5.2 *Village Bank Arrearage*

1. Total internal arrearage is given as 4% by FAMA. This figure requires more exactness and needs to be calculated with more care and for periods of two-week intervals. This probably represents the arrearage for loans overdue for more than two weeks.

2. Default on loans from members is stated to be 1% at most.

5.3 *Bank Closings*

1. FAMA reports permanently closing three banks in El Paraiso, while one has been closed temporarily in Olancho. While three have been closed in El Paraiso, three new ones have just been created in that department.

2. The increasing danger of theft of village bank monies is exacerbated by the large size of many banks internal funds, which, when paid back with external loan monies at the end of the cycle, often constitute considerable sums. The recent theft of some 42,000 Lps. ($3,780) at gunpoint from the home of the treasurer of one Olancho bank is a sign of problems to come. This bank may be forced to close, because of the loss of much of its internal fund (savings primarily), even if FAMA covers its external loan loss from its reserves.

5.4 *Use of the Internal Fund*

1. FAMA continues to condone the use of village bank internal funds for further lending to members and outsiders alike, but only in Olancho department. In El Paraiso department it was decided to discontinue this practice, because of the potential for problems. New banks in Olancho will not benefit from the use of internal savings and group contributions from fines and collective activities to constitute a second loan fund.

2. Internal fund lending is attractive to the women of the village groups for several reasons. Probably most important is the decoupling of loan size from the controlled step increases of the external loan. Loans are approved by the village bank group's leaders for members or outsiders based on their perceived credit worthiness. Also important to recipients of these loans is the lump sum repayment after two to three months (of a four-month cycle).

3. Other reasons for the popularity of internal fund loans found by a mini-study on credit association (village bank) dynamics are: loans can be taken at any time during the cycle; do not require guarantors; can be used directly for consumption (as well as for income-generation); and may be used for longer-term production activities without weekly repayment limitations.

4. The village bank members particularly like the practice of paying dividends to themselves at the end of each cycle from interest revenues earned from internal loans to members. While 25% of interest revenues goes to the group account as a loan loss reserve, members equally divide the remainig 75%. Dividends are used as a method of encouraging women's attendance at weekly meetings, since four absences are sufficient to cause loss of dividends.

5. Dividends are divided equally between all members, regardless of the amount of interest they may have paid on the internal loan. Thus, there is some redistribution of interest payment income toward those members taking small (or no) loans from the internal account.

6. Interest payments on internal loans are the same as those for external loans (3% per month), while those to outsiders can be up to 8% monthly. Each village bank group is allowed to establish its own internal fund lending policy.

7. Although internal funds are not lent out to members in El Paraiso department, village bank groups are organized into solidarity groups of 5-6 members, which in turn undertake joint economic activities to create a significant group (internal) account separate from member savings. At the end of each cycle 75% of this money is divided between all members, while 25% is left in the group account.

8. The El Paraiso practice of building up an emergency reserve is similar to that in Olancho, but this account cannot be lent to members. While this means less rapid growth of the group reserve, the active contribution to this reserve through special sub-group activities is more developped than in Olancho.

5.5 *Savings*

1. Savings activity in El Paraiso and Olancho is not pronounced, each member being urged, but not required, to save 2 lempiras per week, or 32 per cycle. The average savings per member is probably about 20 lempiras per cycle. Accumulated savings per member is considerably higher in Olancho banks than in the much newer El Paraiso groups.

5.6 *Membership Turnover*

1. In a small study undertaken by FFH and FAMA in late 1993, a number of dynamics of FAMA's village banking groups were examined, including the issue of membership turnover. It was found that on average only 21% of founding bank members were still taking loans in the eighth cycle (approximately 2 1/2 years later). The greatest decline in membership occurred between the first and third loan cycle, where half the borrowers left the program.

2. The impact of this turnover is largely on the average number of cycles completed by village bank members and the resulting limitation in loan size growth. This, of course, tends to brake FAMA's attempt to reach large scale and loan size to achieve revenues sufficient to assure operational sustainability.

3. The health education program also suffers, because individual members have received on average less education than the group has received as a whole. The study found that members in the sample had participated in one year less of education than that given by field staff over the eight loan cycles. Moreover, health messages are delivered more often during the first three loan cycles (once weekly) and then taper off to twice monthly during the next three cycles, and to once a month from then on. After the first messages are given by the promoters, natural leaders may be used (Olancho only) to deliver follow-up education, with distinctly less quality control.

4. Reasons found by the study for high membership turnover, especially for the high drop-out after the first loan cycles, were: noncompliance with bank rules; illness, dislike or unwillingness to attend weekly meetings; moving from area; and problems with husbands. Less important reasons given by those groups surveyed were: loan activity not profitable; lack of time; conflict with agricultural economic activities; aversion to weekly repayment; too much travel; and too fatiguing.

5. Regarding the reasons why so many women join after group formation, the study found that fear had initially been a barrier to many interested women. Over time this diffidence decreased as women reported the success of the loan activities. This finding does not explain continued turnover after the first year or so.

5.7 *Loan Size Stagnation*

1. The failure of most bank members to increase the size of their loans, termed "loan stagnation", has been a surprise to FAMA promoters, although this has become commonplace in the field of village banking. The MkNelly-FAMA study examined this question in its 1993 mini-study of bank dynamics and found that average loan size was only $61 in the third loan cycle, $71 in the fifth cycle, and $82 in the eighth cycle.

2. Average loan size of those members consistently borrowing over the preceding four cycles was found to be similar to that for all members--$87--in the eighth cycle. This growth in loan size probably does little more than compensate for inflation over the preceding two years.

3. What appears to be stagnation, however, is compensated by the fact that use of the internal loan grows rapidly to a point where nearly half of the money lent to members (44%) is from internal funds by the eighth cycle. Thus, the average total internal loan for members is $36 in the third cycle and $64 in the eighth cycle. In addition to this, members are able to withdraw some portion of their savings during a cycle to augment total working capital size.

6. Nature and Magnitude of Program Impacts

1. The question of what form program impacts take beyond the presumed profitability of village bank members' enterprises is still problematical for FAMA and FFH. The accepted hypothesis among village banking organizations is that women's businesses are profitable to some degree or bank members would not remain in the program. The question of what profit is likely to be generated from which enterprises is not yet sufficiently well known. The patterns of loan acceptance are not yet clear either, for women may raise their loan amounts in the early stage only to hold them at constant amounts for some time, or even opt out of loan taking for a cycle or two. In order to remain members when they do not take external loans, they must, apparently, make some contribution to savings.

2. FAMA, of course, believes that women's savings and increased income are and should be channeled into the betterment of their families, particularly their children. While this is the usual rationale for focusing on women's groups, since numerous studies point to women's greater propensity to spend income on children's and household needs than men, what is not known is the degree to which the health/nutrition and family planning education component actually guides such income more effectively to such consumption uses. Bluntly put, does the HN/FP education component have a significant impact on women's behaviors and spending patterns, particularly where increased disposable income is associated directly with frequently repeated health/nutrition messages.

3. FFH and FAMA will be undertaking research beginning in February, 1996, which may be of help in elucidating the degree to which Credit with Education can serve as a proxy for direct child survival interventions without credit. This study will take advantage of the presence of FAMA and World Relief/Honduras village banks in El Paraiso department. World Relief began a straight child survival program in this area at about the same time (mid-1995) that FAMA expanded its credit with education banking system to areas surrounding Danli and El Paraiso town (late 1994).

4. Another planned study, which will have to be postponed until WRH can launch an appropriate child survival program, concerns World Relief programs in an administrative department (Francisco Morazan) neighboring the principal area of FAMA activity in Olancho department. In this study, World Relief had hoped to compare a sample of village banking members also exposed to a child survival program in the same area with a sample exposed only to the child survival program. A third, control group outside both village banking and child survival activities would monitor whether some change may occur for extraneous reasons altogether. The studies would last from one to two years with outcomes measured against a baseline to be conducted prior to the study period. One of the more powerful statistical outcomes is hoped to be found in measurements of children under two years old.

5. While a step in the right direction, such research, even if it yields statistically significant results, will still not reveal the intermediate steps between women's village

banking activities and the use of marginal income to effect positive changes in children's nutritional standards. Whether such positive changes, if they do occur, can be explained by the economic and social empowerment of women, or by the existence of greater levels of disposable income, certainly remains moot. It should eventually be shown through this and other, more sophisticated studies, that positive changes do occur and that they occur because of an interplay of both factors. The exact role of empowerment of women versus their marginal propensity to consume for household welfare purposes may yet be elucidated. For the moment village banking in Honduras and in other countries is largely operating on faith, in the absence of solid evidence of the welfare impacts all programs seek among very poor populations.

7. Progress toward Achievement of Program Purpose

1. Judging program impacts is related to the achievement of program purpose. This purpose has not changed since the inauguration of the cooperative agreement in October, 1993: To motivate and assist thousands of very poor women to change their behavior in the following ways.

a) Earn new income through village banking activities which will provide the opportunity to increase the quality and quantity of food for themselves and their families, with emphasis on younger children.

b) Exclusively breast feed their infants for the first four to six months, introducing special, complementary foods no earlier than four months nor later than six.

c) Practice contraception to space, time, or limit births.

d) Manage children's diarrheal episodes with ORT and practice personal and food hygiene to help prevent diarrheal outbreaks.

e) Seek the full immunization series for infants and women, where these services are locally available.

2. Observation indicates that these objectives are being pursued by program activities, although there is no quantitative evidence available to assist us in knowing how many women are reaching which targets and how. Nor do we have any but anecdotal evidence that indicates that these child survival targets are significantly affected by increased disposable income or economic empowerment. Such exact knowledge may not be available for some time in the FAMA program, although research on CWE as an effective alternative to classic child survival programs will be conducted by FAMA next year in its El Paraiso program.

3. The mid-term evaluation team was able to question women in seven village banking groups, approximately 9% of all groups. The bank members seem to have learned a good deal about diarrheal treatment with oral rehydration salts, breastfeeding and weaning

foods, family planning, and nutritional foods. There is no doubt that these women have internalized the essential of the key health messages. The question is the degree to which they are applying this new knowledge and the degree to which increased income from village banking activities has been used to pursue these ends.

4. Evidence in favor of the likely use of new knowledge and income to pursue these basic health behaviors must remain impressionistic for now, in the absence of solid quantitative data. Nevertheless, the intelligence and motivation of all groups interviewed argue for the likely use of much of this knowledge in everyday life. All groups, if not all members, showed considerable recall of the health messages and claimed to be actively applying them. It is fairly certain that a majority have probably modified their behavior to some degree, but the question remains whether they might acquire this knowledge through other means more efficiently. In the absence of further qualitative and quantitative evidence, the evaluator is inclined to say that the program purpose is being pursued effectively through village banking activities with education messages and that the assumptions of CWE remain valid.

5. A complication in judging program impacts and accompanying achievement of program purpose is the fact that many women seem to have internalized some key practices prior to participation in the program. The example of the El Paraiso KAP study is notable here. Basic practices of breastfeeding and introduction of supplementary liquid and solid foods, diarrheal treatment with oral rehydration therapy, colostrum use, increased food intake for nursing mothers, feeding of two year olds, and use of contraceptive methods seem to involve a majority of women prior to village banking activities. It is clear that many women are receiving basic health messages through other child survival programs. It will be important to judge how much additional information they can receive through the health messages in FAMA's village bank activities.

8. Effectiveness of the Program Sustainability Strategy

1. Operational sustainability (self-sufficiency) for FAMA apparently reached 68% in February, 1996. This was calculated in the field during the evaluation. Information from the FFH International Center indicated, however, an overall sustainable operational level of 46% for the six months from January through June 1996 (see annex 6A). FFH also claims a 74% level of operational sustainability for February 1996. This means that interest income from village bank groups now covers about two-thirds of total operating costs. This does not, however, include depreciation for vehicles (2), motorcycles (3), or office equipment (copier, fax machine, computer). The two pick-up trucks alone are a cost any program would have great difficulty covering unless an adequate depreciation fund operates over the estimated life of the vehicles (10-12 years).

2. On the other hand, the Teaching Learning Center (Centro de Ensenanza y Aprendizaje) at San Nicolas (Olancho) covered only 16% of its costs during the period August 1995 through March, 1996. Clearly this center is underutilized, although its services are highly valued by trainees and its teaching staff highly motivated and skilled

in sustainable agricultural techniques. The problem for the center will be to market its valuable services to enough paying customers to reach a more adequate level of self-sufficiency. If the seven training events during the eight month period in question had been tripled (a utilization rate of about 3 weeks out of four per month), nearly half of the Center's costs could have been covered. Whether such a level of operation can be generated on a sustainable basis in future in not clear, but will require a significantly increased marketing effort on the part of FAMA. The need for donor funds for half or more of the Center's operational cost is a very likely prospect for the foreseeable future, even if a successful marketing campaign can be institutionalized.

3. The pressure by donors for village banking organizations to achieve operational and financial sustainability clearly affects FAMA management. FFH staff have applied a great deal of energy in advising FAMA management, both at the level of board of directors and in program headquarters in Juticalpa, about the necessity to make significant and steady progress toward operational sustainability, in order to assure future donor interest in the years ahead. FAMA has responded slowly to this admonition, as evidenced by the stagnation in the growth of its village banks. The number of operating banks in early May, 1996 is but three more than the number reported for June, 1995, nearly one year earlier. While membership has risen overall by 252 women and in March, 1996 three new banks were created in El Paraiso department, growth has slipped considerably for FAMA. By comparison the number of village banks rose from 42 to 76 between June, 1994 and June, 1995. This slowdown has occurred at a time when future funding amounts have become unclear, particularly from the Inter-American Foundation.

4. Operational sustainability, now at about 68% and not bad for a small program such as FAMA's, can only improve through expansion of the program. With an active portfolio around $100,000, each village loan averages $1,316. The interest rate of 3% per month yields interest income of about $39.50 per month per group. The fifteen groups each promoter is expected to serve should yield about $593 of income per month, enough to cover his or her expenses ($300 per month) and provide a contribution to program overhead of nearly $300.

5. Calculations made by the evaluation team for the month of February, 1996, yielded an operational shortfall of some 19,339 Lempiras, or $1,742. All else being equal, this surplus interest income beyond new promoter costs, will require that FAMA add some 90 new centers and six promoters to its operations.

6. A major problem for sustainable operations lies in the need to replace motorcycles and motor vehicles over the long term. If the project needs 10 motorcycles for its operational sustainability and two pickup trucks, setting up a depreciation allowance for this fleet would probably require some $3000 per year over 10 years for the trucks and $2,000 per year over the same period for the motorcycles (replacing them twice in 10 years). The resulting depreciation allowance of some $417 per month would in itself require the addition of another 22 village bank groups. Including three more village banks to provide a depreciation allowance for office equipment, we may be fairly comfortable saying that

ceteris paribus FAMA will need to add in total another 115 centers to its portfolio to reach operational self-sufficiency. The extra 25 groups should not be accompanied by more than one new promoter.

7. Is FAMA likely to achieve this self-sufficiency anytime in the foreseeable future? This is certainly not a possibility if the organization maintains its presence lack of growth. While its strategic plan called for adding 50 centers in FY 1996 and another 50 in FY 1997, net creation of only three new centers has occurred this past year and there is no evidence the 45 or 50 new centers FAMA management foresee for FY 1997 next year is likely to be achieved, given the present slow-growth cautiousness of management.

8. A growth rate of 50 centers per year, still in the long-term work plan for FAMA, would imply adding an average of one new center per week to the portfolio. This does not seem realistic under the best of conditions. During the matching grant period FAMA added 12 centers in 1993-94 (plus 40%), 34 in 1994-95 (plus 81%), but only three new banks (plus 4%) in 1995-96 (to May, 1996). Should FAMA return to its most rapid rate of new group creation, it would require nearly 3 1/2 years (40.6 months) to achieve operational self-sufficiency (all else being equal). However, should FAMA achieve the launching of 45 centers per year, their revised objective for FY 1997, and continue this pace, it would require about 2 1/2 years to attain operational sustainability.

9. What is more important than projecting various levels of growth to reach future break-even points is that FAMA must grasp the necessity to grow, in order to survive. Whether FAMA ever achieves operational self-sufficiency is less important than demonstrating that it has a plan for doing so and that it is carrying out this plan in an effective manner. Once growth is reestablished donor funds will again become less of a problem, other things remaining equal. The current interest of Fundacion Covelo in FAMA is an example of such donor interest. However, FAMA must demonstrate a proactive growth strategy to be taken seriously in today's financially-stretched times.

9. Nature and Effectiveness of the Credit with Education Component

1. The credit with education methodology, developed by Freedom from Hunger, is being applied by promoters within the context of the overall village banking model. Thus, as village banks are formed, a series of health dialogue cycles are set in motion, which cover the following topics: diarrhea, breastfeeding, weaning foods, children's nutrition, family planning, and, where vaccination services are found, children's immunization.

2. Health dialogues ("charlas") are supposed to involve a problem-posing, problem-solving methodology in which the promoter engages the village bank group in a discussion of the means to overcome obstacles to applying known solutions to basic health problems associated with children's health and well-being. In most cases, these solutions have to be learned in the earliest bank meetings, although some participants have had exposure to these techniques from other NGO's or public health sources.

3. It is not clear that these key health messages, which form the heart of FFH's niche in the village banking movement, are being delivered appropriately by FAMA promoters. The problem-posing and solution technique, known as ORPA (Observe, Reflect, Personalize, Act), is clearly more difficult to impart than rote learning of ORT techniques, breastfeeding, and family planning alternatives. It is, nevertheless, as important to FFH leadership in this field as the content of health messages.

4. While FAMA management, including both its board of directors (junta directiva) and its director of field operations in Juticalpa, are committed to health, nutrition, and family planning education, field operations have tended to become co-opted by the concrete and very visible need to maintain the viability of village banking activities.

5. The delivery of key health messages and the incorporation of the ORPA methodology into group learning sessions is compounded by the use of natural leaders (lideres naturales) to complement promoters faced with a case load of 10 to 15 village banks. The fact that village bank groups all tend to meet at 2:00 P.M., increases the difficulty of promoter coverage.

6. Natural leaders are useful, because the drive toward operational sustainability requires that promoters handle at least 15 bank groups with an ideal total of 450 members. Howver, in the FAMA program, the average group size of 18 means that promoters with 15 banks are reaching only about 270 credit participants.

7. Natural leaders are probably giving health messages and leading ensuing discussions in a majority of village bank meetings because of promoter time constraints. FAMA claims to have 39 groups served by these leaders and states that in Olancho, at least, virtually all health messages are given by these leaders. Although natural leaders have been trained by the education coordinator, the quality and regularity of their work within groups may not be sufficient to achieve the impacts FAMA and FFH desire. The impact study to be conducted jointly with World Relief/Honduras may help to clarify the effectiveness of the health education component.

8. In El Paraiso department, health education messages are given normally only every other week by the promoter with the assistance of natural leaders.

9. While the credit program is seen as the means by which to generate and guide extra income to health and welfare objectives through women to their children, the dilemma is that quality control of the education activity may have been neglected in the real struggle to assure correct financial functioning and servicing of the banks. Moreover, the pressure to achieve operational self-sufficiency will continue to militate in favor of larger promoter case loads and larger group size, thus further endangering the quality of the health/nutrition discussion, unless careful attention is given to monitoring the quality and quantity of these messages, particularly by natural leaders.

10. Relationship between Implementing Partner Organizations

1. Relations between Freedom from Hunger and FAMA, its partner and former subsidiary, are cordial and relatively close. The officers and board members see FAMA as a "child" of Freedom from Hunger. Nevertheless, the conversion of FAMA from the former applied nutrition approach and the general background of both officers and board members is somewhat at variance with the need to adopt a fairly rigorous financial and "business" approach to village banking. While Freedom from Hunger continues to promote strategic planning, financial management, and health education practices through training and distribution of materials to FAMA (see Annex 3), much of this appears to be over the head of FAMA leadership in the field. Even the calculation of simple financial ratios seems misunderstood and undervalued by FAMA leadership.

2. Over the course of the matching grant period (1993-1996), a total of nine visits were made by FFH staff to the FAMA program in Honduras or FAMA staff were brought to FFH headquarters in Davis (see Annex 2). During this period (August, 1993 through June, 1996), a total of 16 person-weeks of technical assistance and training were provided in Honduras, while eight person-weeks of training were provided to FAMA leadership (executive director and training coordinator) in Davis.

3. At a FAMA Board of Directors meeting with Freedom from Hunger (April 25, 1996), FAMA outlined its understanding of past assistance received from FFH. This was broken down as follows:

- Technical assistance for institutional strengthening
- Assistance in seeking grants and in linking to donors
- Training of personnel in credit with education and in program monitoring
- Computerization of credit and administrative tracking
- Strategic planning, annual planning, and report writing
- Development of program manuals (personnel, promotion methods)
- Evaluation of program progress, especially feedback on quarterly program reports
- Assistance with budgeting
- Assistance with the methodology and monitoring of the credit with education component
- Exchange of experiences among personnel, notably the new Learning Exchange created by FFH

4. Freedom from Hunger has provided FAMA with virtually all training materials and finance and accounting forms, including the computerized monitoring and reporting system, and has provided training in their use. These materials (see Annex 3) cover the range of field operations, health education messages, credit association orientation and training, a monitoring and reporting system with appropriate forms, annual and long-term planning and budgeting system, a loan portfolio accounting system, an administrative accounting system, grants management accounting, and program design documents.

5. Freedom from Hunger in Davis monitors carefully the financial and programmatic data sent in monthly or quarterly and provides extensive feedback. Much of this feedback appears not to be fully understood or appreciated by FAMA executive leadership. The executive director and her staff with assistance from the board of directors should master this material, if they intend to make FAMA self-sustainable financially in village banking.

6. In view of the expiration of the current cooperative agreement between FFH and FAMA on June 30, 1996, Freedom from Hunger proposed limiting its assistance in future to the following:

- Assistance in seeking and securing new financing sources
- Technical assistance and training
- Exchange of experiences

7. Concerning new financing from U.S. donors, FFH proposes to use its networks and contacts to promote FAMA's activities and to act as a pass-through fiduciary for such monies as necessary. FFH will review proposals and reports to donors but will not write or translate them.

8. Future technical assistance will be limited to long-distance help on management issues, institutional strengthening, and credit with education.

9. Future training of personnel will be limited to credit with education only on a fee for service basis.

10. FFH proposes that FAMA participate in future meetings of the Learning Exchange and can offer some assistance in defraying costs of attendance.

11. Other services offered by FFH to FAMA are: credit with education impact evaluations and dissemination of results, specifically the upcoming activity in El Paraiso department involving both FAMA and World Relief/Honduras; program performance data that FFH will translate and distribute through the Learning Exchange; and assistance in tracking monies from other donors passed through FFH to FAMA.

12. Freedom from Hunger does not propose to assist FAMA with its sustainable agriculture training center (Teaching Learning Center in San Nicolas).

13. The Learning Exchange, which promises to provide the most likely venue for future FFH and FAMA collaboration, was created in August, 1995, with the intention of linking all organizations providing education in the context of group-based lending. The Learning Exchange, with Freedom from Hunger's Internationl Center (Davis, California) as secretariat, seeks specifically to provide an umbrella structure for that important subset of NGO's wishing to engage in CWE activities. FFH has established a "service mark" for credit with education that, while not legally registered, does have legal standing, and FFH has offered to act to protect the service mark from unauthorized use.

14. FAMA recognizes the close bonds between FFH and itself and welcomes technical and financial assistance, although the exact nature of this assistance remains to be worked out between the two organizations.

B. BURKINA FASO

1. Nature and Quality of Staffing and Administrative Support

1.1 *Governance*

1. The Reseau des Caisses Populaires du Burkina Faso (RCPB) has a governing board (conseil executif) made up of members of the boards of various federations of credit unions, themselves based regionally and composed of numerous local credit unions. Each regional federation has its own governing board, made up of representatives from its member credit unions. There are no external board members.

2. Another important body at the central level (reseau) is the steering committee (conseil d'orientation) made up of many of the same exectutives as the board. This body first examines and debates policy directions to be approved by the board.

1.2 *Organization of the Credit Program*

1. The 15 promoters, five in each of the three program zones of Sabou, Ziniare, and Sapone, all on the Central (Mossi) Plateau, have responsibiliy for creating and supervising the 327 village banks (Caisses Villageoises). The three field supervisors, one for each program zone, also supervise some banks. A regional supervisor (coordinatrice regionale) is responsible for the whole of the Central Plateau. The regional supervisor links directly to the director of the Federation of Central Plateau credit unions (Caisses Populaires). The director of the CWE program unit works closely with the Director General of the RCPB.

3. The CWE program (also known as Credit and Savings with Education) has recently pushed into Yatenga province in the north with five new promoters trained in January, 1996. Ten more promoters were trained in early July, 1996 for assignment in the same region in September, 1996.

4. Currently, there are 18 promoters (including supervisors) for 327 active banks, an average of 18 banks per person. There are nine credit unions (Caisses Populaires) serving the 327 village banks, approximately 36 banks per Caisse. The stated ideal relationship is to have two CWE promoters linked to each credit union and to have their salaries and expenses topped off, if necessary, by the credit unions. This arrangement has yet to be formalized anywhere and may prove not to be sustainable.

5. Although it has evolved over time, the current policy is to require village banks to meet weekly during the first three cycles, all of four months, then biweekly in the fourth cycle (if the group has a health education score of "B" or better) with a six-month loan cycle, then finally monthly in the fifth cycle (if the group has an "A" in health education). Groups appear to advance to monthly meetings and six-month cycles largely as a matter of course.

6. Since early 1995 loan sizes are specified to range from a minimum of 3,000 CFA francs to a maximum of 25,000 CFA francs in the first cycle and a minimum of 5,000 CFA F in the fourth cycle. Growth in loan size is fixed at 50% above the previous loan plus the amount of savings accumulated.

7. Much of this policy is not being followed closely, since an examination of the individual loans of a bank beginning operations in June, 1996 revealed one-third of loans (10 of 31) over 25,000 CFA F, including seven at twice (50,000 CFA F) the stated policy limit. The average of the 31 loans (27,742 CFA F = $55.50) was above the stated limit for any one loan.

8. The linkage of loan size with accumulated savings, an important part of the village banking model, is obviously no longer meaningful when most women withdraw their savings at the end of each cycle. In reality, a woman's loan is based on her demand and the village bank's appraisal of her creditworthiness. Many have moved rapidly upward to figures as high as 200,000 CFA F ($400) in the fifth cycle.

9. An interesting practice established in this program is that of allowing women a grace period during weekly repayment, with payment beginning only at the second meeting after the loan is granted. There is no corresponding grace period for biweekly or monthly payment periods.

10. Training of new village banks requires five weekly meetings of about two hours each, during which time the promoters cover all the details of constituting a bank and maintaining its proper functioning over time. The promoters report that the most difficult themes are those of the election of the board (comite de gestion) and the formulation and adoption of bylaws.

11. The seven-person village bank board, or management committee (comite de gestion), is composed of a president, treasurer, secretary, education coordinator, organization and information coordinator, training officer, and the accountant (commissaire aux comptes). Each of these "officers" is drawn from a separate solidarity group, in turn composed of five members and a spokesperson. If a bank group has more than seven solidarity groups, then extra officers are added, doubling up as accountants or organization/information officials.

12. Training of new promoters formerly required 10 full days, and involved a complete introduction to the CWE program, the program philosophy and methodology, appropriate roles for promoters with respect to village groups, and an in-depth knowledge of the key health messages. Candidates are selected at the level of nine years of formal education (brevet d'etudes), and they should have some experience in working with communities or consciousness-raising (animation). Specialization at this level is not required to be health, nutrition, or finance/accounting, just a solid education with the promise of ability in community organizing and interaction. Observation of the promoters reveals that they have the qualities sought by RCPB. Promoters of village banks in the RCPB program are all women (animatrices), as are the managers of all credit unions.

13. A shorter, six-day curriculum and the assistance of the FFH West Africa regional advisor from Lome were employed for the training of a new group of 10 promoters for Yatenga and Passore provinces, into which RCPB intends to expand in the near future. In this training session, held in Ouahigouya in early July, 1996, one day each was devoted to: familiarization with the CWE program; practicing the Learning Game; role and responsibilities of the field agent; ideal health and nutrition behaviors; establishment and organization of village banks; and familiarization with the RCPB.

14. Periodic refresher courses are given to all promoters, especially when problems are observed in the program. This normally brings together the promoters once every three to six months for discussion and information. The content of these refresher courses is based on "mini-studies", which may be very simple. In addition, once a month in each zone promoters assemble to discuss their progress and problems (end of month meetings).

15. RCPB has no basic training manual yet, although FFH has provided a number of training materials, lesson plans, and manuals which have been adapted (largely simplified) by the CWE staff. Examples of these are the "Manuel de Formation de l'Association de Credit" (Manual for Credit Association Training", "Le Jeu d'Apprentissage de la Banque Communautaire" (Community Bank Learning Game), and "Manuel des Operations de l'Agent de Terrain (Field Agent's Training Manual). Annex 5 lists the various translated materials sent by FFH to its partners, including RCPB.

16. Village banks are required to track their activities through a set of reports in each credit cycle. These are all contained normally in one large register, rather than being on separate forms as in Honduras. Given the very high illiteracy rate within groups 90% - 100%, these records are normally filled in by the promoters. The examples of the

Tegawende group in Sabou town and Sambd-Kawende in Koudjere near the Ouagadougou - Sabou highway probably offer the highest level of literacy one can expect: only 4 of 43 women (9.3%) in Sabou and 4 of 36 (11%) in Koudjere were literate. Moreover, only one of these women can read and write French; the others are literate only in Moore. Unfortunately, few promoters know how to read and write Moore, although all speak it. The secretaries of the same groups are supposed to learn how to maintain bank records, but they are not actively participating in recordkeeping. It is unlikely any secretary of a village bank currently is able to maintain these records without serious assistance from the promoter.

17. About 20 kilometers to the west of Sabou town, fully in the countryside, only one member of two groups examined was considered literate in Moore and French. Only one of the two was an officer of the village bank (secretary). Neither one was involved in keeping the records for the bank groups. As elsewhere the promoter appeared not to have included any literate person in the keeping of the two banks' books.

18. Among the records and forms used may be noted the individual member's passbook (livret de la caisse villageoise), covering her loan, periodic reimbursements, and her savings contribution each meeting. The external and internal interest charge (or set fee of 300 francs in Sapone) are included in the reimbursement record. For some reason each zone has a distinct color for its passbooks.

19. Within the village bank register, one first finds the book of attendance and savings during the four or five training meetings, during which members contribute to their savings without yet taking a loan.

20. Second, one finds the attendance records cycle by cycle for each weekly, biweekly (fifth cycle), or monthly meeting (sixth cycle and beyond).

21. Third is the register of loan repayments (registre de remboursements), divided into columns on: amount of the loan, external interest (program interest), internal interest (group's own charge, half of which is returned to the members at end of cycle), meeting by meeting amount reimbursed, and savings contribution. A membership fee of from 100 CFA F to 250 CFA F is also levied on each member for each cycle.

22. Next there is the register of fines for absences or tardiness (a fee generally of 100 CFA F), followed by a meeting by meeting recording of savings withdrawal (only possible at the end of cycle for the obligatory amount but also possible for excess savings).

23. Finally, the accounting journal tracks all incoming and outgoing monies (revenus et depenses) for the group fund. Loans from the caisse populare to the village bank are recorded as revenue, then as an expense when it is lent out to the members. Each meeting reimbursements occur, savings are contributed, and fines levied, all of which are duly entered--by the promoter--into the official journal.

24. It is very important to balance this journal with the group's passbook for the local credit union (Livret de Caisse Populaire de la Caisse Villageoise). Examples examined revealed no problems in this regard.

25. Two or three bank members (executive committee members) are expected to deposit each week (or month) the loan reimbursement from the village bank into their account in the credit union nearest to them. However, for reasons linked to time and especially transportation, these members may wait a few weeks to deposit the sum, sometimes collecting up to three or four payments (or more) before making the trip to the CP. This obviously depends on the proximity of the local Caisse Populaire.

26. The promoter counts monies collected for each village bank and draws up a deposit slip with an enumeration of bank notes and coinage by size ("billetage"). The women deposit this without knowing how to read the deposit slip. Obviously the understanding and help of the agents at the Caisse Populaire are indispensable.

1.3 *Strategic Planning*

1. As in Honduras for its partner FAMA, Freedom from Hunger engages RCPB in both long-term and annual strategic planning exercises. The current long-term (1996-99) plan was completed and forwarded to FFH in April, 1996 to correspond to the period of their new cooperative agreement. The latter entered into force on July 1, 1996 and reflected months of discussion, particularly concerning interest rate policy and the strategy for operational sustainability.

2. The long-term (strategic) plan identifies the CWE program as moving into its extension phase (Phase II) from its pilot phase over the last three years. The extension phase is projected to last one year (1996-97) and then slide into Phase III, the dissemination phase for the following two years (1997-1999).

3. The *long-term plan* identifies 16 objectives and 8 indicators of success (preuves de succes) for the extension phase and 13 objectives and 10 output indicators for the program status in 1999, at the end of the dissemination phase.

4. Most of the objectives listed are actually activities and, when quantified, many of the indicators of success are actually objectives.

5. Notable among the true objectives for next year's (FY 1996-1997) program are:

- Creation of two credit unions in two new zones on the Central Plateau, bringing the total of CP's in the project zone to ten and the number of project zones from three to five.

- The three original project zones (Sabou, Ziniare, Sapone) will be covering 80% of their operational costs.

- A minimum of 400 well-run village banks will be functioning with a loan recovery rate of at least 98%.

- The program will have 12,000 direct beneficiaries and 108,000 indirect beneficiaries.

6. Other objectives are not quantified, but many merit attention as statements of new activities or specific outputs of existing activities:

- Ensure access by members of the village banks to literacy courses.

- Select and train village bank education officer.

- Conduct longitudinal studies on program participants.

- Revise the monitoring and training systems.

- Evaluate the extension phase.

- Develop a training-of-trainers manual.

- Develop a document for program replication.

7. Quantified objectives for the end of the dissemination phase (FY 1997-1999) are:

- The CWE program is being realized through 15 Caisses Populaires in two regions of the country.

- The program is being replicated through Caisses Populaires in two new regional credit union federations.

- Three zones of the Central Plateau have reached 100% operational self-sufficiency.

- All systems have been documented and grouped in the replication document (manual).

- There are 600 village banks with 18,000 members (direct beneficiaries) and 162,000 indirect beneficiaries (family members and relatives). The loan recovery rate is at least 98%.

8. Other unquantified activities, outputs, or objectives for the dissemination phase are:

- Select and train village bank education officers and secretaries.

- Ensure access of village members to literacy courses.

- Institutionalize the Technical Assistance Unit (program management unit) within RCPB headquarters.

- Create a Coordination Unit within the Central Plateau regional credit union federation.

- Extend collaboration to more financial partners for the extension of the program.

9. The five target zones on the Central Plateau include the three current zones (Sapone, Ziniare, Sabou) plus those of Koudougou and Zorgho. One zone for extension in Yatenga/Passore is not named.

10. The annual plan for 1996-1997 lists 13 objectives, divided into activities, persons responsible, and quarters of activity. This is the basic FFH model. The 13 objectives for next year are:

- Strengthen the performance of the 300 current village banks.

- Extend the program to four new Caisses Populaires.

- Put into place 100 new village banks.

- Extend 300 million francs ($600,000) of credit to village banks.

- Mobilize at least 20 million francs ($40,000) of savings in village banks.

- Recruit and hire ten promoters.

- Conduct four supplementary or refresher training sessions for program personnel.

- Obtain literacy training for 100 members of the village banks.

- Ensure continuous training for the management committees of the village banks.

- Conduct five baseline studies on: credit; infant feeding; breastfeeding; family planning; primary health care.

- Develop two training manuals, one on initial training of promoters and another for the training of zone coordinators.

- Initiate an internal (financial) review of village banks.

- Conduct an impact evaluation of the CWE program.

11. A comparison of the FY 1995 and FY 1996 annual plans reveals an increased attempt to quantify outcomes in FY 1996. Ten of the 13 objectives are quantified, while none were of the 15 listed in 1995. Notable among the new quantified objectives are those dealing with: number of new credit unions (4) and village banks created (100); number of existing village banks strengthened (300); amount of credit extended (300 million CFA F) and savings mobilized (20 million CFA F) during the year; number of new promoters hired (10) and refresher training sessions conducted (4); and number of village bank members rendered literate (100), baseline studies conducted (5), and training manuals developed (2). Implicitly two of the remaining three objectives, impact assessment (1) and continuous management committee training (all) are also quantified. Only the number of village banks receiving effective internal financial review, unless we assume it will be all (doubtful in one year), remains unspecified.

12. The annual plan for 1996-1997, although ambitious for an already heavily encumbered administrative staff, represents a considerable improvement over the 1995-96 document. However, the CWE coordination unit should be careful not to overstate its abilities during a given year. Some of its 1995 outputs (baseline studies, literacy training for members of the village banks, training for the education officers of the banks, longitudinal case studies, and the replication manual), were not accomplished last year and had to be restated as objectives for the next fiscal year.

1.4 *Personnel*

1. There are currently 18 promoters (animatrices), 3 of whom act as zone coordinators, 1 regional coordinator, 1 program director, and 1 driver employed full-time by the CWE program. All but the driver are women. Managers of all Caisses Populaires are also women, although these fall outside the program. In addition, the program shares a secretary and accountant with the RCPB headquarters staff in Ouagadougou.

2. The program began in early 1993 with 8 promoters and the director, added 8 more promoters in 1994, and four in 1995 (although 10 were trained). One promoter has quit and another died, leaving the current 18. Three of these promoters are responsable for supervising the program zones--Sabou, Ziniare, and Sapone--all on the Central Plateau, supervised in turn by the regional coordinator.

3. The CWE program has recently pushed into Yatenga province in the north with five promoters trained in January, 1996. Ten more promoters were trained in early July, 1996 for assignment in the same region the following September.

4. The new promoters for Yatenga and Passore provinces have been selected from the population of those areas, since, for the first time, the CWE program is moving off the Mossi plateau. This practice of hiring local women who speak local dialects or languages will be employed as the program expands nationally.

5. Promoters now have an average of 20 groups with 406 members, according to the most recent count of village banks (353 on May 31, 1996). This figure counts the 26 banks in suspension, mentioned elsewhere in this report.

6. The promoter is responsible for the credit association weekly report (rapport hebdomadaire de l'association de credit), which, becomes biweekly in the fourth cycle and monthly in the fifth and beyond. This is the essential information used by management to track the financial and educational situation of the village banks, along with the end of cycle forms. The Weekly Report has forms on general descriptive information, financial information, and education information. Each repayment is reported, as well as every education session. The report comes with detailed instructions, which are not always closely followed by promoters.

2. Nature and Effectiveness of Financial Monitoring and Reporting

1. Freedom from Hunger requests that RCPB submit each month a monthly financial administration (rapport mensuel financier d'administration) and credit (financier de credit) reports. This procedure is being faithfully followed by RCPB, and the reports supply FFH with the ability to closely track progress of the credit portfolio and overall program administrative expenses.

2. The monthly *financial administration report* consists of: a summary page; a form on total monthly receipts; a form on disbursements; and a bank reconciliation statement. The same set of forms track the petty cash inflows and outflows.

3. The monthly *village bank credit report* consists of: a summary page and a report on the monthly activity of each village bank. The bank activity (status) sheet, identifies the number of borrowers and outstanding loan balance at the beginning of the month; loans amount reimbursed; amount overdue, new loans during the month; and the number of borrowers, loan balances outstanding, dates of loans due, status, and number of members (as distinct from borrowers).

4. The monthly credit reports are based on promoters' beginning of cycle, weekly, and end of cycle credit reports. These reports also contain information on activities for inclusion in the quarterly activity reports.

3. Nature and Effectiveness of Program Monitoring and Reporting

1. A comprehensive quarterly report includes both credit association (village bank) and program monitoring. The **credit association monitoring report,** known as tally sheets, includes:

(1) a detailed report on each village bank beginning a cycle during the quarter, including the cycle number, characteristics of its members, and education messages by type.

(2) second form on the economic activities of the members of all banks covered.

(3) a report on education messages (health, enterprise development, and credit bank management) for those banks terminating a cycle.

(4) a detailed accounting of the status of all banks completing a cycle during the quarter, including information on number of members, repayment of the external loan, and status of the savings, group fund, and total internal account.

(5) a form reporting information on members terminating a cycle, supplying information on profitability or innovation in member's economic activities, on reaching goals of more abundant or nutritious family food supply and learning new health and nutrition practices, and a survey of why women do not intend to take a subsequent loan.

(6) a final evaluation form ranking those banks completing a cycle along various dimensions, including a general ranking from A to C on bank finances, health and enterprise education impact, group solidarity, and self-management, an overall evaluation (A,B,C), and a financial ranking according to risk (red, yellow, or green) by adding scores on timeliness of repayment, feasibility analysis of bank loan, and quality of bank accounting.

2. The **quarterly program report** consists of the following narrative: introduction (brief overview); results achieved during the quarter for five principal objectives; difficulties encountered, solutions, and lessons learned; and conclusions. The principal objectives reported on are:

- Monitoring performance of the village banks
- Training and inauguration of village banks
- Village bank credit renewal (follow-on loans)
- Recruitment and training of field agents
- Maintaining contact with partners
- Exchange of experiences with other programs

3. The seven objectives currently pursued and reported on by the RCPB CWE program in the quarterly program report correspond to only six of 15 of the objectives in the annual work plan for 1995-96. These are discussed more fully in the section of this report on strategic planning.

4. It would be more useful for this brief program report to respond to all objectives of the annual plan, or to reduce the annual plan to those objectives for which quarterly information can be usefully supplied.

5. The quarterly program information is obtained in part from the non-financial information of the promoters' reports: beginning of cycle report; weekly report; end of cycle report; and the credit association evaluation form.

4. Characteristics of the Village Bank Groups

1. The following village bank groups were visited during the evaluation:

Village Bank	Members	Cycle	Location
1. Tegawende	43	5	Sabou (Sabou)
2. Relwende	37	4	Saaba (Ziniare)
3. Teewende	29	4)	Saaba (Ziniare)
4. Sidnoomwende	48	3	Tanlarghin (Ziniare)
5. Delwende	30	4	Bendogo (Ziniare)
6. Sambd-Kawende	36	4	Koudjere (Sapone)
7. Song-Taaba	40	4	Sigoguen (Sabou)
8. Woum-Taaba	44	4	Sigoguen (Sabou)

2. A KAP (Knowledge, Attitudes, Practices) study conducted as baseline in the Burkina Faso program zones in July, 1993 revealed that women in the program area had already ben exposed to good health and nutrition practices from a variety of sources.

3. KAP respondents were selected randomly from women who had at least one child under five years old. All women were married and the average age was 32. Some 83% had had no formal education and only one woman (1.3%) had more than primary school. This profile corresponds fairly well to that of the groups visited during the evaluation.

4. Some 57% of the 77 women from six villages in the three program zones (Sapone, Sabou, and Ziniare) could recall at least one good infant feeding or health practice they had learned in the previous six months from the health center, radio, or village health worker. Women remembered learning of good practices in nutrition, vaccinations, health education, childcare, and birth spacing.

5. In spite of some local knowledge, women needed more knowledge and behavior change in the areas of diarrhea treatment and prevention, breastfeeding, infant weaning and child feeding, personal nutrition during pregnancy, and use of contraceptive methods. Since 38% of the women interviewed claimed to have given others information on feeding children or health practices over the previous year, it appeared useful to target messages to women's banks in the five key health/nutrition areas. A fairly good spread of messages can be expected, based on this KAP.

6. Focus group discussions have also been undertaken in the program zones, but it does not appear that further KAP studies have occurred in existing or future program areas.

7. It is stated that among the Mossi Christian women are considerably more active in the groups than Muslims.

8. Members of the village banks are overwhelmingly married women with husbands. In Mossi society widows are expected to remarry a younger brother of their deceased husband, or other close male kin. It is extremely rare for a woman not to have a husband. , In cases of repudiation by the husband, a woman will return to the compound of her father or father's male relatives. The phenomenon of the female-headed household, so common in village banks in Honduras, is not a factor in the Burkina Faso program.

9. The village bank and its membership often appear to be grounded in women's associations already existing in Mossi villages well prior to village banking. Thus, each village ward (quartier) has a women's association (groupement de femmes), which undertakes mutual assistance activities to provide for entertainment of guests, ceremonies, fines, or other necessities which one or more of the women may require. Money is raised for the association by cultivating a collective field. The association even has a male representative to the local chief and his council.

10. The women who make up a village bank exhibit much obvious solidarity and organizational strength, because, unlike in Honduras, many have already been collaborating as a group well before the arrival of the RCPB promoters. This does not mean that all women of the local women's association join the village bank. Many are afraid of failure. Nevertheless, the pool of women for a bank can extend as far as all women of the association, which is fundamentally all adult women of the local community. This is a serious strength of the Burkina Faso program.

11. An example of previous membership in a women's group or association was found in Koudjere village and at Sigoguen. In Sigoguen about half the members of both village bank groups visited had been part of a single previous association, itself grouping about 170 local women.

5. Nature and Progress of Program Outputs

5.1 *Progress of the Credit Portfolio*

1. The status of village banks is given in the following tables. In the first table statistics are broken out by program zone. Of note is the variable number of borrowing members between zones, with a high of 83% in Ziniare and a low of 59% in Sabou. Average external loan size per bank is $1,093, ranging from $1,041 in Sabou to a high of $1,157 in Ziniare. Average loan size per borrower is $53, varying from $51 in Ziniare to $56 in Sapone.

Status of RCPB Village Banks May 31, 1996			
	Sabou	*Ziniare*	*Sapone*
Members	4,032	3,672	2,886
Borrowing Members	2,381 (59%)	3,035 (83%)	1,896 (66%)
Members per Bank	34	27	29
Borrowers per Bank	20	23	19
External Loan Total	$122,802	$156,256	$106,786
Av. Loan per Bank	$1,041	$1,157	$1,068
Av. Loan per Borrower	$52	$51	$56

N.B. $1 = 500 CFA Francs.

Growth of Interest Income, Savings, and Group Funds (000's CFA F)				
	July - Dec. 1993	Jan. - Dec. 1994	Jan. - Dec. 1995	Jan.- Mar. 1996
Loan Volume Reimbursed	589.0	27,602.0	150,589.0	86,054.5
Interest Income	58.9	2,760.2	15,059.9	8,605.4
Savings	372.0	14,028.6	37.359.9	13,667.7
Group Funds	71.1	8,596.2	23,354.4	8,497.9

N.B. $1 = 500 CFA F.

2. The second table shows the growth of loan volume, interest income, member savings, and group funds for each of four periods since the beginning of the program. The five-fold growth in loan volume and interest income between 1994 and 1995 may well be

repeated by the end of 1996. Savings, too, have rocketed, although not to the same degree. They are, however, redeemed by members at the end of each loan cycle. Group funds remain on deposit with the local credit unions (Caisses Populaires).

3. The rapid growth of the village banks and of the revenue they generate has had an impressive financial impact on the system of Caisses Populaires, itself in rapid expansion. In June, 1993, the Caisses Populaires numbered 31 with 1 billion CFA F of capital ($2,000,000) and 500,000,000 CFA F ($1,000,000) of outstanding credit. Three years later, in June, 1996, the number of Caisses has risen to 55 with 5 billion CFA F ($10,000,000) of capital and 2 billion CFA F ($4,000,000) of outstanding credit.

4. While the 194,000,000 CFA F ($388,000) of loans outstanding during the month of May, 1996 for the village banks may seem to pale in comparison to credit union capitalization, the revenues generated by the banks is increasingly important in areas where they are located. This can be illustrated by two Caisses Populaires, one in suburban Ouagadougou (Dassasgo) and one about 50 kilometers in the countryside to the north (Zitenga).

5. In Dassasgo, the village banks in nearby rural areas contributed 23% of its outstanding loan balance of some 159,125,650 CFA F ($318,251). In Zitenga, where banks had been actively created since 1993, 71% of its outstanding loan balance of 37,775,470 CFA F ($75,551) was made up of village bank loans. At the end of 1995, the village bank contribution to outstanding loans had been 56% of the 14,211,000 CFA F ($28,422) of the outstanding loan balance.

6. In the previous six months the size of the village bank loan balance rose 89% in the Caisse Populaire of Zitenga, while that for the rest of the portfolio actually fell by 1%. Most of the 49 women holding individual accounts in the Zitenga credit union probably were members of village bank groups.

5.2 *Village Bank Arrearage*

1. There appears to be little loan arrearage within village banks. At each payment meeting all members manage to make their payments, including external interest, internal interest (or flat fee), and savings. If they cannot make the payment, the members of the solidarity group (5-6 persons) will contribute for them. The pattern of collection of covered payments within solidarity groups is not known by promoters.

2. There is, however, a pattern of irregular meetings, whereby, if a monthly meeting falls on a market day, the women will request a later day, perhaps as much as one to two weeks later. When such a delay occurs the members accelerate future meeting dates to compensate for the lost time within the cycle, always arriving at the final repayment date on schedule. The example of Delwende bank at Bendogo is a case in point: during the last six-month cycle meetings have occurred with frequencies varying from 1 1/2 to six

weeks. As a consequence, a village bank group as a whole may at times be a few weeks behind the ideal payment schedule, but it will manage to end the cycle on schedule.

5.3 *Bank Closings*

1. Of the 353 village banks reported by RCPB for May 31, 1996, the most recent figures available for evaluation, some 26 banks are reported to have suspended operations during the 1995 rainy season. It is not clear why these banks did not resume activity in the dry season. According to program management at the CWE unit, one bank has been closed (women only wanted to save without taking loans) and ten others are not expected to continue. The 15 remaining banks may resume activities after the 1996 agricultural season, and some have already expressed interest in doing so. It is therefore difficult for CWE management to be clear how many banks it will have in November.

2. One reason why many of these banks may not resume activity is that the more active and successful members of these inactive banks were allowed to join other village banks. This consolidation is likely to result in the disappearance of at least 10 banks.

5.4 *Use of the Internal Fund*

1. The internal fund consists of member savings and the group fund. Since members withdraw their savings from the internal fund, the group fund is essentially all that remains after each cycle. During the cycle, however, village bank account in the local credit union swells.

2. The group fund, consisting of membership fees (usually 250 CFA F), fines, and deliberate contributions is not lent out to members or outsiders, but is used to purchase materials for the group. Individual and village bank passbooks, as well as registers, are all purchased from the group fund.

3. Probably the most important use of the group fund is as loan loss reserve. The use of some or all of this fund to cover default of some members has been alluded to by CWE program management in RCPB. It is not clear how often this has occurred, but probably only in the case of some of the 26 banks currently in suspension.

5.5 *Savings*

1. A mandatory savings contribution for all village bank participants of 100 CFA francs (20 cents) per week has been established by program management in RCPB. In most cases, participants save more, although they generally take out their savings at the end of each cycle. This is a departure from other programs seen during this evaluation, although bank members in FAMA programs would borrow part of their savings during some cycles.

2. The withdrawal of savings each cycle naturally hinders the constitution of a group (internal) fund, but this is compensated for by an interest surcharge the women levy on

themselves during the loan cycle. While each group is theoretically free to levy any charge, the CWE program unit has established a uniform policy for each zone: 10% interest in Sabou, 5% in Ziniare, and 300 CFA F in Sapone. These charges are in addition to the 250 franc membership fee (each cycle) and the 10% interest rate on the external loan from the credit union to the village bank.

3. These self-imposed interest charges on their loans, however, are divided at the end of each cycle: half returns to those paying the interest, half remains to constitute the group fund. The fact that nearly half of bank members were saving without taking loans, according to the December, 1994 program evaluation, meant that the group fund was being constituted by half the membership only, and the interest surcharge was depressing the growth of loans. In the case of the fixed, low payment of 300 CFA F, none is reimbursed to members at the end of cycle, and all can thus claim to contribute equally to the group fund. This formula appears likely to be extended to all village banks in future.

4. The group fund, while acting as a loan loss reserve, may also be used by some banks for collective economic activities, such as collective field cultivation. In one case, bank members were waiting to have enough to purchase a flour mill, from which revenue could be generated. This would an innovative practice for bank groups, not yet seen in any of the programs of this evaluation.

5. When the loan cycle is of six months, the contributions each month are for four weeks. Since a 25 week is added to the reimbursement schedule in the six-month cycle, the minimum savings during the cycle equals 2,500 francs. Generally women save two or three times this amount, but this may have much to do with the size of the internal interest rate levy.

6. The withdrawal at the end of each cycle of all savings resembles the "tontine" rotating savings group, common in Burkina Faso as elsewhere in Africa. A woman saving 200 francs per week and paying a 5% (one zone pays 10%) internal interest charge on her loan, of which she will receive back half at end of cycle, will realize 6,250 francs ($12.50) of savings on a 50,000 franc ($100) loan, providing at the same time some 1,250 francs ($2.50) to the internal group fund. Thus, beyond consumption of some profit during the loan cycle, a bank member is guaranteed a nice return at a predictable point in the future.

7. The December, 1994 evaluation finding that nearly half of bank members were saving without borrowing led to a change of policy by the RCPB in early 1995. Now village banks are allowed only 5 saving-only members in any cycle, and these exceptions have to be justified on the basis of advanced age, poor health, or other special conditions. However, in mid-1996 some 31% of bank members still were not taking loans, according to RCPB statistics.

8. The rainy season (hivernage) normally witnesses a larger number of women who opt out of credit activities, but who continue to save. Two groups visited in Sabou zone, although experiencing significant growth in loan amount and average size, had 7 of 40 and 5 of 44 as savers only in their fourth cycle, which had begun during the dry season (February, 1996). The phenomenon of "savers only" requires more clarification.

5.6 *Membership Turnover*

1. The composition of the village banks appears relatively stable, unlike the situation in Honduras. The same is true for their management committees. A village bank group in Sabou, in its fifth cycle, still counts 29 of 30 founding members and the same management committee with which it began over 1 1/2 years previously. Over this period another 20 members have joined, seven of whom have since departed (5 voluntarily, 2 removed by the group). At present the group has 43 members, although during the 1996 rainy season cycle 13 have not taken out loans.

2. Two other village banks in Sabou zone, but from a rural location 20 kilometers deep in the countryside, also exhibit this stability of founding members. Of the 33 members of each bank group, 30 were still participating in their fourth cycle. Membership, however, had grown to 44 in one and to 40 members in the other.

3. Another example of generally very low turnover of membership in village banks is that of a bank in Koudjere near the Ouagadougou to Sabou highway, where, with the exception of two deaths, all 35 founding members are still in the group going into the fifth cycle. In addition to founding members, the fifth cycle, which marks the transition to monthly repayment periods, saw 17 new members join the 36 from the fourth cycle.

5.7 *Loan Size Growth or Stagnation*

1. Thus far in the program, there appears to be no sign of loan size stagnation, so common in Honduras. On the contrary, there is a healthy growth through the cycles. When the loan period changes during the fourth cycle to six months, there appears to be a sizeable jump upward in loan size, 150% on average. This appears to compensate for the fact that the 10% interest rate for the loan period remains the same, thus effectively dropping from 30% annually to 20%.

2. Loans appear to move fairly rapidly upward in size. Loans normally beginning between 3,000 and 25,000 CFA F ($6 to $50) are often nearly twice the maximum amount by the fourth cycle. The groups seen in Saaba (Relwende and Teewende) are a case in point with average loan size of 42,760 and 46,080 CFA F, respectively, going into the fourth cycle. However, some groups may be starting higher than the allowable maximum. A case in point is the Delwende group in Manebyam starting with an average loan of about 27,740 CFA F. On the other hand, a 48-member group a few kilometers from Saaba, but without a market, had an average loan of only 16,770 CFA F in the third cycle.

3. While it is difficult to account for patterns of growth in number of banks and individual bank portfolios, it is clear that proximity to markets is key to the level of economic activity. Only in markets or along major highways can women sell their wares. Thus, the remarkable progression of a group near the major highway between Ouagadougou and Bobo-Dioulasso and within bicycle distance of at least four weekly markets can be explained. This group, Sambd-Kawende, has progressed from an initial average loan size of 10,945 CFA F, through cycles of 15,000, 18,590, 28,750, and finally to 58,210 CFA F with the change to monthly repayments in a six-month cycle. When the bank moved to monthly repayment periods, membership jumped 47% and the average loan size soared 102% during the normally commercially slower rainy season. A nearby group was already at 47,205 CFA F per borrower at the beginning of its second cycle.

4. Two groups in the Sabou zone (Sigoguen) exhibited a pattern of steady growth, but with some surge in loan size when they attained their first six-month cycle. Thus, Woum-Taaba began at 7,438 CFA F on average in its first cycle, to 8,349 in its second cycle, to 15,781 in its last four-month cycle, then to 27,564 CFA F in its first six-month cycle (Cycle 4). Song-Taaba in the same location began with an average loan size of 7,451 CFA F, then rose to 9,611 in the second cycle, to 14,375 in its last four-month cycle, then to 19,091 CFA F in its first six-month cycle (Cycle 4).

5. An examination of the average loan size increase for village banks between January, 1995 and May, 1996 confirms the patterns recounted above. Thus, for 374 banks for which loan term remained the same at four months the average loan size increased 62%. For 155 banks moving from a four-month cycle to six months, loan size jumped 150%. Finally, 71 banks remaining at a six-month loan term only increased their average loan size by 21%. The effect of moving from a four-month cycle to one of six months is impressive and may to a large degree mitigate the fall in CWE program revenue (55% of interest income from six-month loans, but 70% of interest income from four-month cycles).

6. Nature and Magnitude of Program Impacts

1. Together with CREDO, World Relief Corporation's partner in Burkina Faso, the RCPB will undertake an impact study in November-December, 1996. This three-week, collaborative study will compare the straight village banking model used by CREDO with the CWE methodology used by the village banks. A group of 80 women from CREDO and RCPB bank groups will be divided into two: a group of 40 beginning banking activities and another 40 with about two years of experience in their respective programs. A control group of 40 women in each program zone will serve as control.

2. Each of these women must have a child under two years old who will be measured and weighed during the study. The women will also respond to a questionnaire.

3. Beyond this study there is yet no firm evidence of impact on beneficiaries from the CWE program. The impact study will focus on much of the same information gathered by the baseline KAP study in 1993.

7. Progress toward Achievement of Program Purpose

1. Judging program impacts is related to the achievement of program purpose. This purpose has not changed since the inauguration of the cooperative agreement in October, 1993. It is is to motivate and assist thousands of very poor women to change their behavior in key ways:

a) Earn new income through village banking activities which will provide the opportunity to increase the quality and quantity of food for themselves and their families, with emphasis on younger children.

b) Exclusively breastfeed their infants for the first four to six months, introducing special, complementary foods no earlier than four months nor later than six.

c) Practice contraception to space, time, or limit births.

d) Manage children's diarrheal episodes with ORT and practice personal and food hygiene to help prevent diarrheal outbreaks.

e) Seek the full immunization series for infants and women, where these services are locally available.

2. The evaluation found evidence indicating that these objectives are being pursued by program activities, although there is no quantitative evidence available to assist us in knowing how many bank members are reaching which targets and how. Nor do we have any but anecdotal evidence that indicates that these child survival targets are significantly affected by increased disposable income or economic empowerment. Such exact knowledge may not be available for some time, although research on CWE as an effective alternative to straight micro-lending will be carried out in November-December, 1996 by FFH and RCPB, in collaboration with World Relief and its Burkina partner CREDO.

3. A complication in judging program impacts and accompanying achievement of program purpose is the fact that many women seem to have internalized key practices prior to participation in the program. The example of the Burkina KAP study is notable here. Basic practices of breastfeeding and introduction of supplementary liquid and solid foods, diarrheal treatment with oral rehydration therapy, colostrum use, increased food intake for nursing mothers, feeding of two year olds, and use of contraceptive methods seem to be followed by many women prior to village banking activities. While it is clear that bank members are receiving some basic health messages through other child survival programs, it will be important to judge how much additional information they can receive through the health messages in RCPB's village bank activities.

8. Effectiveness of the Program Sustainability Strategy

1. While the RCPB claim to have in hand a strategy for achieving CWE program sustainability, this strategy was not shared with the evaluation team. Nor was it possible to obtain an analysis of the current level of operational sustainability from the RCPB. The FFH International Center, however, calculated operational sustainability to be 59% over the six months between January and June, 1996 (see Annex 6. Financial sustainability was calculated to be 55% for the same period.

2. RCPB CWE program annual plans call for 80% self-sufficiency for the village banks of the three current zones of the Central Plateau by July, 1997 and 100% operational self-sufficiency by July, 1999. The plans only state objectives and do not discuss the means to achieve them. It would appear that attaining operational sustainability may be possible, based on the figures provided by FFH.

3. The RCPB long-range plan to achieve operational self-sufficiency for the CWE program focuses on placing two promoters at the level of each credit union. These promoters will be paid from interest revenues from the 20 or more village banks each will manage in the surrounding area.

4. The problem of a too rigid interpretion of the evolution of the CWE program by FFH has been raised by RCPB managment. The strength of the program has been its flexibility and participatory nature from the beginning, according to RCPB, and it would be unfortunate to lose this type of collaboration with the population. An impediment to such collaboration at present lies in the concept of operational self-sufficiency and how and when to arrive there. There appear to be serious differences between the RCPB definition and that preferred by FFH. The idea of achieving operational self-sufficiency over the next three years appears to distress the RCPB, although they are in agreement in principle for achieving this objective over the longer run. Expanding the program beyond the Central Plateau too rapidly in order to achieve operational sustainability could endanger learning the lessons of the first three zones. Other regions are likely to be more difficult than these first zones near Ouagadougou. According to RCPB, FFH should not think in terms of removing its financial support within three years; this would be short-sighted and could harm the long-term viability of the CWE program.

5. Joined to this concern with expansion is the need to properly equip and train promoters, carefully examine the expansion and sustainability strategies, and allow six-month cycles to prove themselves. RCPB's concept of moving forward is one of being flexible and watching for opportunities (portes qui s'ouvrent au passage) as the program evolves and expands. RCPB feels it can arrive at operational self-sufficiency within three years, but in a different, more pragmatic manner, than that currently favored by FFH. The RCPB plan remains very vague, however, and FFH has difficulty knowing how to plan its future financial assistance to its Burkina partner.

6. One of the problems in the effective drop in interest rate from 30% annually (three cycles each of 10%) to 20% (two six-month cycles also at 10%) is that the local credit unions still take the same share of interest payments as previously, in order to compensate for the elimination of one cycle in the year. This means that for all banks on six-month cycles the effective division of the year's interest is 9% (4.5% per cycle) for the credit unions and 11%--down from 21%--for the CWE program.

7. This change in interest rate policy is causing increased tensions over the sustainability of the CWE program and of the RCPB as a whole. If there is shortfall in the future, the RCPB plan to remedy it is to constitute a security fund from contributions from all credit unions, while expansion of the credit union network would be funded by a development fund. The Developpement Internationale Desjardins (DID), supplier of technical assistance to RCPB, may be creating such a fund next year. In lieu of a cash transfer from DID to cover the annual operating deficit, as in the past, the RCPB may be expected to make do with this fund. How long the fund would last in the absence of operational and financial sustainaibility is moot. It does not appear, moreover, that RCPB intends to make the CWE program a distinct cost center, although that is how it is treated by FFH.

8. Decentralization of the system also needs to be pursued actively. It has not progressed since the 1994 evaluation made it one of its recommendations.

9. Nature and Effectiveness of the Credit with Education Component

1. The health education component of the CWE program is being implemented by RCPB promoters very much as FAMA is doing in Honduras, although in Burkina no "natural leaders" are used to fill in for promoters. As village banks are formed a series of health topics and accompanying dialogues follow suit: diarrhea, breastfeeding, weaning foods and children's nutrition, vaccination, and family planning (birth spacing). The presence of a serious meningitis epidemic in Burkina Faso in the last year led to the request in many banks to interrupt the normal order of these topics to discuss infectious diseases, but bank groups returned to the normal health themes as soon as possible. Other topics of the education component are not health or nutrition oriented, but have to do with microenterprise improvement and village bank management.

2. Health dialogues are supposed to involve a problem-posing, problem-solving methodology in which the promoter engages the village bank group in a discussion of the means to overcome obstacles to applying known solutions to basic health problems associated with children's health and well-being. In most cases these solutions have to be taught in the earliest bank meetings, although some participants have had exposure to these techniques from other NGO's or public health sources.

3. It is not clear that these key health messages, which form the heart of FFH's niche in the village banking movement, are being delivered appropriately by RCPB promoters. The problem-posing and solution technique, known as ORPA (Observe, Reflect, Personalize, Act), is clearly more difficult to impart than rote learning of ORT

techniques, breastfeeding, and family planning alternatives. It is, nevertheless, almost as important to FFH as the specific content of health messages.

4. The FFH education program appears to be followed by RCPB with considerably less adaptation than the credit program itself. CWE program management feel that the five-theme package is excellent and that it should be left largely as is. This is complemented, however, by a strongly felt desire to let bank members request additional health topics as appropriate, especially during disease outbreaks such as measles and meningitis. Information on dealing with malaria has also been a frequent request of bank groups. Infectious diseases are often discussed during the general health theme of vaccinations.

5. It should be noted that, as in the cases observed in Honduras, the ORPA sessions (Observe, Reflect, Personalize, Act) conducted by promoters and group members take about twice as long as the 15 to 20 minutes FFH feels should be the norm. When added to the review of lessons from the previous meeting, now often a month previously, total time devoted to the health messages can substantially lengthen village bank meetings.

6. In addition to somewhat lengthy health education sessions, running up to 45 minutes or more, the repayment process can take hours. This is not as great a problem for monthly repayments, but weekly meetings can take a serious amount of time from women's ordinary activities. Added to the two or three hours for the education component and the loan reimbursements from solidarity groups, there is often some time lost as members arrive late for meetings.

7. In the ORPA sessions observed, the "personalize" component can sometimes be weak. Women appear still to be learning lessons by rote from the promoter. Promoter emphasis seems to fall on whether women have understood the messages and can repeat them correctly, but it is evident that bank members value these messages and often ask questions. The degree to which members are changing health/nutrition behaviors remains to be verified.

8. The family planning theme, once a largely taboo subject in Burkina Faso, is now very popular within the village banks. Messages on this topic and others have also been picked up from other sources, such as the local dispensary.

9. The microenterprise improvement theme contains a number of elements thought useful to improving women's businesses. This supposition needs to be evaluated. Bank members are said to appreciate particularly the lesson on how to distinguish profit from overall earnings. RCPB also claims that many have learned to diversify their activities, analyse future business activities, take larger loans when commercial opportunities arise, and so on. This is intuitively appealing, but responses by women in bank groups to questions on these matters revealed conflicting opinions.

10. Relationship between Implementing Partner Organizations

1. Freedom from Hunger in Davis monitors carefully the financial and programmatic data sent in monthly or quarterly and provides extensive feedback. It is not clear how much this feedback is used or followed by the CWE unit in RCPB.

2. Some of the policy directions, particularly changes in interest policy, coming out of the steering committee and the board of directors of RCPB have appeared uncollegial to Freedom from Hunger, which felt left out of major decisions affecting the future financial sustainability of the CWE program within RCPB. On the other hand, the RCPB board members often do not understand the partnership relationship that RCPB has with FFH. Thus, the executive director of RCPB finds himself caught between his own board and Freedom from Hunger, each of which has a different view of how decision making should occur between the partners.

3. Given the rather different cultures of the two partner organizations and the history of relations between Western and Burkinabe institutions, it is important for both parters to listen carefully to the needs of the other, in order to avoid communication problems potentially leading to adversarial positions.

4. All in all, relations between the two partner organizations have been close and cordial over the last three years. It is likely that such will continue to be the case for the foreseeable future. Mutual respect and frequent communication are essential for the avoidance of misunderstandings.

* Very small internal funds (savings plus group fund) from 3 newly created banks (March, 1996) in El Paraiso are not included here.

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Annex 2: Persons Interviewed

FFH International Center

1. Chris Dunford	President, Freedom from Hunger
2. Ellen Vor der Bruegge	Vice President for Programs, FFH
3. Kathleen Stack	Associate VP for Programs, FFH
4. Peggy Roark	Director, Program Operations, FFH
5. Barbara MkNelly	Technical Advisor, Evaluation
6. Judy Vulliet	Special Assistant, Programs, FFH
7. Joan Dickey	Director, Administration, FFH
8. Jonathan Young	Financial Analyst, Programs, FFH
9. Jan Kingsbury	Director, Partner Support, FFH
10. Claire Thomas	Director, Resource Development, FFH
11. Robert Ridgley	Latin America Regional Specialist, FFH

Honduras

1. Camila Elvir	Executive Director of FAMA, Juticalpa and Danli
2. Maria-Teresa Henriquez	FAMA Education Coordinator, Juticalpa/Danli and member FAMA Board of Directors
3. Norma Andrade	FAMA Village Bank Promotor, Juticalpa
4. Ismael Vargas	Instructor in FAMA Teaching Center, San Nicolas, and member FAMA Board of Directors
5. Fabio Matute	FAMA Accountant, Juticalpa
6. Eloisa Acosta	Member FAMA Board of Directors and Executive Director of FOPRIDEH, Tegucigalpa

7. Hilda Mejia	Chairperson, FAMA Board of Directors and Resident Representative of INCAP, Tegucigalpa
8. Lisa Valenzuela	Assistant Director and NGO Liaison, Project Development Office, USAID/Honduras
9. Bernai Velarde	Small Business Advisor, USAID/Honduras
10. Maria Elvir	Promoter and Supervisor of El Paraiso Regional Office, Danli
11. Olban Giron	Promoter, El Paraiso Regional Office, Danli

<u>Burkina Faso</u>

1. Celestine Toe	Director, Credit with Education Program, RCPB, Ouagadougou
2. Daouda Sawadogo	Director, Union Regionale des Caisses Populaires du Plateau Central, Ouagadougou
3. Brigitte Nagalo	Coordinatrice Regionale for Central Plateau, Credit with Education Program, RCPB, Ouagadougou
4. Salamata Anani	Coordinatrice for the Sabou zone
5. Pauline Simpore	Coordinatrice for the Ziniare zone
6. Rebecca Sawadogo	Animatrice in Ziniare zone
7. Marcelline Hambo	Animatrice in Ziniare zone
8. Awa Compaore	Coordinatrice for the Sapone zone
9. Florence Balima	Animatrice in Sapone zone
10. Amadou Kombassere	Auditor, Union Regionale des Caisses Populaires du Plateau Central
11. Denise Congo	Director, Caisse Populaire of Zitenga (Ziniare)
12. Catherine Some	Director, Caisse Populaire of Dassasgo (Ziniare)

13.	Sibiri Siribie	Director of Finance, RCPB
14.	Monique Ouedraogo	Animatrice in Sabou zone
15.	Errol Lapierre	Technical Assistant for Societe International de Developpement Desjardin in RCPB
16.	Marcellin Kabore	Director (Coordinator) of the Union Regionale des Caisses Populaires de Yatenga et Passore

Annex 3: List of Technical Assistance or Training to FAMA

Summary of Training and Technical Assistance visits by FFH staff to FAMA program in Honduras and FAMA personnel to FFH International Center in Davis for 8/93 - 6/96 period

DATE	LENGTH OF VISIT	STAFF	TRAINING ACTIVITY/TECHNICAL ASSISTANCE
8/93	2 weeks	EVB/MAP	Field research for development of family planning education component; Curriculum development for health and nutrition learning sessions; Board Development; Fundraising; Program administration
2/94	2 weeks	EVB/MAP	Testing Family Planning curriculum; Curriculum development for health and nutrition learning sessions; Board Development; Fundraising; Program Administration
6/94	2 weeks	JV	Assistance in training of Natural Helpers using curriculum developed by FFH/Davis; Program Administration; Board Development; Strategic Planning; Fundraising; development of health & nutrition learning sessions
1195-12/95	2 weeks	MAP	Infant feeding curriculum development; learning sessions materials testing; computer training
1/95	2 weeks	CE to FFH Davis	Development of health & nutrition education component; Fundraising; Program Administration; Evaluation
5/95	2 weeks	RR	Planning & Budgeting for FY 96; Program Administration; Fundraising
8/95	2 weeks	CE & MTH to FFH Davis	Partners meeting with all FFH partners; Learning exchange with all FFH partners; Curriculum development for health & nutrition learning sessions; development of visual aids for learning sessions
2/96	2 weeks	RR	Board restructuring; Program administration; fundraising
5/96-6/96	2 weeks	MTH to FFH Davis	Curriculum development for ORPA and microenterprise education; Education learning exchange with Bolivia Education Coordinator; Design of overall education component for CwE program

STAFF:

EVB - Ellen Vor der Brugge, FFH Vice President for Programs
MAP - Maureen Plas, FFH Tecnical Advisor Education
JV - Judy Vulliet, FFH Regional Specialist Latin America
CE - Camila Elvir, Director FAMA
RR - Robert Ridgley, FFH Regional Specialist Latin America
MTH - Maria Tereza Henriquez, Education Coordinator FAMA

Annex 4: List of Technical Assistance or Training to RCPB

Réseau des Caisses Populaires du Burkina Faso/Freedom from Hunger
Credit with Education Program

Technical Assistance and Training Events: 1993 - 1996

February 1993: UCCP staff and board members, as well as the boards of the credit unions through which the program would initially be implemented, were given an orientation on the Credit with Education program (Associate Vice President for Programs; Regional Specialist, Africa).

March 1993: Program manager was provided a detailed orientation to the Credit with Education program (Regional Specialist, Africa).

April 1993: As part of her orientation training, the program manager visited the Ghana Credit with Education program (Regional Specialist, Africa).

April 1993: A ten-day orientation training workshop was held for nine field agent candidates and the program manager. Topics covered included: the five priority health and nutrition education topics; nonformal adult education methods and techniques; sequencing of education sessions; selecting and orienting communities; marketing the program; organizing and training Credit Associations; the village-based accounting system; and monitoring and reporting systems for the program. The field agent candidates and program manager participated in the Learning Game, a simulation of a loan cycle, with women of a local village. Credit Association management education and microenterprise education were also briefly touched upon. The coordintor of the RCPB, the coordinator of the Central Plateau Regional Union of Credit Unions, and three credit union managers also participated in this training workshop (Associate Vice President for Programs; Technical Advisor, Education; Regional Specialist, Africa).

April/May 1993: A Credit Assessment and a KAP survey were carried out by field agents in the program areas (Regional Specialist, Africa; Regional Trainer, Africa)

September 1993: A training workshop was held for the field agents and program manager on microenterprise education and Credit Association management (Associate Vice President for Programs).

November 1993: A training workshop was held for field agents and the program manager on the development of lesson plans (Technical Advisor, Education; Regional Trainer, Africa).

February 1994: Refresher training was provided to the field agents. The field agents discussed concerns about program management and Credit Association management and discussed how to reduce risks and deal with potential problems; reviewed the revisions to *Facts for Life*; received refresher training in how to fill out the Credit Association accounting journal and monthly credit financial reports; worked on breastfeeding education (including conducting small group interviews with village women on breastfeeding attitudes/practices and discussing the results and implications for curriculum content and lesson plan sequence); reviewed microenterprise topics (with each field agent choosing a common income-generating activity about which to write a case study (Regional Specialist, Africa).

July 1994: A ten-day orientation training workshop was held for eight field agent candidates (Vice President for Programs; Regional Specialist, Africa; Regional Trainer, Africa)

1994 - 1995: Worked with the coordinator of the RCPB to develop ideas for a performance incentive system for program staff (Regional Specialist, Africa). No system has yet been implemented.

February 1995: All field staff were given training on the modifications that were made to the Credit Association registers and members' passbooks. These changes had been made primarily to simplify these tools and to make it easier for both field staff and Credit Association management committee members to use them. They were also made aware of the more flexible policy concerning loan terms and conditions (Technical Advisor, Finance; Regional Specialist, Africa).

July 1995: The field agents were provided refresher training on family planning methods and promotion and the ideal behaviors related to diarrhea management and prevention, breastfeeding, infant and child feeding, and vaccinations. They also discussed common Credit Association management problems and how to resolve them (Regional Advisor, Africa).

January 1996: A ten-day orientation training workshop was held for fourteen field agent candidates (Vice President for Programs; Regional Trainer, Africa; Regional Advisor, Africa).

1993 - 1996: Feedback provided on adaptations made to generic health/nutrition/family planning education lesson plans (Technical Advisor, Education).

1995 - 1996: Worked closely with the RCPB's coordinator, accountant, and inspectors to determine the framework for establishing a management information system that would meet the program's information needs. Worked together to integrate a system for monitoring the financial aspects of the program into the RCPBF's ongoing operations (Technical Advisor, Finanace; Regional Advisor, Africa).

Planned Events

July 1996: Orientation training workshop for 10 field agent candidates (Regional Trainer, Africa).

July 1996: Credit with Education monitoring and reporting system workshop (Vice President for Programs; Associate Vice President for Programs).

Third Quarter, 1996: Assistance in implementing MIS system recommendations (Technical Advisor, Finance; Regional Advisor, Africa).

Third or Fourth Quarter, 1996: Workhop to discuss refresher training curriculum and additional education topics (Vice President for Programs; Associate Vice President for Programs).

Annex 5: List of FFH Training Materials, Systems and Packages

Summary of training materials and financial and non financial information/reporting systems and Planning and budgeting packages Freedom from Hunger has developed and shared with partner organizations to date:

- Field Agent Operations Manual (a copy is in the hands of each Field Agent)
- Generic Lesson Plans for Health & Nutrition topics (each Field Agent has a set of these lesson plans)
- Credit Association Orientation and Training Guide (a copy should be with the program Director, Program Manager and/or Education Coordinator)
- Monitoring and Reporting System including:

  Individual Passbook
  Credit Association Journal & Register maintained by management committee
  Loan Agreement
  Credit Association Passbook with organization
  Field Agent Reports including beginning-of-cycle, weekly, and end-of-cycle forms
  Monthly Credit Association Status Report
  Coordinator Tally System for Field Agent Reports (Monthly financial & quarterly non financial)
  Central Office Tally Sheets

- Annual and long-term Planning and Budget System
- Loan portfolio accounting system (FMIS)
- Administrative Accounting System/Reports
- Grants Management /Accounting
- Quarterly Narrative Progress Report
- Financial Expense Reporting Feedback System from FFH
- Non-financial Monitoring Feedback system from FFH
- Field Agent Meeting Facilitation Performance Appraisal Checklist
- Design Documents -Concept paper & Financial Projection Systems

81

Annex 6A: Monthly Credit Association Analysis Report from FAMA

Freedom from Hunger - *Credit with Education*
Monthly Credit Association Analysis Report
Honduras - FAMA

Description	For the Month Ended 1/31/96	For the Month Ended 2/29/96	For the Month Ended 3/31/96	For the Month Ended 4/30/96	For the Month Ended 5/31/96	For the Month Ended 6/30/96	YTD 6/30/96	Six Months Ended 6/30/96
LOAN DATA								
# of CAs	82	84	85	85	86	96	96	96
# of borrowers	1,326	1,498	1,358	1,396	1,414	1,703	1,703	1,703
# of ind. loans made	75	323	443	310	128	641	3,853	3,853
Amt Lent-US	$ 8,777	$ 24,661	$ 40,095	$ 22,005	$ 13,810	$ 38,955	$ 301,392	$ 301,392
Amt O/S-US	$ 91,238	$ 92,305	$ 101,908	$ 104,436	$ 104,141	$ 120,216	$ 120,216	$ 120,216
Loans Del-US	$ 539	$ 3,065	$ 7,920	$ 6,643	$ 5,908	$ 6,687	$ 6,687	$ 6,687
Loans Def-US	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OPERATIONAL DATA								
Financial Income- Reported	$ 3,012	$ 3,410	$ 4,102	$ 2,617	$ 1,921	$ 2,258	$ 33,089	$ 17,320
Est. Cost Of Capital (@ 20%/yr)	$ 1,415	$ 1,603	$ 1,928	$ 1,230	$ 903	$ 1,061	$ 15,552	$ 8,140
Operating Expenses	$ 4,530	$ 3,028	$ 5,752	$ 3,344	$ 3,653	$ 9,248	$ 56,848	$ 29,556
Net Inc. From Operations	$ (2,934)	$ (1,221)	$ (3,577)	$ (1,957)	$ (2,635)	$ (8,051)	$ (39,310)	$ (12,236)
RATIO DATA								
Avg. # of bor/CA	16	18	18	18	18	19	19	19
Avg.Loan Size-US *	$ 69	$ 62	$ 75	$ 75	$ 74	$ 71	$ 71	71
Op Self Suff. Ratio	51%	74%	53%	57%	42%	22%	46%	46%
Administrative self suff. ratio	66%	113%	71%	78%	53%	24%	58%	59%
Direct self suff. ratio	101%	113	67%	86%	62%	45%	77%	74%
Efficiency Ratio	5%	3%	6%	3%	4%	8%	58%	29%
OP cost per loan made	$ 60.41	$ 9.38	$ 12.98	$ 10.79	$ 28.54	$ 14.43	$ 14.75	$ 7.67
OP cost per dollar lent	$ 0.52	$ 0.12	$ 0.14	$ 0.15	$ 0.26	$ 0.24	$ 0.19	$ 0.10
Portfolio at Risk (PAR)	0.6%	3.3%	7.8%	6.4%	5.7%	5.6%	5.6%	5.6%
Repayment Rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* A new loan is defined simply as a loan originated in the period regardless of whether there had been previous loans to the CA or not.

Annex 6B: Monthly Credit Association Analysis Report from RCPB

Freedom from Hunger - *Credit with Education*
Monthly Credit Association Analysis Report
Burkina Faso - RCPB

Description	For the Month Ended 1/31/96	For the Month Ended 2/29/96	For the Month Ended 3/31/96	For the Month Ended 4/30/96	For the Month Ended 5/31/96	For the Month Ended 6/30/96	YTD 6/30/96	Six Months Ended 6/30/96
LOAN DATA								
# of CAs	273	283	287	299	324	349	349	349
# of borrowers	7,062	7,632	6,879	7,420	7,620	8,812	8,812	8,812
# of ind. loans made	1,378	1,521	1,454	1,963	1,629	2,317	18,004	18,004
Amt Lent-US	$ 62,083	$ 81,152	$ 75,774	$ 110,659	$ 69,594	$ 156,409	930,501	$ 930,501
Amt O/S-US	$ 350,664	$ 424,340	$ 401,155	$ 415,424	$ 400,843	$ 476,708	$ 476,708	$ 476,708
Loans Del-US	$ -	$ -	$ -	$ 3,797	$ 13,561	$ 7,724	$ 7,724	$ 7,724
Loans Def-US	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OPERATIONAL DATA								
Financial Income - Estimated	$ 4,894	$ 3,117	$ 9,998	$ 8,863	$ 7,881	$ 5,348	$ 58,247	$ 40,101
Est. Cost Of Capital (@ 12% /yr)	$ 1,468	$ 935	$ 2,999	$ 2,659	$ 2,364	$ 1,604	$ 17,474	$ 12,030
Operating Expenses	$ 8,233	$ 8,033	$ 9,947	$ 6,692	$ 7,847	$ 6,854	$ 89,885	$ 47,606
Net Inc. From Operations	$ (4,807)	$ (5,852)	$ (2,948)	$ (488)	$ (2,330)	$ (3,111)	$ (49,112)	$ (19,536)
RATIO DATA								
Avg. # of bor/CA	26	27	24	25	24	25	25	25
Avg.Loan Size-US *	$ 50	$ 56	$ 58	$ 56	$ 53	$ 54	$ 54	54
Op Self Suff. Ratio	42%	27%	70%	93%	70%	55%	45%	59%
Administrative self suff. ratio	59%	39%	101%	132%	100%	78%	65%	84%
Direct self suff. ratio	99%	69%	131%	130%	112%	92%	54%	109%
Efficiency Ratio	2%	2%	2%	2%	2%	1%	28%	12%
OP cost per loan made	$ 5.97	$ 5.28	$ 6.84	$ 3.41	$ 4.82	$ 2.96	$ 4.99	$ 2.64
OP cost per dollar lent	$ 0.13	$ 0.10	$ 0.13	$ 0.06	$ 0.11	$ 0.04	$ 0.10	$ 0.05
Portfolio at Risk (PAR)	0.0%	0.0%	0.0%	0.9%	3.4%	1.6%	1.6%	1.6%
Repayment Rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* A new loan is defined simply as a loan originated in the period regardless of whether there had been previous loans to the CA or not.

88