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MEMORANDUM

To: Jesse L. Snyder
Mission Director

From: Abdel M. Moustafa
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Am July 11, 1988

Date: July 8, 1988

Subject: Project 632-0214 Close Out Report (Credit Union League
Development)

Part 1 Close out Action

A. Contractor Personnel and Property

The Management Advisor employed by the Credit Union National Association/World Council of Credit Unions (CUNA/WOCCU) concluded his assignment when the Project was completed on May 15, 1986. The Management Advisor immediately assumed the same position under Cooperative Agreement No. 632-0221-A-00-6002 which provides funds for CUNA/WOCCU required to implement the Lesotho Credit Union sub-project (LCUP) under the Lesotho Agricultural Production and Institutional Support (LAPIS) project, (632-0221).

B. The contractor was responsible for all commodities procurement. All commodities were delivered and bills have been paid. A final inventory was conducted by the Management Advisor and commodities procured by CUNA/WOCCU are retained by the Lesotho Cooperative Credit Union League (LCCUL) for utilization by the U.S. Management Advisor employed under the Lesotho Credit Union sub-project (Cooperative Agreement No. 632-0221-A-00-6002).

C. All project funds were utilized during the project period and no further action is required.

D. All final payments have been made. There are no outstanding claims against the project.

E. USAID has received notification of final and total expenditures in the amount of U.S. \$992,412.00

Part II: Close Out Report Narrative

A. Project Status

The original Credit Union League Development Project (632-0214), Grant No. AID/AFR-G-1697 (August 1, 1980 to July 31, 1983) - was for \$ 595,412 (USAID contribution) and \$ 264,785 equivalent in local currency (LCCUL, GOL and local contributions). The project was extended twice - to January 31, 1984 and then to March 31, 1984, at no additional cost. A follow-on Grant No. 632-0214-G-00-4001-00 was executed on February 29, 1984 to allocate \$ 397,000 for furtherance of project objectives during the period from March 14, 1984 to February 28, 1986. The follow-on Grant was extended to May 15, 1986 at no additional cost.

The goal of the first Grant No. AID/AFR-G-1687 (August 1980 - March 1984) was to make savings, credit, and related cooperative services available to an increasing number of families in Lesotho. The project's specific objectives were: (a) expansion and upgrading of LCCUL staff, with emphasis on intensive training; (b) refinement of functions related to income generating services, particularly the Central Finance Operations and (c) development of membership and savings promotion strategies.

During the period of the follow-on grant (March 1984 - May 1986) the goal and purpose of the original Project Grant remained the same, but its specific strategy was refocused on correcting institutional deficiencies at the credit union level in order to expand their capabilities to better enable them to provide a locally available source of agriculture credit to small farmers. Hence, the emphasis was shifted from support primarily to the League to support primarily to rural credit unions.

B.1. Anticipated Outputs 1980 - 1984

- a. Staffing of all positions specified in the LCCUL Five-Year Development Plan with qualified and motivated personnel;
- b. Detailed definition of critical LCCUL and credit union operational procedures;
- c. Training of League staff to increase their abilities to perform all processes and procedures as defined;

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- d. Acceptable or better performance of critical processes and procedures by committees and staff of credit unions;
- e. Increase in credit unions participating in the Small Farmer Production Credit Program (SFPC) from 3 to 33; increase in SFPC participants and loans provided to 2,058 farmers and M 288,120, respectively;
- f. Definition of the LCCUL Central Finance processes and procedures to ensure maximum return on investment consistent with acceptable levels of risk;
- g. Increase in LCCUL's revenues from M 24,401 to M 46,834; establishment of savings and loan trends combined with estimated increase in administrative and operating costs that suggest acceptable probability of LCCUL revenues to reach M 281,372 within 5 years after project completion;
- h. Establishment of 16 new credit unions;
- i. Increase membership by 5,000 to 31,470; member savings by M 176,000 to M 1,314,000; and cumulative member loan volume by M 920,000 to M 2,982,000.

B.2. Anticipated Outputs 1985 - 1986

- a. Approximately 30 credit unions will be performing bookkeeping, reporting, savings and credit management and loan collections at an acceptable level of performance;
- b. A selected group of credit union members will be trained in production, marketing, farm management and other tasks related to agricultural production activities;
- c. Adequate levels of management will be specifically directed to the examination of weaknesses pointed out in the earlier evaluation and the achievement of related recommendations;
- d. Seventy-five trained credit union board members will be capable of carrying out organizational direction and policy-making responsibilities;

- e. Seven trained LCCUL field staff and one field services manager will be able to assist in credit union development, through training and technical assistance;
- f. Special loan analysis, control and collection procedures for LCCUL central finance programs will be established;
- g. A comprehensive plan will be developed to generate substantial increases in credit union resources which will be realized from the expansion of its membership from mine worker savings and other resources;
- h. LCCUL financial self-sufficiency will have reached approximately 36 percent.

C. Summary of Contributions 1980 - 1986 (Dollars)

The following table summarizes planned vs actual inputs of USAID and LCCUL/GOL and others.

<u>Item:</u>	<u>USAID Planned:</u>	<u>USAID Actual:</u>
Technical Assistance: One long-term technician, consultancies, allowances, travel, office costs.	335,680.00	329,051.31
Local Personnel: Salary Support.	305,211.00	303,376.42
Training: National and Credit Union staff and committee training.	47,835.00	47,311.63
Local Travel: Petrol, per diem, public transport.	64,668.00	64,667.57
Equipment/commodities, Vehicles, office equipment.	13,704.00	11,201.24
Other direct costs:	100,712.00	98,009.43
Indirect costs	124,602.00	138,794.40
TOTAL	<u>992,412.00</u>	<u>992,412.00</u>

In addition, the contributions of the LCCUL, GOL and others are outlined below for the period 1980 - 1986 (U.S. Dollars)

	<u>Planned:</u>	<u>Actual</u>
a. <u>LCCUL</u>		
Salaries, travel, benefits, office costs	135,390.00	142,120.00
b. <u>GOL</u>		
Salaries	82,895.00	32,410.00
Training	-0-	6,312.00
Commodities	-0-	12,000.00
Administration	-0-	10,000.00

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c. Others (Local)

IEMS\1	37,500.00	33,450.00
LWCA\2	7,200.00	2,300.00
Total (a,b,& c)	<u>262,985.00</u>	<u>238,592.00</u>

d. Others (Donor)

ACOSCA\3	16,000.00	21,674.00
MISEREOR\4	11,000.00	136,000.00
GTZ\5	-0-	115,000.00
USC\6	-0-	76,000.00
Total	<u>27,100.00</u>	<u>348,674.00</u>

Total Local/Other Donors Contributions	290,085.00	587,266.00
TOTAL Project (1980-1986)	1,281,497.00	1,579,677.03
Percent of Local/Other Donors' Contribution to total project	23.63	37.18

1. Institute of Extra Mural Studies
2. Lesotho Work Camps Association
3. African Cooperative Savings and Credit Association
4. West German Religious PVO
5. German International Development Agency
6. Unitarian Service of Canada.

D. Project Accomplishments:

The Credit Union League Development Project (632-0214) achieved most of the planned objectives. The principal objective of the project was institutional development of the LCCUL and its member credit unions. Efforts were directed to training of staff and members on effective credit union management,

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formulation of management guidelines and improvement of the LCCUL's financial position.

At least two-thirds of the specific quantitative/qualitative objectives were satisfactorily achieved. The overall administration and management of the LCCUL and those credit unions selected for enhanced development have been substantially improved. Credit procedures, less-restrictive loan policies and loan appraisals are being applied. Nearly a thousand farmers were trained in improved agricultural production practices. Board and committee members were trained throughout the country in credit union operations and management. By the end of the project, LCCUL's financial self-sufficiency had achieved the projected objective of 36 percent.

The planned decrease in overall credit union member loan delinquency to 24 percent was not achieved as well as the targeted increase in membership. LCCUL's and credit unions' loan and loan interest collection efforts still require substantial improvement, and loan delinquency remains a major problem for the LCCUL and credit unions.

During the follow-on period (1984-86), the project focused limited resources on fewer credit unions, rather than continuing inadequate assistance to all credit unions, resulting in more rapid development of the credit program for the recipients.

The final evaluation (March 1986) findings are summarized as follows:

A. General

1. Most of the Project objectives were judged to have been satisfactorily achieved.
2. Job descriptions and a personnel manual were completed and staff positions were filled.
3. Extensive training programs on credit union management, book-keeping, loan appraisal, and credit management were conducted.
4. A series of training sessions were held for the LCCUL staff, field officers, committees and board members resulting in improved field performance and management.
5. Significant strides were made by the League to improve its institutional infrastructure. A total of 32 work processes or operational guidelines were completed affecting both the League and the credit union operations.

6. Promotional and educational activities including radio programs, pamphlets and brochures were developed and distributed.

7. Growth in shares met projections, while projections for loan and membership growth were not met.

8. LCCUL financial self-sufficiency improved, meeting projections. Earnings from investments contributed to this success. However, loan collections were poor.

B. Specific

1. The LCCUL staff was increased to seven field officers. One field services manager and one training officer were added. Training was provided in all essential skills required to perform the specific functions of each position through short term courses.

2. Training programs were carried out at all levels, developing improved skills in various areas as outlined in the examples below.

- Institutional analysis, planning and evaluation.
- Financial Management
- Risk Management
- Auditing
- Training Methods
- Records Management
- Accounting
- Loan Appraisal
- Loan Policies
- Coop Laws

During the 1980 - 1986 period, 1,514 board committee members and credit union employees were trained in areas listed above, leading to more effective accounting, better credit management and general administrative improvements in the selected credit unions. These training programs were applied appropriately to improve the skills of the League's General Manager, Finance Manager, Auditors and Field Officers.

3. One measure of success was the documentation and implementation of the following operational guidelines:

- LCCUL by-laws
- LCCUL and credit union loan policies and procedures
- LCCUL and credit union filing systems
- League financial management guidelines
- Personnel policies and procedures .

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- Vehicles policies
- Training manual and training methods
- Audit manual
- Planning processes and systems
- Personnel testing and interviewing practices
- Analysis and interpretation of financial statements
- Guidelines for directors.

4. Major improvement was achieved in the performance of most credit unions processes as detailed below:

<u>Process</u>	<u>No of Credit Unions Improved</u>
Accounting	45
Reporting	45
Savings and loans insurance	50
Committees meeting regularly	40
Loan Collection	22
Loan Policies Operations	29
Loan Control System	30
Providing Production Credit	34
Participating small farmers	4776
Effective Board of Directors	24
Effective Credit Committee	32
Effective Audit Committee	24

5. During the project period, 47 credit unions were able to hire and support paid employees either as bookkeepers or managers.

6. Sixteen credit union office buildings were completed under supervision provided by the League.

7. 123 credit union audits were completed.

8. A weekly radio program promoting savings and credit unions was developed and implemented.

9. 60,000 pamphlets and brochures on credit union membership were produced and distributed.

10. Field officers' efforts were redirected from general promotion to the provision of technical assistance to credit unions in bookkeeping, reporting, loan collection and use of guidelines.

11. Supervision of field officers was improved through the establishment of a Field Manager position.

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12. A system of work planning for field officer activities was introduced and implemented, improving both direction and performance.

13. 5,776 farmers were trained in improved agricultural production practices, resulting in 20 to 30 percent yield increases based on yield samples of 10 farmers selected at random in 10 credit unions.

14. Member savings reached M 1.74 millions, member loans M 1.3 million and total membership 29,000 members.

15. 11 new credit unions were established, short of the 16 projected as it was decided to direct resources to build up existing credit unions rather than start new ones.

16. A comprehensive LCCUL five-year plan was developed and integrated with the LCUP (the Credit Union Development Component under the LAPIS Project) work plan. The plan focuses on measures to generate substantial increases in credit unions' and League's earnings from increased savings, loans, and migrant miner remittances.

17. From July 1983 to the end of project special attention was directed toward elimination of weaknesses pointed out in previous project evaluations. By the end of the project the following recommendations were fully implemented:

- a. Financial linkages with the LADB were made.
- b. Priority assistance to credit unions with paid employees was provided.
- c. Close collaboration with the Ministry of Cooperatives and Rural Development at the national/district level was made.
- d. Training of clerks/committees in bookkeeping and credit assessment was continued.
- e. The Field Manager worked exclusively on supervision of field staff and delegated other responsibilities.

In addition, several secondary recommendations were in various stages of completion when the project was evaluated in March 1986.

- a. Loan control systems were installed and operated effectively in 24 credit unions.

- b. LCCUL break-even strategies were incorporated into the five-year plan and central finance policies.
- c. Annual audit plans were made and carried out. (However, few of the audits were actually used to determine required technical assistance, and management analysis was not conducted).
- d. Loan collection was intensified. 61 loan collectors were trained and reporting of loan status was improved.

18. Internally generated earnings reached \$ 94,700, against projected \$ 103,900. Due to reduced operating expenses, the projected 36 percent self-financing rate was achieved.

E. RECOMMENDATIONS FROM THE FINAL EVALUATION

- 1. LCCUL should strengthen the procedures for collection of loans and membership dues.
- 2. Training should continue to be focused on credit union employees to improve their proficiency.
- 3. Interest rates on loans should be revised to reflect the current market rates.
- 4. LCCUL should initiate action to delete carrying of verified un-collectable loans as assets on the records of credit unions.
- 5. Credit unions should adopt additional less restrictive loan policies and procedures.
- 6. The League's training program needs to be reinforced with qualified training personnel, training aids and equipment.
- 7. Only those credit union employees who are fully trained and qualified should be delegated to approve and disburse loans.
- 8. The LCCUL should assist credit unions to select the most interested and qualified borrower members for investment in high value agricultural production.
- 9. The LCCUL and credit unions should not attempt to establish themselves to provide non-financial services already being provided by others: i.e. agriculture extension, farm inputs and marketing services.

10. Participants in specialized agriculture production should be counselled but allowed to make important independent decisions involving the use of credit to finance their projects.

These recommendations are being implemented under the credit union component of the LAPIS Project (LCUP).

F. USAID Continuing Responsibilities

Although all project 632-0214 activities were successfully completed, USAID maintains responsibility through the Cooperative Agreement No. 632-0221-A-00-6002 with CUNA/WOCCU (sub-activity of the LAPIS project). In that respect, USAID continues supporting Credit Union Development and exerts considerable influence on the LCCUL to further enhance its effectiveness. Major recommendations made in the 1986 evaluation were factored into the design of the Cooperative Agreement to implement the credit union development component under the LAPIS project.

G. SUMMARY OF LESSONS LEARNED:

1. Because the LCCUL and its member credit unions are fully autonomous organizations, members felt strongly that the C.U. was their organization. This sense of pride and feeling of ownership reflects a grassroots orientation, which is a key to the success of these credit unions.
2. Institutional development is a slow process and if success is to be achieved a long term commitment on the part of the donors is required. It takes many years of concerted effort before an institution develops its own capability.
3. Direct technical assistance to credit unions by the League's Field Officers is essential for the continued development of the credit unions.
4. The Project provided substantial financial and technical support to the League. The LCCUL as a result was able to retain its trained staff which allowed professional and institutional development to occur.

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