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RURAL FINANCIAL MARKETS IN NIGER: MARKETS, INSTITUTIONS, AND EXPERIMENTS

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I. INTRODUCTION

The rural financial markets (RFMs) of Niger reflected several contrasting strategies of institutional change and collapse during the 1980s. First was the struggle and final demise of the supply leading financial development strategy promoted through the Caisse Nationale de Credit Agricole (CNCA). Next came the institutional innovations associated with two distinct PVO driven models designed to supply a marginal rural clientele with financial services from a grass roots base of village cooperatives. This report reviews the key features of this experience of financial innovations in the RFMs of Niger.

The next section summarizes the key findings of the comprehensive field research of formal and informal rural financial markets carried out by the Ohio State University (OSU) in the mid-1980s. This is followed by a section setting forth the most recent RFM project initiative launched in Niger, the World Council of Credit Unions (WOCCU) project establishing the first credit unions in the country, as a result of the recommendations derived from the OSU study.

The fourth section reviews a longer standing PVO initiative to rejuvenate village based cooperatives, i.e. the BIAO-CLUSA project begun in 1985. Finally, in the summary and conclusion, we highlight the similarities, and more importantly, the differences between these two distinct PVO models that are currently changing the institutional landscape of village based cooperatives in rural Niger. The lessons learned from these two experiments in rural financial institutional innovations will no doubt influence research and policy action in other African countries in the future.

II. A DIAGNOSTIC OF RURAL FINANCE IN NIGER: INSTITUTIONAL FAILURE AND INDIGENOUS DYNAMICS AT THE VILLAGE LEVEL

A comprehensive study of rural finance in Niger in the mid-1980s by Ohio State University included a review of both formal and informal credit and formal and informal savings activity. The nature, role, and performance of these formal and informal channels of finance were investigated through household surveys at the village level, extensive interviews with bankers, merchants, and credit officials, as well as with cooperative and GM leaders[1] and with village level tontine organizers and money-keepers.

Up to the mid-1980s there was a marked absence of an institutional system of financial intermediation in rural Niger. What existed was a high cost system of input delivery. This truncated credit system did non engage in intermediating between depositors or savers on the one hand, and borrowers on the other hand. Standard banking functions were undeveloped in the Caisse Nationale de Credit Agricole (CNCA) and in the administrative framework of productivity projects and other public sector programs developing the rural economy. Only indigenous mechanisms of savings and loan activity

[1] GM: "Groupement mutualiste", basic cooperative unit at the village level.

played out a rudimentary but useful role of intermediating the investment flows within these areas.

A. Formal Finance

The banking system of Niger has been increasingly servicing the government and the parastatals at the expense of the private sector. Reliance upon central bank funds and foreign borrowing increased in the 1980s, while private sector deposits declined. The loan portfolio of the banking system showed a clear urban bias, to the detriment of the rural sector. The economic recession of the first part of the 1980s affected the profitability of banking, increased the level of delinquency in loan portfolios, and increased the risk associated with banking activities. As a consequence, banks reduced their scale of operations, shortened their term structures, and accentuated the urban bias of their loan portfolios. Not surprisingly, informal finance played and still plays a role farm more important than institutional finance in rural areas.

Donor funding also filled this vacuum by promoting extensive infrastructure investment (especially irrigation works) and the adoption of new technological packages by agricultural producers. Foreign donor funds accounted for 92 percent of total budgeted rural investment in 1985 and 97 percent in 1986.

Until recently, most of these projects operated their credit components through the CNCA, under a system of advances and prefinancing that are subsequently reimbursed to the CNCA by the agency funding the project. By the mid-1980s there was a tendency for donor funded productivity projects to use the branches of the CNCA merely as a window for the retail disbursement of funds.

This fragmented "project approach" to credit delivery contributed both directly and indirectly to undermine the performance of the CNCA. This occurred directly, due to the complicated procedures introduced by the sources of funds to reimburse the CNCA for the advances and refinancing it had granted to productivity projects. Indirectly, the CNCA performance and project credit programs were compromised because the supply-leading approach to rural development subordinated credit activity to service productivity goals. It tended to de-emphasize repayment performance, credit-worthiness, and financial viability as goals meriting serious attention. Thus this project focus did not create credit discipline and sound financial management among its rural clientele nor the financial institutions servicing this clientele.

A financial intermediary ordinarily incurs operational costs in the following functions: (1) mobilizing deposits; (2) carefully evaluating the risk and credit-worthiness of its prospective clientele; (3) loan disbursement; (4) loan monitoring of its portfolio; and (5) loan recovery efforts. The CNCA and the entire institutional credit network for agricultural credit (i.e. the UNC, the CNCA, and the CA) only performed the third function in any meaningful sense. Yet the total transaction costs of delivering credit in-kind to cooperatives and village groups (GM's) was higher than that recorded in other public sector credit institutions in developing countries that perform all five banking functions.

The total non-financial costs of operating the branch-level system in 1985 were 9.14 percent of the amount of credit channelled from the institutions to the individual borrowers.

When the estimated central-office costs of the CNCA were included, total transaction costs per CFA in the credit delivery system increased to 13.22 percent. When the default cost was considered (i.e. the unrecoverable expenses incurred in servicing these loans that will not be recovered), the lending costs of the CNCA alone rose to 35 percent. Moreover, this high cost margin was only a lower-bound estimate since it only included the CNCA's direct loan portfolio to cooperatives and individuals and not the unrecoverable debt with parastatal clients.

Therefore the institutional agricultural credit system of Niger by the mid-1980s did not perform a resource allocation role through financial intermediation. Secondly, the system did not provide the financial intermediary with instruments of credit rationing. The credit network was primarily an input delivery system whose costs were important and represented a heavy burden to the government budget. Therefore it was not surprising to note that in 1987 both the international donors and government agreed on closing down the institutions and search for alternative ways to meet the demand for financial services in rural Niger. Important here was the need to document the nature of this demand at the village level.

B. Informal Savings and Loan Activity in Rural Niger

To meet the need to document the village level demand for financial services, the OSU rural finance project documented an extensive range of informal savings and loan activity. There was the network of wholesale and retail merchants serving village level loan demand and widespread tontine and money-keeper activities at the village level. A sample of 56 money-keepers, 56 tontines, 58 village level retailers, and 38 wholesale merchants were surveyed in April-May 1986 to gain a greater understanding of these activities.

In the area of informal savings, the average size of deposits held with village money-keepers were substantial when compared to the average size of Post Office Savings balances countrywide. Even average levels of tontine activity suggested substantial liquidity circulation in these indigenous societies. In summary, informal loan and savings activity was widespread and diverse. In certain village settings and certain groups this activity reached sizeable proportions. Aggregate life cycle liquidity circulation for all 56 tontines amounted to 27,195,088 CFA or roughly US$72,000 at an exchange rate of 380 CFA to one dollar (the rate ruling at the end of 1985). This impressive amount of aggregate liquidity was one of the most important findings of this report. There was clearly a financial base for a formal form of savings and credit activity in these villages. The challenge was to find an appropriate institutional vehicle to accomplish this goal.

The money-keeper was the second indigenous form of savings activity documented at the village level. There was clearly a strong demand for depository services in these villages. The sample of 56 money-keepers experienced a wide seasonal swing in the demand for their services. Aggregate deposits for the group as a whole ranged from a low of 13 million CFA (or US$34,000) during the dry season to a high of 30 million CFA (of US$79,000) at the height of the season. Depositors fluctuated from an aggregate low of 363 to a high of 617 persons. These high volumes of deposit activity were the second major finding of this field research. This reinforced further the already promising base of village level liquidity circulation intermediated through tontine activity.

C. The Major Policy Recommendation: Promotion of Village Level Savings and Credit Cooperatives (Credit Unions)

There is a promising base of liquidity circulation reflecting significant demand for deposit and loan services at the village level, particularly in productivity project areas where investment activity generates substantial flows of liquidity that are intermediated through informal channels. Research also established that indigenous leadership and experience exist at the village level to manage sizeable flows of liquidity through informal vehicles. All these features indicate that these indigenous styles of savings and loan activity could form the base for the emergence of a network of voluntary savings and credit cooperatives or credit unions at the village level.

A savings and credit cooperative could broaden the financial base of activity into a larger membership than can the numerous but smaller tontines and money-keepers. This larger membership implies a wider base for savings mobilization as well as a more extensive range for its loan clientele, thus gaining greater scale economies in its operations as well as a more diversified portfolio at the village level. In the end it represents a more efficient form of financial intermediation than that occurring in the array of separate, segmented markets of smaller tontines and money-keepers.

Voluntary savings and credit cooperatives emulate well many of the highly valued features of village finance, thereby ensuring their acceptance by villagers. First, they offer savings services. Second, they grant loans for consumption needs. Third, these loans are short term and can be repeated through time. Fourth, savings activity leads to loan activity, as savings act as a form of collateral that generates access to future loans for members. The close group association acting through village level credit committees and frequent, repeated deposit and loan activity generally insure responsible loan recovery behavior.

Finally, an emerging network of these village and town level cooperatives offers the potential for financial intermediation between surplus and deficit units across village cooperative, once they have become well established. This intermediation across villages (i.e. spatial economies) is precisely what informal tontine and money-keeper activities cannot carry out. A three year Plan of Action was offered in the final chapter of the report and it was on the basis of this recommended Plan of Action that the WOCCU project was launched in 1989.

III. THE WOCCU CREDIT UNION PILOT PROJECT

A. Project Overview

The World Council of Credit Unions (WOCCU) is currently implementing a pilot project to develop selected village based savings and credit cooperatives. This effort is designed to build upon the strong demand for savings and lending services documented through the Ohio State University study of informal finance in rural Niger. The key area for this activity lies in the zone of productivity projects previously supported through donor funding in the Department of Zinder. Substantial liquidity flows were discovered in tontine societies and in money-keeper and merchant financial networks in this regions.

The project will organize a core group of 15 credit unions in this department over a 3-year period. This core group will form the base for establishing a credit union promotion committee that will be responsible for expanding this effort into a national network. This nationwide system will be autonomous from government controls or directions, self financed, self managed, and constituted of member-owned cooperative institutions. The movement will not be made up of multi-purpose cooperatives. Activities will be restricted exclusively to savings and credit services. Moreover, previously existing village cooperatives set up under government tutelage will not be incorporated into the WOCCU credit union initiative. These credit unions will be organized from scratch. Among other things, this clean start means they will not be burdened with past default obligations to the defunct CNCA and be free of any previously established administrative controls associated with currently existing cooperative structures.

B. First Year of the Project

The project became operational in April 1989 (see Lucy Ito, World Reporter, WOCCU, May 1990). Ten sites were selected for initial socio-economic baseline studies to establish performance indicators for those included in the project as well as a control group outside the project. By November 1989 a project office was set up in Zinder and by March 1990 the office became functional with a FAX machine and computer facilities.

Initial months of the project were devoted to selecting three field agents to be trained in credit union promotion and account verification. Bilingual administrative and financial documents were prepared in French and Hausa. In December 1989 Model Credit Unions Bylaws were completed. The Nigerien Ministry of Finance will soon issue a "Ministerial Note" to act as a temporary legal framework under which the credit unions may operate.

Later both WOCCU and the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA) based in Nairobi, Kenya will assist the Nigerien government in drafting permanent legislation governing credit union activity not dealt with in current banking and cooperative legislation.

By the end of 1989 six communities were identified as the most promising villages to launch the project in Zinder. The first two credit unions were established in March 1990 in Sassombroun. An additional 13 will be founded by March 1992. It is hoped that these broader based village credit unions can expand savings and credit services beyond the more narrowly segmented informal groups, thereby gaining scale economies over these groupings. Furthermore, the locally run credit unions will be able to draw upon local loyalty promoting responsible loan repayment behavior in contrast to the record of formal credit programs with their top-down approach. Relatively low transactions costs, combined with lower information costs on creditworthiness and the potential for social sanctions for delinquent loan behavior should lead to a more efficient and viable form of semi-formal financial intermediation in these credit union villages.

IV. THE BIAO-CLUSA PROJECT

A. Project Objectives

The second initiative to reach a marginal clientele in rural Niger is associated with the BIAO-CLUSA effort under the USAID Agricultural Sector Support Project in Niger. This activity merges the grassroots comparative advantage of a PVO (the Credit League of the United States of America - CLUSA - also known through its more recent name as the National Cooperative Business Association - NCBA) with the financial base of a private, largely French owned international bank in Niger (the BIAO). USAID funds support CLUSA with an institutional grant and the BIAO with a 100 percent guarantee fund to be used for credit activities in selected Nigerien cooperatives. The third party in this program consists of a set of multi-village cooperatives in the country.

CLUSA plays a major role in organizing selected cooperatives through intensive training to improve agricultural productivity and increase the incomes of rural sector families associated with these cooperatives. The CLUSA training component is designed to improve the capability of local cooperative officials to manage the delivery of cooperative services such as the marketing of agricultural inputs and output, the provision of credit services for cooperative members and the implementation of income-generating activities such as boutiques (i.e. stores selling general merchandise to cooperative members). CLUSA is experienced in training cooperatives to be multi-purpose cooperatives. The major source of information on the current status of this project is available through the First External Evaluation of the Agricultural Support Project in Niger carried out by Development Alternatives Inc. prepared for USAID in January 1988.

The outputs for this project emphasize:

1. Establishing a national system of decentralized village based training (VBT) for cooperative members and field trainers. Among other things this system will train cooperative leaders of approximately 210 cooperatives in literacy,

management, and accounting skills to run viable businesses in the cooperatives;

2. Creating a guarantee fund to be used for various lines of credit for marketing activities and cooperatives businesses. Part of the fund would be converted in the future into cooperative capital to assist cooperatives in the capitalization of their businesses on a mutual contribution basis. It is also expected that the BIAO (and other banks presumably joining the project in the future) would accept something less than a 100-percent guarantee for the funds disbursed as loans to the cooperatives once the cooperatives prove their skill at managing their businesses viably;

3. Creating a control system for the operation and auditing of the use of the guarantee funds and cooperative funds;

4. Providing the framework for the farmers and the Groupement Mutualistes (GMs) of the villages making up the multi-village cooperatives to establish a voluntary, cooperative, share-based ownership of the system. This would consist of voluntary shares subscribed to by the members and contributions from the donor guarantee fund.

B. Progress to Date: The Training Component

The program essentially began in 1985. By November 1986 fourteen cooperatives became operational in five departments of the country. At the time of the DAI report (January 1988), 114 cooperatives had become operational within six departments. Each cooperative consists of between 9 to 12 villages (i.e. groupement mutualistes). The maximum target of 210 cooperatives was expected to be reached by the end of 1989.

By November 1986, some 406 villagers (including administrators, managers, assistant trainers, literacy instructors, and members at large) had been trained. By the end of 1987 the project claims to have trained 2,208 villagers. This is still substantially less than the goal of 20,000 set in the project. It is expected that the multiplier effect of trainers training trainers will rapidly increase the number of trained administrators and managers at the village level in the next two years.

Most villagers are selected from within Productivity Project areas where economic activity is more developed and the prospects for successful cooperative business more promising. Intensive daily training lasts 9 to 12 months. Most cooperatives are expected to carry out three (3) income generating activities. These can range from the production and sale of agricultural crops (such as onions, millet, cowpeas, and peanuts), to business activities in village stores, grain mills, and pharmacies. The former can either work through existing parastatal marketing agencies or compete outside these channels. The latter tend to compete with retail merchants that hitherto have dominated the trade in general merchandise at the village level.

The DAI evaluation generally reports positively on training results to date. The national field agents have apparently put aside their previous top-down bureaucratic style and have enthusiastically adopted the bottom-up approach, acting as advisors and facilitators and leaving major decisions in the hands of cooperative officials. The results are still mixed for assistant village trainers at the village-cooperative level. More intensive training is likely necessary to ensure effective training in management at this level. nevertheless there has been a growing recognition of the need for a more business oriented approach in running cooperative activities. Only one-third of the cooperatives pay 100 percent of the assistant trainers' salaries. CLUSA covers the rest.

C. The Credit Component

The credit component was originally conceived as a key element to finance input supplies for agricultural activities. With the demise of the CNCA it was expected that the rejuvenated cooperatives in this project would take on this role through the 400 million CFA guarantee fund administered through the BIAO. However cooperative demand for credit has manifested itself more for the financing of other activities such as cooperative stores (boutiques) and the marketing of agricultural output (rather than inputs).

Credit management is among the more difficult and challenging tasks of multi-purpose cooperatives. Therefore it is not surprising to note that this activity has come on line only after a substantial training component has been in place for some period of time. Only 37 of the 114 operational cooperatives have financed economic activities under the guarantee fund. Only one of these 37 cooperatives has drawn upon the guarantee fund to finance the purchase and resale of agricultural inputs.

The BIAO has taken a passive stance with respect to this activity. This is due to the relatively small importance of the guarantee fund in their portfolio of activities and the high transaction costs of monitoring a large number of small clients. While some BIAO branch managers are relatively uninvolved in the project, others (in Maradi) have taken an active interest in facilitating loans to cooperatives.

Loan repayment for the 37 cooperative loans has generally been good, far better than the CNCA record. Cowpea, rice, and onion marketing loans have excellent repayment records. The high demand village store loans have experienced a slower repayment rate. The DAI report states that cooperatives may have choosen reinvestment in inventory expansion rather than loan repayment. However, the possibility of these stores selling their products at a loss cannot be ruled out until further studies are made.

Credit risks are evident in the marketing of crops, especially if the parastatal agencies responsible for purchasing this output do not have sufficient funds. Also temporary gluts in the market lowering prices can create losses for cooperatives financing these marketing activities through loans. These parastatal and marketing risks highlight the importance of current market information for cooperatives presuming to finance crop sales with loans. It may not even be advisable to continue financing activities recording 100 percent repayment if market conditions quickly change from one season to the next.

D. The Credit Component: Remaining Problems

The DAI report underlines three problem areas in the management of the project's credit component. First is the need for detailed and timely documentation of loan repayment status. All data is presumeably available by type of loan, department, cooperative, due date, repayment status, etc., however this is all recorded manually. Clearly some computerized control and regular dissemination of these data is appropriate.

Apparently the 100 percent risk-fre guarantee fund has inculcated a certain lax attitude on the part of the BIAO in regards to an auditable control system for the cooperative loan portfolio.

Second, a marketing information system should be established with respect to both parastatal and market price risks. An ongoing seasonal profile of crop purchase prices, market gluts and shortages, and the state of parastatal finances are important elements for the BIAO and CLUSA to incorporate in their regular information system to manage portfolio risk in their project activities financed through the guarantee fund.

Third, the uncertain status of the outstanding default obligations of project cooperatives with the defunct CNCA needs to be clarified. Will the debt be written off? If not, will the cooperatives be forced to honor these obligations, possibly compromising their capacity to service loan repayments under the guarantee fund? The way this issue is handled could affect the cash flow needed to gain viability for cooperative enterprises.

Two additional features, not dealt with in the project evaluations to date, also deserve attention. What are the ruling interest rates on loans made under the guarantee funds? Is flexibility permitted to adjust interest rates to the risks inherent in enterprise activities? To what extent can net interest rate margins cover both the risk of default and operational (i.e. lending) costs? And finally, what measures have been taken to promote savings mobilization among cooperative members? Some mention is made of cooperatives opening savings accounts with BIAO branches. There is no discussion of individual savings account services available for members of cooperatives. The DAI evaluation states that nine cooperatives have been waiting for over two months to open up savings accounts at the

Niamey office of the BIAO. This would suggest the BIAO is not particularly serious abut providing savings services to cooperatives. This dimension of financial services clearly merits more attention.

The record of the BIAO-CLUSA project is promising, considering the obstacles of developing viable cooperatives in the Nigerien setting. The strong comparative advantage of CLUSA in training managers of multi-purpose cooperatives appears to be paying off. The good loan repayment record of project loans reported in the DAI evaluation is a substantial improvement over the dismal record of the CNCA. Even though problems of portfolio management are still apparent as spelled out above, continued commitment of resources is clearly justified with the evidence at hand.

V. SUMMARY AND CONCLUSIONS

Rural financial markets in Niger have suffered from inefficient, high cost, and delinquency-prone financial intermediations through formal institutions subject to targeting and political intrusion such as the CNCA. No viable form of formal financial intermediation has emerged serving a rural clientele in Niger nor is there any likelihood this will occur in the near future. In contrast, indigenous savings and credit activity at the village level have generated a self sustaining flow of liquidity circulation through tontines, money-keepers, and merchants. However, these informal channels of finance are spatially and occupationally segmented, limited in scope and scale economies, and cannot pool savings into large, long term loans. The issue here is whether the future for rural finance in Niger lies in downscaling currently defunct institutions like the CNCA into rejuventated formal institutions, emulating the positive virtues of informal finance, or whether there is greater promise in upscaling informal finance networks and groups to incorporate some of the scope, scale, and spatial economies of formal finance. The argument of this report is that the latter option is more promising than the former.

Two experiments have been launched in Niger in the spirit of upscaling informal or semi-formal institutions into acquiring some of the more promising features of formal finance, the WOCCU and the BIAO-CLUSA projects. In this concluding section, it is instructive to point out both the similarities and the contrasts between these novel pilot projects in rural finance in Niger.

The similarities in the two projects are several. Both projects are designed to build on the comparative advantage of a grassroots approach towards institution building. Both rely on external private voluntary organizations to act as the catalyst for these efforts. Both PVOs place a heavy emphasis on intensive training on managerial skills at the village level. Both believe strongly in the virtues of a mutualist, cooperative philosophy and feel this essential for effective, grassroots organizations. Both have as a goal a broader national network to be created from their village based cooperatives. And, finally, both are initially selecting and/or creating village cooperatives from within regions that have benefited from the economic activities of long standing productivity projects supported through past donor efforts.

The differences however are also instructive and underscore the diversity that exists in the PVO community. First, WOCCU believes in promoting only single purpose cooperatives, emphasizing exclusively savings and credit activity. This grows out of its belief that these functions are sufficiently complex and demanding in their own right and that to do them well requires exclusive attention. CLUSA, on the other hand, accepts the challenge of promoting multi-purpose cooperatives, institutions that can engage in the marketing of inputs and products, managing cooperative stores, and, at the same time, incorporating and managing a credit function to finance these diverse activities.

These contrasting philosophies in part explain the contrasting mode of operation of each project in Niger. The BIAO-CLUSA project, for example, emphasizes the role of their cooperatives in promoting agricultural production and marketing. Loans granted to these cooperatives are expected to promote these activities, among others. Loans in the WOCCU sponsored credit unions, on the other hand, are not targeted to any specific end. They can be used for production or for consumption ends to satisfy basic needs.

This in turn explains why the BIAO-CLUSA project has readily accepted the existing production cooperatives established by previous top-down government efforts through various government agencies. Their goal is to transform these cooperatives into more viable institutions with a stronger grassroots organizational base. WOCCU, however, preferred to promote the creation of credit unions from scratch with no previous governmental links in the hope of gaining more autonomy. Not surprisingly, government officials tend to favor CLUSA type of cooperative initiatives since they carry on in part the targeted credit tradition associated with past government programs. The less directed and less production oriented credit union initiatives, on the other hand, are met with relative indifference.

Another interesting contrast between the two projects is the financial wholesaling role of the BIAO in the BIAO-CLUSA project and the injection of outside funds for future lines of credit through the 100 percent guarantee fund channeled through the BIAO. The role of the PVO, CLUSA, in this arrangement is to reduce the high transaction costs that the bank would otherwise have to face it it were to deal with the cooperatives directly. This is designed to promote a linkage between the formal financial sector and the semi-formal cooperatives world, thereby integrating otherwise segmented markets. The danger of this approach is whether the cooperative borrowers will adopt a responsible repayment attitude towards this outside money source or whether they will fall into delinquent loan recovery practices similar to past top-down government initiatives with cooperatives. The disciplinary and training role of CLUSA has fortunately prevented this from happening, however, it is not clear what might happen in the future when CLUSA retires from the scene and the cooperative network pressumes to function on its own.

The WOCCU project, in contrast, does not plan to rely on the injection of outside lines of credit. Instead, it intends to generate its funding base for loans from locally mobilized savings within the savings and credit cooperatives. No explicit wholesaler role is envisioned in the project except insofar as a future central liquidity fund evolves in the future to manage the accumulated savings from surplus credit unions in the network. In this sense the flow of funding for credit in the BIAO-CLUSA projects flows from the top-down to the cooperatives through the wholesaler intermediary. In the WOCCU model the flow of funding creating a system wide central liquidity fund flows from the bottom-up to the central fund through time. It is also relevant to point out that the WOCCU approach more explicitly emphasizes the savings mobilization role of financial intermediation. This focus tends to emphasize less the role for outside funding for loan activity and establishes a more direct and visible local base for credit activity.

Among other things, this implies that the WOCCU model initially builds on a much smaller base of funding than that associated with the BIAO-CLUSA model. Average loan sizes will be much smaller since loans in the WOCCU setting will be for the basic needs of individual members, while the BIAO-CLUSA loan portfolio will reflect larger loans for cooperative businesses and marketing activities. Also, it is likely that the WOCCU initiative would be servicing a relatively more marginal village clientele initially, while the BIAO-CLUSA project emphasizes services for more established farmers in their cooperative businesses.

These two experiments in Niger reflect the healthy diversity that exists in different PVO models to reach a lower income clientele in a rural setting through a grassroots initiative. Both approaches represent a more promising approach towards reaching and servicing this clientele on a self sustaining, viable basis than the previous top-down supply led style of the CNCA. Both approaches deserve continued support. There is no particular reason to favor one over the other. Both PVOs have proven track records in other African countries and there is no reason to believe they both cannot be successful in their Nigerien efforts as long as continued funding carries them over the initial hurdles of training and village level organizational requirements. It is important to continue monitoring these two innovative approaches towards the establishment of viable village based financial intermediaries. They could both generate valuable lessons for reforming rural financial markets in other African countries.