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Access to Credit for Poor Women:

A Scale-up Study of Projects Carried Out by Freedom From Hunger in Mali and Ghana

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GEMINI

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Access to Credit for Poor Women: A Scale-up Study of Projects Carried Out by Freedom From Hunger in Mali and Ghana

through the

MALI INSTITUTIONAL DEVELOPMENT, ENTERPRISES, AND NUTRITION PROJECT

a project of:

ASSOCIATION MALIENNE POUR L'INSERTION PROFESSIONELLE DES JEUNES

and the

CREDIT-WITH-EDUCATION PROJECT IN THE KINTAMPO DISTRICT OF THE BRONG-AHAFO REGION OF GHANA

by

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EXECUTIVE SUMMARY

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

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

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

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

THE MALI AND GHANA PILOTS COMPARED

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

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

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

In Mali, in contrast to Ghana:

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

THE ACTION PLANS

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

- **An incentive scheme** to reward the work of the promoters based on performance; and
- A **plan to improve project efficiency** by changing the role of the senior promoters, from currently providing direct services to the associations to supervising "junior promoters" recruited among the village women.

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

- Resolving the late-payment problem;
- Tightening eligibility rules for the next loan;

- Developing a detailed plan for the staff to implement the action plan; and

- Reducing the size of future loans.

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

THE EXPANSION PLAN

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

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

RECOMMENDATIONS

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

Targeting

- The number of poor entering the associations needs to be monitored carefully. If the poor are not being incorporated, it reflects a problem in program design or in the orientation of the staff; and

- The village bank methodology seems best suited to trade. Longer-term loans for agriculture are inherently more risky because of drought and disease and require more technical assistance, thereby increasing project costs.

Credit

- To reach the poorer people in the community, the "rules of the game" — the size of the loan, and the loan terms — need to be biased in favor of the poor;

- Agencies that implement FFH projects should be very businesslike. They should expect that associations will work honestly and that the loans will be paid back. If the staff is strict, the associations will be strict as well;

- At the same time, these are not only business projects. FFH is offering a program that will better the community and each individual. If the staff expresses this vision with conviction, the associations will tend to adopt it;

- Associations should be encouraged to work out practical strategies that they develop themselves;

- Internal loans (the internal account) need to be carefully controlled. The Ghana experience has shown that it is too risky to give associations complete access to savings and principal payments; and

- To minimize the risk of saturating the local market, the safest strategy is to reach an appropriate number of borrowers in many communities with the same increasingly fine-tuned basic credit and education package rather than introducing new products or finding new market outlets.

Hunger-Related Education

- The most difficult part of the training seems to be to stop the educated staff people from lecturing and instead to encourage participation; and

- The next challenge is to have the field staff incorporate the problem-solving approach. The staff needs to move beyond presenting the information about hunger prevention and helping the group work out solutions.

Expansion

- The major challenge facing Freedom from Hunger is to demonstrate and document that large-scale, sustainable projects can be developed in a reasonable period with a reasonable level of investment, and are not just a theoretical possibility. The agency has already demonstrated that it can deliver credit and hunger-prevention education and that this package of services leads to positive change. Even though the Mali project is reaching close to 1,000 members, projects will have to reach several times this number to be cost-effective.

- The best institutional models for expansion are (1) the local private voluntary organization (PVO) partner (newly created or existing), which establishes branch offices over a wide geographic area (like Grameen Bank); and (2) an apex institution or central support facility, which is set up to support first a few and later many independent local PVOs or rural banks (as in the Ghana plan).

- In a credit-only project, branch offices or affiliates should be expected to generate enough income through interest charges and fees to pay for operations in three to five years. Apex institutions will probably require 7-10 years to break even. Because Freedom from Hunger adds hunger-prevention education to the credit package, break-even will take longer than with a credit-only project. This is understandable because project costs are higher. What is exciting about the Freedom from Hunger Credit-with-Education approach is the potential it offers for significant cost recovery on a project that delivers more benefits than a credit-only approach.

SECTION ONE

INTRODUCTION

Freedom from Hunger (FFH) is carrying out a bold experiment. It has transferred the village bank methodology developed by the Foundation for International Community Assistance (FINCA) in Latin America to an entirely different cultural context in Mali and Ghana. What is more, it has modified FINCA's credit-only methodology by adding hunger-prevention education as an integral part of the model. This reflects Freedom from Hunger's mandate to improve the nutritional status and household food security of the communities it works in, especially for infants and children and their mothers. If the village bank members were making more money, the agency reasoned, they could purchase more and different food. If they also had more self-confidence and hope for the future and if they were tied together in a supportive group structure, they would be more likely to change how they feed their children and themselves. It was within this context that education about nutrition was incorporated into the credit model.

The results of the experiment have been encouraging. In a recently completed A.I.D. Partnership Grant evaluation, in which randomly selected borrowers were compared with randomly selected members of villages that were not part of the Credit-with-Education program, it was observed that:

- In Mali 92 percent of the borrowers report quality-of-life gains, compared with 54 percent of the controls. In Ghana these percentages are 78 percent and 44 percent, respectively. (Quality of life was defined by the respondents [in order of frequency] as increased business income, increased other family income, and other factors such as the introduction to new ideas and improved family relations.)

- In Mali 86 percent of the borrowers report increased income, compared with 27 percent of the controls. In Ghana these percentages are 38 percent and 11 percent, respectively.

- In Mali 60 percent feel their families listen to them more, compared with 19 percent of the controls. In Ghana these percentages are 12 percent and 17 percent, representing a decline. In Mali 93 percent of the women feel more confident since participating, and in Ghana 60 percent do.

- In Mali 85 percent feel that the health and nutrition of their preschool children has improved, compared with 40 percent of the controls. In Ghana these percentages are 83 percent and 54 percent, respectively.

When association members in Mali were asked what changes the project had brought to the community and themselves, these comments were typical:

> Before the project, we had these activities and we sold part of what we produced. Now with the profits we are making we can give more to our families. Our families are eating better, and our profits are invested in the family.

> Before the only way women could get what we needed for ourselves and our children was to steal millet from our husbands. Now we have our own resources.
>
> Now we older women make sure the younger women change the ways they feed their children. We control the younger women. We can't have children but we can help the young.

This was a song that was sung at the end of one of the association meetings: "The women had little power before. But they dominate the men now since the project came. The women have more power."

In Ghana, where the associations were plagued by late payment, an undertone of frustration came through in the interviews, even though much that occurred was positive.

> The money is just not there. . . . Before, we could sell a bowl of gari for between 300 and 350 cedis. Now you can buy a bowl of gari for 150 to 180 to maybe 200 cedis.
>
> There have been changes but none of them are good. We lose weight thinking about how to pay the loans . . . . Many of us never had credit and we didn't know what it was to make a profit. Always having to be busy affects us.

Although there have been positive gains in both countries, compared to the controls, the changes in Mali are consistently higher than in Ghana. There may be significant cultural and socioeconomic differences between the program in the two countries that an anthropologist could ferret out, but we believe that most of the differences can be explained by the way the projects were implemented in the two countries.

THE TWO PILOT PROJECTS

Mali

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

The results in Mali appear to be on track for a start-up project using an untested methodology in a new country. In Mali the first loans were made in January 1989, and the program began to expand significantly in mid-1989. Personnel and systems are now in place for a significant expansion of the program, both within the Dogo area and in other regions of the country. By the end of 1996, FFH projects will reach 7,500 group members organized into 300 associations in three regions of the country.

Ghana

The results in Ghana were not so positive. Freedom from Hunger first began working in Ghana in late 1987, in close collaboration with the Kintampo District Health Management Team. The project was to develop a model for community outreach by the Ministry of Health for growth monitoring and promotion, immunization, and improved health-care delivery.

In February 1990, FFH initiated its Credit-with-Education project in the Kintampo District of the Brong-Ahafo Region. By April 1991, 16 credit associations with 444 women borrowers had been organized in two villages. This demonstrated both the need for credit and the appropriateness of the methodology for this population. There was enthusiastic support for the project and, until March 1991, loan repayment was 100 percent on time.

By the time of the first GEMINI evaluation visit in June, however, loan payment had declined to a critical level. The latest statistics (January 1992) show that while $69,903 has been lent since the start of the project, $17,958 or 26 percent is overdue. Only 121 borrowers have paid their loans in full, and minimal payments have been made since June. By October 1991, few of the associations were meeting, and for those that were meeting attendance had dwindled to 25-30 percent of the members.

FFH and the local staff developed two detailed action plans for Kintampo, but few of the conditions specified in the plans were met. A final factor was the lack of an effective local entity to take over the project. The Kintampo Rural Bank, which was slated to manage the project in Kintampo, did not take the leadership role in loan collection that was expected, and was itself in danger of folding. After a careful assessment of the situation, FFH decided to phase out the project.

FFH will continue its Credit-with-Education project in Ghana, but this time with the knowledge of how to run successful projects gained through its Mali pilot project. Credit-with-Education will be carried out through rural banks that have been carefully selected for their interest in the project and their financial strength and management capacity. If the expansion goes as projected, by 1996 the program will work through four rural banks and serve 5,240 borrowers organized into 175 associations. (The projections are presented in Section Five and in Annex I.)

While phasing out the project in Kintampo has been difficult for FFH, and of course for the villagers, the pilot in Ghana has taught invaluable lessons in the way to carry out small-enterprise development in an African context. By contrasting the Mali and Ghana experiences, practitioners can avoid pitfalls and adopt strategies that are more likely to be successful. From our perspective as evaluators, nothing in the Ghana (or Mali) experience indicates that poverty lending is inappropriate. The experience does show, however, that certain "laws" of poverty lending must be followed if projects are to be successful. These include keeping loan sizes small, frequent repayment on the loans and peer-group analysis, approval of loan activities, guarantee of loan repayment, and, above all, good management.

The remainder of this report is divided into the following sections:

- Section Two: **THE FREEDOM FROM HUNGER PROJECT METHODOLOGY.**
- Section Three: **THE MALI AND GHANA PILOTS COMPARED:** Discusses why the outcomes of the project were so different at the two sites.
- Section Four: **THE ACTION PLANS:** Outlines the recommendation for changes in the two pilots that were developed during the evaluation.

- Section Five: **THE EXPANSION PLANS:** Presents five-year plans for the expansion of the two pilot projects.

- Section Six: **ASSESSING THE FUNCTIONING OF THE ASSOCIATIONS AND THE IMPACT OF THE PROGRAM:** Summarizes the impact of the program on the project participants.

- Section Seven: **RECOMMENDATIONS AND CONCLUSIONS:** Presents recommendations to Freedom from Hunger on what the Ghana and Mali pilots imply for their Credit-with-Education projects, and a concluding comment.

SECTION TWO

THE FREEDOM FROM HUNGER PROJECT METHODOLOGY

Freedom from Hunger wanted to test its high-performance programs in its Mali and Ghana pilots — programs that would:

- Reach poor women;
- Provide an effective service in credit and hunger-prevention education and household food security;
- Deliver this service efficiently in terms of costs per beneficiary;
- Expand to reach significant numbers of borrowers;
- Repay the bulk of operating costs through interest charges;
- Strengthen local institutions; and
- Develop broadly replicable methodologies that could be implemented elsewhere.

In designing its project FFH drew heavily on the FINCA village banking methodology. Village banking was chosen over other models, such as the Grameen Bank, because it delegated the most responsibility to village associations and held out the promise that the village associations could become self-managing. The methodology comprised the following components:

- The distribution of small loans and meeting the minimal credit needs of clients, with the possibility of additional loans in the future;
- Credit provided on a short-term basis with repayment through regular installments;
- Restricted use of loans for productive activities enhancing real levels of income;
- Use of loans determined by the applicant but limited to activities that are familiar to them and do not require costly training or technologies;
- Credit provided for the production of goods and services that rely on local inputs and have readily accessible markets;
- Loans made to individuals to promote personal responsibility, but administered through borrower groups made up of self-selected peers who are jointly responsible for repayment; and
- Activities financed through loans determined by these peer groups and not by expensive feasibility studies.

One significant modification of the FINCA model by FFH was to break down the associations into borrower groups of approximately five members. By banding small borrower groups into larger credit associations, the FFH model benefits from the advantage of:

- Bringing together groups of women who know one another, which makes joining an association less intimidating for the poorest women and minimizes the risks of delinquency;
- Reinforcing the management of the association because accountability is delegated to smaller groups; and
- Improving the loan-review process because the loan applications are discussed in the smaller groups before they are approved by the association as a whole.

The methodology used in both pilots was substantially the same and is summarized below. Any differences are noted in the text.

STRUCTURE AND DESIGN

The Credit Associations

The design of the pilots is based on the flow of capital between three levels: from FFH and other sources (potentially banks that will, ideally, provide some if not all of the capital inputs at some point) to the local programs; from the program to individual associations; and from the associations through their own internal administrative committees to individuals within the solidarity groups, which together form the membership of the association.

Individual loans made to the associations are repayable in full at the end of a predetermined period (four months in Mali and six months in Ghana). Each association is free to organize how the money is managed internally, and this allows for a potential fourth level of credit flow, as money repaid may be lent out as additional loans (or "internal loans") to either members or other people in the community.

Each community participating in the program may operate any number of associations, depending on its size and the interest of women in the village. Normally, associations are made up of three to seven borrower groups, each with a membership of five or six women. In Mali, for example, the average size of an association is approximately 30 people. Men may also participate in the program in Mali, although they are limited to 15 percent of the total membership of any one association. (In Ghana the program is exclusively targeted to women.)

Each borrower group appoints a leader to serve on an internal management committee of the association. From these individuals, an executive committee is elected by the members, comprising a president, treasurer, and secretary. (In Mali the program stipulated that all of the presidents must be women. However, many of the associations have men as their secretaries because of their reading and writing skills.) In cases in which there are no literate members, an outsider can be hired to keep the records of the association. The president and other officers preside over the meetings and are jointly responsible for facilitating and managing the affairs of the association. In practice, they are assisted by the field staff, who are also present at the meetings, although decision making remains wholly in the hands of the group members.

Loan Management and Internal Funds

The internal management committee is also responsible for the disbursement of loans. This is done once the proposed loan activities have been approved by the member's borrower group and then the association as a whole. Once all the loan applications have been approved, a loan for the total amount is made to the association by the local organization carrying out the project.

For loans made to individual members, installments are made on a weekly basis. These payments include not only the repayment of the principal, but also additional interest fees and mandatory savings. The money collected by the Associations within the four- or six-month loan cycle is called the internal fund, and is at the disposal of each group until the end of the loan cycle, when repayment is due.

Groups are encouraged to invest this money in the form of higher interest loans to their own members, outsiders, or to some other income-generating activity such as grain storage for sale during the hungry season. Rules on how these monies are managed, and penalties for failure to repay, are determined by each association, insofar as they do not conflict with the overriding objectives set out by the program.

Training the Groups

The program staff is introduced to the credit system through the Community Bank Learning Game developed by Freedom from Hunger. The game recreates the major events of one complete community bank loan cycle in six sessions and provides an opportunity for staff to lead interested community women through the simulated loan cycle. Participants learn how the credit system is organized, conditions and procedures for receiving credit, and methods of loan fund management. Once the staff has been oriented and trained through the Community Bank Learning Game, subsequent orientation for new associations is done through a shorter version of the game.

During this orientation process, the time, date, and place of the registration meeting is announced. All those interested in forming an association must present themselves at the registration meeting with their borrower group of three to six women who will guarantee one another's loans. All must be established residents in the community, and each must have in mind an income-generating activity to pursue with a loan. The names of all the women who want to form each association are recorded. The potential members are informed of the steps they must take and the requirements they must meet to form an association, and a schedule of four weekly training meetings is set.

During the four training sessions, the program staff helps the potential borrowers organize their association, learn the rules and procedures for approving loans, and learn how to manage the association accounts.

The first training session is concerned with the organization of the association. The staff reviews the rules for participation. The borrower groups select their leaders, who become officers of the association. From among these officers, the entire association elects a chairwoman, a treasurer, and a secretary/bookkeeper. Passbooks are distributed and the association begins collecting savings from its members. The collection of savings continues on a weekly basis during the training process and throughout the loan cycle.

During the second training session, the staff describes the procedures for loan approval and repayment. They provide guidance to the borrowers on how to analyze the viability of their proposed income-generating activities and demonstrate how loans are approved, first by the borrower group and then by the association as a whole. By the end of this session, the association members should understand the importance of careful selection and approval of loan activities.

The third training session covers the village-based accounting system and the management of the internal funds. Association members are introduced to the issues related to the use of funds accumulated through repayment of program loans (the external account) and through their own savings, fees, and other earnings (the internal account).

The fourth and final training session is concerned with establishing the rules of the association and determining how to deal with noncompliance. First is a program staff review of all the program's mandatory rules concerning membership, fees, election of officers, weekly meetings, loan approval, disbursement and collection of money, loan size, interest charges, weekly payback, and sanctions for noncompliance, ensuring that the members understand and agree to them. The association is assisted in formulating additional rules concerning its internal loan procedures and in developing systems for enforcing all program rules.

The inauguration of the association takes place the following week. The loan agreement between the program and the association is read and signed. Officers are sworn in and the loan request approved. Finally, the first loans are disbursed to the association members.

Education

During each weekly meeting of the associations, promoters facilitate education sessions about credit management, group solidarity, and hunger prevention. These education sessions go beyond traditional lecture-style education and follow a problem-posing, participatory format of role play, visual aids, open-ended questions, and discussion. The education sessions begin with the presentation of a problem. For example, association members will be asked to act out a role play between two women discussing why a child is thin and obviously not thriving. The role play or a visual aid makes the problem obvious and sparks discussion of possible causes and their solutions. The promoter motivates the association members by asking a series of open-ended questions meant to encourage exploration of possible solutions and commitments to behavior change. The method is flexible and can be used to adapt preselected topics to local conditions. For example, sessions deal with problems related to analyzing frankly the loan proposal of a friend, or the risks of selling products on credit, or difficulties getting a seven-month-old to eat solid foods. The sessions take 15-30 minutes. The same topic may be discussed for several sessions as obstacles to behavior change are identified and explored in greater depth.

STAFFING AND ADMINISTRATION

Mali

In Mali the field coordinator supervises the four senior promoters. Her activities are supervised by the program director, who spends approximately 80 percent of his time on the project. (The field staff are all university-trained women. The program director is a university-trained man.) The field coordinator is responsible for addressing the problems senior promoters encounter, providing ongoing training and guidance in the problem-posing technique for addressing both credit and health issues, and reporting on progress formally and informally to the program director. The senior promoters orient new borrower groups, attend and assist at meetings, work with group members to deliver hunger-prevention education messages, and report formally and informally on progress to the program coordinator. The senior promoters describe the preparation of health messages with borrower group members as time-consuming though effective. They also note that rapport must be established with the village informally as well as in the context of the group meetings.

Ghana

In Ghana the associations are supervised by six staff members seconded from the Ministry of Health and one from the Ministry of Community Development, who work with the Credit-with-Education project part-time. They are assisted by the manager of the Kintampo Rural Bank, who is an advisor to the project. The staff's responsibility for the credit program is added to its already extensive work in more traditional nutrition education in other villages of the region. The Kintampo staff is backed up by the FFH director in Accra and an FFH accountant/administrative assistant and driver based there.

SECTION THREE

THE MALI AND GHANA PILOTS COMPARED

There was no obvious reason why the Mali pilot should have been more successful. Both pilot projects worked with rural African women, both had the same objectives, and both used substantially the same high-performance methodology. If forced to choose, an outsider would have predicted that the pilot in Ghana would have been the winner. The economy in the Kintampo region of Ghana is further developed than the Dogo region of Mali, and access to markets is far easier. Goods move by tractor and truck in Kintampo, and by donkey and bicycle in Dogo. Fields are plowed by tractor in Kintampo; they are plowed by donkey and the short-handled hoe in Dogo. Kintampo has reliable rain; Dogo is on the edge of the Sahel.

To understand the differences between the two projects requires a more fine-grained analysis. By looking at the details of project design and implementation, we can, with the enormous advantage of hindsight, detect the flaws in the Ghana pilot project that ultimately led to its decline. If we had arrived only two months earlier and noted the 100 percent loan repayment rate and the enthusiasm of the villagers, it is doubtful we could have predicted what was to happen in Kintampo.

A more detailed analysis of the two projects involves examining them along three dimensions:

- **Activities Financed:** the types of economic activities that received funding;
- **Product:** what the project offered to the women in the villages; and
- **Delivery and Management:** how the product was actually delivered to the associations by the field staff and how the field staff was (or was not) supported in its work.

ACTIVITIES FINANCED

The small short-term loans provided through village banking projects work best when used for trading in economies in which a market exists for the goods provided for sale. Trading has several advantages: the goods sold provide a quick source of cash, which can be used to pay the loan; and the risk is small compared to agriculture, in which crops can be devastated by pests or drought. For the program, the advantage of funding trading activities is that it obviates most of the need for technical assistance.

In the Mali pilot virtually all the loans were used for trading, mainly for rice and sauces that the women prepare, plus numerous other products such as salt. Since the Dogo region is the "breadbasket of Mali," traders from the country's major cities come to Dogo's village markets to buy. Many women began selling on a significant scale for the first time with the loans they received (if $30 can be considered a significant scale), but, although they were questioned about whether the market was saturated with so many new sellers, few felt that this was a major limiting factor. Eighty-six percent of the women participating in the program report increased income compared to 27 percent of the Mali controls.

In the Mali pilot, then, there was a good fit between the terms of the loans (four months) and the use of the funds.

In the Ghana pilot, although many of the women said they were going to use their loans for trade, most actually invested their money in their yam and cassava farms and in the production of gari. (Gari is processed cassava and is generally used in school feeding programs.) The investment in gari production paid off the first loan cycle. The price for gari was high because the school was in session, and the women processed the cassava that they had already planted, so the cost of their raw materials was low. Loan repayment was 100 percent for the first cycle of six-month loans.

Encouraged by their success, the women took out larger six-month loans and again invested in gari production, but this time the outcome was entirely different. Lacking their own cassava to produce gari, since it had not had time to mature, the women tractored in high-price cassava from other villages, greatly increasing their cost of production. What was worse, when their product was ready for sale, school was not in session, so the price of gari plunged. Not surprisingly, some women stopped paying their loans. Recognizing that future access to credit required 100 percent repayment, most of the women stopped paying even if they could have done so, seeing their future access to credit in jeopardy. According to the AID Partnership Grant study, 38 percent of the participants in Ghana say their income has increased since they joined the project compared with 86 percent in Mali. In Ghana there was a poor fit between the loan terms and the use of funds.

THE "PRODUCT"

Successful village banking is predicated on starting with very small, short-term loans that are carefully and conservatively managed by the group. The methodology also permits the principal and savings mobilized by the group to be reloaned to group members and outsiders (internal loans) as long as these loans are canceled at the same time as the loans due to the project. The internal loans must also be managed carefully or the group will not have the money it needs to repay its loan to the project.

In Mali there was a correspondence between the amount of capital the women were accustomed to managing and the size of the loans. The women on average invested \$6 in their businesses before they joined the project. Two or more loan cycles later the average loan was only \$28, and loans as small as \$5 were granted. Many members sat out loan cycles so they would not incur debt they might find difficult to repay. Internally generated funds were either not loaned at all or were invested in communal undertakings such as cereal banks. The grain stored could be sold during the hungry season. Between 25 and 50 percent of the internal funds were reinvested and the rest were kept on reserve. Records were kept conscientiously and were closely monitored by the field staff.

In Ghana the size of the initial loan was \$100, an amount considerably larger than that for Mali. The initial loan ceiling was set at this level because of the Ghanaian women's considerably greater involvement in the market economy and the fact that the majority of women farm their own land. A 1989 household economic survey in one of the credit villages found that in a sample of women the average per annum cash outlay for farming and agricultural processing was \$42. At the urging of staff and borrowers, the loan sizes were set to allow for investment in farming and commerce. However, virtually all members of all associations in Ghana took the maximum external loan allowed. Unlike Mali, where loan sizes varied considerably, it did not appear that loan amounts reflected judicious estimates of the genuine working capital needs of the women borrowers.

As one woman put it, "These loans are so big; we've never seen this kind of money before."

The ability to take out internal loans in addition to external ones compounded the problem of the too-large loans. Although the rules stipulate a size limit on internal loans and state that an internal loan must be repaid before another can be taken, these rules were often broken. Many members took out internal loans to make payments on their project loans. Although they were up-to-date on their loans to the project, they fell disastrously behind on their internal loans.

Interviews with the borrowers made it clear that the borrower groups did not feel that it was appropriate to question any member's decision about loan use. The group screening process was therefore ineffective. Second, many women felt obligated to turn their loans over to men and relatives who put pressure on them; they were then unable to collect when repayment was due.

The success of the group lending model is based on the group's strong belief that repayment is important and on the effectiveness of peer pressure. Because no group member can receive a new loan until all have repaid their old loans, and all members are responsible for any member's defaults, pressure is exerted on late payers by borrowers who have repaid their loans and want new ones. However, when repayment begins to be perceived as unimportant, the model "tilts." As their peers stop repaying, members perceive repayment as a foolish choice because they (1) will not receive more loans anyway, (2) will be held responsible for their peers' defaults regardless, (3) will lose access to the capital they currently have if they repay, and (4) will not be subject to the group's displeasure if they do not repay (since defaults are becoming the norm).

A final factor explaining the poor performance of the associations is the poor quality of the records they kept. It was difficult to know with certainty who had paid.

Interviews with association members and field staff indicated that as some members became unable to repay, they refrained from attending meetings out of shame or fear, rather than discussing their situation with the group. As the associations felt they had lost control over these members' attendance and repayment, they became discouraged. In response, attendance declined, which further undermined the group-pressure mechanism.

DELIVERY AND MANAGEMENT

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

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

These were the principal differences in service delivery and management:

1. **Acceptance of the model:**

   Mali: The staff bought into the model as presented and worked to perfect it.

   Ghana: The staff never accepted the idea that loans should be short term, that the project should focus on commerce, and that the loan size should be so small. The local staff worked at cross-purposes with the FFH headquarters office.

2. **Directors:**

   Mali: The project director is highly committed to the project. He has outstanding rapport with the field staff and has an intuitive understanding of what the project is attempting to accomplish.

   Ghana: The project director is a nutritionist who has little interest in the subject of economic development. His leadership style tends to be erratic and paternalistic, which leads to confusion on the part of the field staff.

3. **Understanding of roles:**

   Mali: The staff members have a clear understanding of what their roles are, and they continually meet to clarify how they are going to work with their associations. Their objectives are to develop the capacity of the groups, to insure that the loans are repaid, and to educate the members. The staff seems to perceive problems not as obstacles but as challenges to be puzzled through.

   Ghana: There is lack of "ownership" of the project by the field staff. The staff members somehow understood through their training that they did not have the right to step in and strongly enforce program rules and that they were not authorized to advise the groups. Consequently they took little action when the groups began to falter.

4. **Staffing:**

   Mali: The sole responsibility of the university-trained staff of four senior promoters, their coordinator in Dogo, and the project director in Bamako is to carry out the FFH-sponsored project. They have time to focus on nuts-and-bolts implementation problems.

   Ghana: The major responsibility of the six seconded staff members from the Ministry of Health is to carry out a health and nutrition program in a large number of villages. Credit-with-Education was added to their other work. The plan was that community volunteers would carry out the nutrition component, but the volunteers never took on these responsibilities. The Ministry of Community Development also never fully seconded to the project the staff person for Credit-with-Education, so she was often called back to her office. No one on the team had time to focus exclusively on credit.

The Ghana experience shows that it is unrealistic to add an ambitious credit project to an already-existing program. The staff needs to focus exclusively on credit.

5. **Accountability:**

Mali: Each senior promoter is assigned specific associations he or she is responsible for.

Ghana: Staffing is irregular. Staff members are not assigned to specific associations; consequently there is little accountability.

6. **Start-up:**

Mali: The project grew slowly, so the staff has learned how to promote the project and train groups before the number of associations increased.

Ghana: The project started very fast. In a period of a few days 183 borrowers were organized into six associations in a single large village. (This village is four or five times larger than a typical Dogo region village.) The staff members did not have time to learn before they were involved in full-scale project implementation.

7. **Meetings:**

Mali: Meetings of the associations are held on different days so senior promoters can attend all the meetings.

Ghana: Many meetings are held on the same day and at the same time so the field staff can visit only a few associations on a regular basis.

8. **Lack of alternative sources of credit for men:**

Mali: Men in these villages have access to agricultural credit at low interest rates. They have little need to pressure the women to hand the loans over to them.

Ghana: As there are no alternative sources of credit, men often pressure the women to give them the loans.

The management and delivery of the project at each site, in addition to the loan package and the types of activities the loans were financing, go a long way to explain the different outcomes of the two projects.

SECTION FOUR

THE ACTION PLANS

Once the projects were evaluated, the next step was to develop an action plan jointly with the staff. Not surprisingly, the action plans developed for Mali and Ghana were completely different. The Mali action plan focused on strategies to improve project efficiency. The Ghana action plan focused on the project's survival.

THE ACTION PLAN FOR MALI

The evaluation concluded that although the results of the project were exemplary, the costs per association would have to be reduced several-fold as the project moved beyond the pilot phase and expanded to reach many more villagers. The project staff and the team worked closely together to develop an expansion plan that was ambitious yet realistic. The action plan had two components:

- **An incentive scheme** to reward the work of the senior promoters based on performance. If the senior promoters were rewarded for the results of their work, it was believed, they would constantly strive to use their time more efficiently. Incentive schemes for microenterprise projects had been tested with considerable success in several countries, including the BKK project in Indonesia and in some of the ACCION International projects in Latin America.

  The advantage of the incentive system is that it promotes worker productivity and provides concrete standards for evaluating staff performance. A carefully designed incentive system can reduce problems of corruption, such as a promoter financing "ghost loans" where fake loans are booked and the staff person pockets the funds. When income is tied to loan repayment, these problems tend to disappear.

- **Improving project efficiency** by changing the role of the senior promoters from providing direct services to the associations to supervising junior promoters recruited among the village women, who would do most of the same work but at a much lower cost; the junior promoters would be paid according to their performance.

The Incentive Scheme

After considerable discussion with the team in the field, it was decided that the performance of each senior promoter would be based on three factors:

- The number of borrowers in the associations she supervised;
- The loan repayment rate; and
- The percentage of group members either learning about or adopting certain hunger-prevention practices.

The senior promoters who supervised the junior promoters would be paid an incentive based on the performance of the junior promoters they oversaw plus the number of new associations they created themselves.

Improving Project Efficiency

The plan also suggested the following activities to improve efficiency:

- Streamline the process of training and supervising each association so that in the first year the staff time required would be reduced from the current 44 days to about 20. This would be accomplished by reducing the number of staff members attending the three-day learning-game exercise from five to two and completing the game in less time. Also, promoters would gradually reduce the number of visits to association meetings from weekly to monthly, based on performance of the associations;

- Categorize the associations into three groups: "A": those that were strong enough to be visited once a month; "B": those that would be visited twice a month; and "C": those that would be visited three or more times a month. The schedule of visits of the senior promoters would be programmed according to these categories. The criteria for categorizing associations would include percentage of loan repayment, self-management capacity (accurate bookkeeping, adherence to association rules, and so on), group solidarity, and members' hunger-prevention knowledge and practices;

- Review weekly the books of the associations whose promoters attend association meetings less than once a week to insure records were filled in correctly.

- Recruit and train an initial group of 12 junior promoters so they would be ready to start their work supervising the associations in 1992;

- Track and regularly assess the time management and productivity of staff members to promote their effective supervision of a maximum number of credit associations; and

- Establish a system for tracking progress toward financial self-sufficiency of the Dogo unit by establishing a local record-keeping system to record income and expenses.

THE ACTION PLAN FOR GHANA

A detailed action plan was drawn up to resolve the problems facing the project. These problems were discussed at length among the local staff and the team members. As a first step, FFH's Regional Specialist for Africa, Mark Gizzi, was to be assigned to the project to oversee the performance of the local staff and the Kintampo Rural Bank.

More specifically, it was decided that actions would be taken in these areas:

1. Resolution of the late-payment problem:

    - Develop an action plan for resolving the late-payment problem for each group;

- Staff to visit the villages three times per week to collect on the loans;
- Staff to attend weekly meetings; and
- No new loans to be granted until external and internal loans are repaid.

2. Eligibility rules for the next loan. Members must:

   - Attend at least seven of the next eight meetings and arrive on time;
   - Make payments each week;
   - Be up-to-date on their loan payments;
   - Be approved for continuing membership by the group, which will screen out members based on their attendance and payment records; and
   - Have their business ideas approved by the group.

3. Staff role in implementing the action plan:

   - Staff to be assigned to specific associations to insure accountability;
   - Meetings with the associations to be rescheduled so that staff can attend all of the meetings during this eight-week period;
   - Each group's records to be reviewed to make sure transactions are recorded accurately;
   - New pages in the record books to be created to record additional loan payments and savings;
   - The group to review the performance of each member to decide who will be eligible for new loans;
   - The bylaws of each group to be restructured to reflect what has been learned;
   - The management structure of each association to be reviewed and the group will elect new officers if required;
   - The group to decide which types of loans will not be financed;
   - At least four hunger-prevention sessions for each association to be held during this eight-week period; and
   - Similar efforts to be carried out in Gruma Akuraa to make sure these problems do not occur there.

4. Future loans:

- Maximum loans in Ntankoro to be reduced from 40,000 cedis to 15,000 cedis to build confidence in the capabilities of the associations. Before they received their loans most of the women capitalized their businesses at between 6,000 and 10,000 cedis. Forty thousand cedis often represented a four-fold increase in their capital, so it is not surprising that these funds were not managed well.

- The loan cycle to be kept at six months to discourage inherently risky agricultural loans.

- Loans to be repaid in weekly installments. This avoids the problem of making a large payment at the end of the loan cycle.

- Internal loans to be limited to 5,000 cedis and repayable in one month.

- Half of all principal, interest, and savings payments to be deposited in the Kintampo Rural Bank in a group account to reduce the possibility of overcapitalizing the businesses.

- To be eligible for a new loan, all internal and external loans would be canceled in their entirety and attendance at meetings to average 75 percent for the association over the year.

- The grace period for the loans would be eliminated and borrowers would start their payments immediately to strengthen discipline within the groups.

- Members would not be eligible for larger loans unless their savings remain in the association account.

If this plan had been carried out as intended, it would have been possible to turn the project around and continue its expansion from Kintampo. When the plan was reviewed at the time of the second GEMINI trip in October, it was evident that many of the recommended changes had not been carried out. Loan payment had not improved significantly, many of the groups were no longer meeting, and the Kintampo Rural Bank had not taken the expected lead role in loan repayment and was itself in danger of folding. A second, last-ditch action plan was developed that would radically restructure the program to work with the most motivated borrowers, but this plan soon lagged behind schedule. After a careful assessment of all the options, Freedom from Hunger decided to phase out the Kintampo project.

SECTION FIVE

THE EXPANSION PLANS

MALI: EXPANSION OF STAFF AND DELEGATION OF TASKS

The expansion plan that emerged from the discussions with the senior promoters and the project director was based closely on what the Dogo team had accomplished since the inception of the project two-and-a-half years earlier. During this period the team of four senior promoters and their coordinator had organized, trained, and supervised 38 associations with 916 borrowers while achieving a loan repayment rate of 95 percent. (In addition, the associations included another 100 to 200 members who were depositing their savings each week but who did not currently have a loan.) At the same time, through the implementation of a unique education system in which basic nutrition lessons are role-played by the villagers under the direction of the senior promoters, the nutrition-related knowledge and practices concerning feeding and caring for infants, children, and pregnant and lactating women improved notably.

The key to the expansion plan was delegating the tasks the senior promoters had carried out themselves to junior promoters, who would do essentially the same work at a fraction of the cost. In 1992 the four senior promoters would each supervise three junior promoters; the number of junior promoters supervised by the senior promoters would gradually increase to five in 1996.

This was the plan that was developed for the Dogo region:

1992: By late 1992, the 12 junior promoters who had been trained during the year would be assigned in teams of three to each senior promoter. Each junior promoter would initially supervise the "A"-level associations the senior promoter was currently working with, while the senior promoters developed new associations and supervised "B"- and "C"-level associations. By the end of 1992, the program in Dogo would be working with 64 associations and 1,600 borrowers.

1993: During 1993, the four senior promoters working with the same 12 junior promoters would be working with 96 associations with 2,400 borrowers.

1994: During 1994, four more junior promoters would be trained and begin to work so each senior promoter would supervise four junior promoters. By the end of the year, the program would be working with 120 associations with 3,000 borrowers.

1995: By the end of 1995, the program would be working with 150 associations with 3,750 borrowers.

1996: During 1996, four more junior promoters would be trained so each senior promoter would supervise five junior promoters. By the end of the year the program would be working with 190 associations with 4,750 borrowers.

In 1994 the program projects it will begin operations in a new region of the country, and in 1996 a third region will be added. The entire program will expand to 140 associations with 3,500 borrowers in 1994, 200 associations with 5,000 borrowers in 1995, and 300 associations with 7,500 borrowers in 1996.

A coordinator for each zone will oversee the operations of all the field staff. He or she will facilitate activity planning and establish staff duties, distribute and recover loans, provide training for staff in credit management and education techniques, maintain the monitoring system for credit and education, analyze reports, and provide feedback to the team on performance.

Senior promoters are the "on-the-ground" organizers of credit associations. They have a university education and have been extensively trained in Credit-with-Education methods. At the outset, they provide initial orientation to the community, train credit-association leadership, and facilitate education sessions. An essential component of the senior promoter's role is promoting participants' "ownership" of their credit association and guiding their ever-growing involvement. As activities expand, senior promoters gradually withdraw from week-to-week contact with the borrowers until they visit the mature associations on a monthly basis and leave primary responsibility for weekly interactions with credit associations to junior promoters. Each senior promoter will supervise a maximum of five junior promoters.

Junior promoters will be villagers drawn from the leadership of mature credit associations. They will assist the field agents in starting and training new associations, then continue assisting the associations as they develop and mature, providing liaison between the senior promoters and the program. As credit associations mature, junior promoters will progressively reduce the number of visits to these associations to a biweekly, then monthly, schedule. Junior promoters will supervise, at maximum, 10 credit associations located in five nearby villages or hamlets. They will be provided with bicycles for transportation to these villages.

Because the Mali program population suffers from a very low educational level, field agents and community promoters will be assisted by a roving bookkeeper who will provide training to association officers in bookkeeping and will monitor credit association accounts and loan repayments.

A deputy director for program operations will be hired to assist the program director when a third region is added, which is scheduled for 1996.

In financial terms this is what this expansion plan implies for the entire Mali operation, including three regions:

- Program expenses will increase from $131,300 in 1992 to $312,400 in 1996, assuming a bank interest rate of 10 percent per annum, a program interest rate of 24 percent, a default rate of 2 percent, and an average loan size of 15 per borrower percent per cycle (there are three loan cycles in a year).

- The loan portfolio will increase from $75,000 in 1992 to $696,600 in 1996;

- Program revenues after losses will increase from $10,100 in 1992 to $108,600 in 1996; and

- The percentage of expenses covered by income will increase from 7.7 percent in 1992 to 34.8 percent in 1996.

The total program costs are relatively high. It should be remembered that these include the education component, start-up costs for new regions, and the costs of developing institutional relationships with partners and funders, as well as program advocacy.

It is more useful to consider Dogo and future regions as potential high-performance units. The overhead costs for delivering both credit and education in the Dogo region alone, excluding the Bamako, will increased from $57,000 in 1992 to $121,000 in 1996. Assuming an increase in loan size of 15 percent per cycle, the progress toward achievement of financial self-sufficiency is encouraging:

- The loan portfolio will increase from $75,000 in 1992 to $566,000 in 1996;
- Program revenues after losses will increase from $10,000 in 1992 to $91,800 in 1996; and
- The percentage of expenses covered by income will increase from 17.7 percent in 1992 to 75.7 percent in 1996.

If the program in Mali reaches this level of performance, it will have solidly demonstrated that poverty lending can reach scale in an African setting and make significant progress toward financial self-sufficiency in a reasonable period of time. This is very promising for a program that delivers hunger-prevention education as well as financial services.

It is estimated that without hunger-prevention education, which requires that promoters attend more credit association meetings than would be otherwise necessary, the program would cover all of its costs by 1996.

FFH is negotiating a USAID grant from the Mali mission for $1.5 million to fund the expansion process. At the same time, FFH is negotiating with three Malian banks to provide the loan funds: the Bank of Africa, the Banque Internationale pour l'Afrique de l'Ouest, and the Banque Nationale pour le Développement Agricole (BNDA). The BNDA is the most promising because of its experience and extensive outreach in rural areas and the relatively low interest rates it offers on loans. There is a strong possibility that this line of credit will be granted early in 1992.

The first challenge in the expansion process is to create a new Malian private nonprofit organization to manage the expansion. AMIPJ may not be the appropriate agency to lead the expansion effort. The future requirements for strong technical assistance capacity and financial management systems, as well as focused, effective decision making, make it seem risky to continue with an agency that manages by loose consensus, has a small-projects approach and inexperienced staff, and whose management systems are not suited for grassroots credit-project management. The legal procedures for creating the new organization are well under way.

GHANA: A LONG-RANGE EXPANSION STRATEGY THROUGH THE RURAL BANKS OF GHANA

Now that the Kintampo pilot is being phased out, the FFH staff can focus on the expansion of the project in other parts of the country. The preferred strategy is to identify strong, well- managed rural banks that are interested in reaching the poorest strata in their communities and implement the project through them. FFH will create a central support facility that will service the rural banks participating in the program. The identification of appropriate rural banks has already started and five strong candidates have been identified.

There are strong reasons to work through the rural banks. There are currently 122 rural banks scattered mainly throughout the southern regions of the country, each operating as an autonomous institution, so there is potential for creating a model that could reach a significant percentage of the disadvantaged population.

The rural bank program was started in 1976. The original objective of the government in creating the rural banking system was to provide a source of credit as an alternative to the informal moneylenders whose high interest rates were thought to impoverish rather than empower rural entrepreneurs. These banks were also created to mobilize rural savings, which could be transformed into lending opportunities rather than being siphoned to urban areas by the commercial banks. They were also perceived as development banks and intended to support community initiatives.

The central support facility in Ghana will provide technical assistance and training to the rural banks to establish the Credit-with-Education system, and assist them to gain access to capital for the loan funds. The support facility will be staffed by a program director and accountant/administrator hired by FFH.

The relationship of FFH to the participating rural banks would be structured as follows:

- FFH would provide half of the Credit-with-Education loan portfolio in the first three years the bank collaborates with the project, and one-third of the loan portfolio for the following two years. The participating bank would provide the balance of the funding for the loan portfolio;

- FFH would pay for a full-time project officer for the Credit-with-Education project who would be an FFH employee seconded to the bank. The project officer's sole responsibility would be the Credit-with-Education portfolio. The project officer would be responsible for supervising loan repayment, the hunger-prevention training at the association meetings, and the performance of the junior promoters. The payment of the project officer would be based on the number of loans and their repayment and the success of the hunger-prevention education sessions;

- FFH would pay the salary of one junior promotor for each 300 borrowers. The junior promoters would receive a base salary plus a major incentive for the number of borrowers brought into the system, for loan repayment, and for the hunger-prevention education sessions. The junior promoters would also be FFH staff seconded to the participating banks;

- FFH would train the participating bank staff and board in the project methodology. The initial training period would last three weeks and involve becoming familiar with the process of training the associations through intensive role-playing, and carrying out training and follow-up activities in the field under the observation of experienced staff;

- FFH would provide two motorcycles for each participating bank, one for the bank's current project officer and the other for the Credit-with-Education project officer. FFH would also provide gas and maintenance for the two motorcycles, and small equipment such as typewriters and adding machines;

- FFH and the rural bank staff would evaluate the project every six months to review progress and to make the necessary modifications. FFH's continued participation in the project would depend on whether the participating bank met the performance standards in terms of the number of associations organized, trained, and financed; the repayment rate on the loans; and the adequacy of the hunger-prevention education component. A series of specific benchmarks (such as numbers of borrowers, repayment rates, and cost recovery) would be set up for the participating bank to reach before FFH would provide additional resources; and

- The project would be audited on at least an annual basis to ensure that funds were properly managed and accounted for.

Freedom from Hunger would retain control over the project methodology and would retain the right to evaluate and, if necessary, dismiss the staff it pays for.

The participating banks would provide the following:

- The remaining portion of the Credit-with-Education program loans;

- Supervision of the Credit-with-Education project officer and junior promoters; and

- Tracking of project loans and project-related bookkeeping.

The plan is structured to balance the advantages to the bank with the serious commitment of bank resources and managerial capacity to the project. These were seen as the major reasons why the banks would take on this project:

- It would attract international attention;

- It would serve as a model for other rural banks;

- It would fulfill the rural bank mandate to serve the community;

- It would mobilize significant new savings for the bank;

- The bank would receive above commercial rates of interest on resources they invested in these loans. The loans would be more profitable to the bank than government bonds;

- The profitability of these loans would be insured by careful attention to loan payment; and

- The bank would receive much-needed equipment to improve the efficiency of its operations.

The expansion plan implies that project costs would increase from $57,350 in 1992 to $170,250 by 1996. By the end of five years, this is what should have been accomplished (these calculations assume an interest rate spread of 15 percent, a loan loss rate of 5 percent, and a loan growth rate per cycle of 15 percent):

- The project would work through one rural bank in 1992 and add another rural bank each year starting in 1994 for a total of four banks in 1996;

- The number of poor women assisted would reach 360 in 1992; 720 in 1993; 1,800 in 1994; 3,000 in 1995; and 5,240 in 1996;

- Between 1992 and 1996 the loan portfolio would increase from $16,700 to $462,100; and

- Although the project would cover 3 percent of its operational costs in 1992, by 1996, because the number of borrowers would increase 15 times and the loan size would be larger, interest income would pay 59.8 percent of the costs.

It is important to look at the progress of one rural bank. The cost of project operations in that bank would be $13,950 in 1992, increasing to $75,600 in 1996. Assuming a loan growth rate of 15 percent per cycle, interest rate spread of 15 percent, and a loan loss rate of 5 percent, the project would achieve the following:

- The loan portfolio would increase from $16,700 in 1992 to $303,500 in 1996;

- Program revenues after losses would increase from $1,700 in 1992 to $71,100 in 1996; and

- The expenses covered by income would increase from 12.2 percent in 1992 to 94 percent in 1996.

The projections demonstrate the strong potential of a rural bank to break even by the sixth year of operation. In addition, the central support facility would recover a significant portion of its costs through interest and fees earned on the loans.

The project officer and junior promoters would be paid directly by the rural banks by year three of operation, at which time interest income to the banks should be adequate to cover their costs. Gradually the rural banks would be responsible for covering all costs of their field operations. The central support facility would recover an increasing portion of its costs as the project achieved an economy of scale. The facility might receive fees for services as a percentage of the loan portfolio or base fees on the number of borrowers.

SECTION SIX

ASSESSING THE FUNCTIONING OF THE ASSOCIATIONS AND THE IMPACT OF THE PROGRAM

A major priority of the evaluation was to understand how the associations were functioning as organizations and, although this was not an impact study, to begin to understand the dimensions of the changes in the businesses and in the community. Interviews were held in Mali with six associations in three villages from June 26 through June 28. During each interview, team members were accompanied by local field staff members, who served as interpreters. (The findings are presented in abbreviated form. For the complete version see the annexes.) To sum up, the village bank methodology, as defined by FFH, is working well in Mali in a setting where illiteracy is nearly 100 percent, but where the economy is gradually expanding.

WHO IS THE PROJECT REACHING?

Were project clients practiced entrepreneurs who were merely adding a little capital to already considerable operations, or were the loans helping them begin working on a significant scale for the first time? The data show that the economic activities of the people receiving loans were carried out on a very small scale before the program began; the average capitalization of these businesses before their first loans was only $6. The program has moved most of the women into the market economy with $30 loans. All the loans for women are for growing, selling, and processing food, except for two women who make baskets and pottery. The men in these groups are engaged in such nonagricultural activities as tailoring, selling gasoline, and blacksmithing, in addition to selling millet and meat.

COULD THE MARKET BECOME SATURATED WITH MORE PEOPLE SELLING?

The businesses the women were engaged in now appeared to be profitable, but what would happen as the loan size increased and the number of women engaged in the program increased several-fold? Would the market become saturated with too many sellers chasing after too little business, or, even if demand were sufficient, would there be enough agricultural production to warrant so many traders? Second, how inventive would the women be in changing what they sold? would they seek out new markets themselves? The comments from the village of Diamou were typical:

Q. Now that so many of you are selling, isn't the market saturated?

A. This is a problem. There are so many women selling the same thing that we can't sell.

Q. What are you going to do to resolve this problem?

A. We can go to the smaller villages to sell.

Q. Is there anything else you can do?

A. This is the only solution there is. This is a seasonal problem. What we can sell varies from season to season.

Q. Is this problem of the saturation of the market worse now, or has this always been a problem?

A. During the harvest it is always hard to sell. It's not any harder to sell now than it has always been.

The staff needs to monitor market saturation very carefully. If the market is becoming saturated, the associations should discuss options such as going to smaller markets or selling other products or adding value to the products they are selling now.

WHAT IS THE POTENTIAL FOR THE EXPANSION OF THE ASSOCIATIONS IN THE VILLAGES?

Another evaluation issue was the degree to which the associations had attracted all the eligible women in the villages and the economic level of the membership. Were the better-off attracted? Were the poor joining? And if the poor were not members now, would they be attracted in the future?

The local staff made this analysis of the situation:

Q. Are you reaching poorer villagers or better-off villagers?

A. The poorest don't come at first, but then they come in little by little.

Q. Why don't the poorest join right away?

A. They are afraid because they have so little.

Q. Are there a lot of poor women who have not joined?

A. In many villages you start working and the women themselves convince the poorest to join. The poorest are starting to join.

Q. How long does this take?

A. After the first cycle (four months) they start to join. People have to learn how to work with money. It's a slow process. In the oldest groups the poor are now integrated. The learning game speeds this up. It makes them more confident.

THE PROBLEMS FACED BY THE ASSOCIATIONS

The program is faring so well that few problems have been identified. Members appear to enjoy coming to the meetings, which are as much social events as business meetings. These comments reflect the positive performance of the associations. The problems mentioned are comparatively minor:

Q. Is this association facing any problems?

A. For the moment everyone is paying. But we don't know what the future will bring.

Q. How is attendance at the meetings?

A. Well, some people don't come to the meetings.

Q. Have you ever removed someone from the group?

A. No, but four people have left because they have to work in the fields. They are sitting out a cycle. They will return later.

Q. Has there ever been a case where someone powerful from outside the group pressures one of the members to take out a loan and give it to them?

A. That hasn't happened here.

THE EFFICACY OF THE HEALTH-EDUCATION COMPONENT

The Freedom from Hunger program is unique because of the link between credit and hunger-prevention education. At each meeting a specific nutrition lesson is role-played by the group members under the supervision of the staff. The lesson is then discussed by the group members. The "communication" takes about 10 minutes and usually addresses the nutrition needs of pregnant and lactating women, infants, toddlers, and other small children.

The questions the evaluators asked were whether hunger-prevention education occurs (it does), whether the members could articulate what they had learned, and whether they had applied this knowledge.

These comments help show what the women learned and how they applied these lessons:

Q. Have you been able to apply anything from the health-education lessons?

A. Some of us are too old and we don't think these lessons are addressed to us. But the others learned a lot about how to feed their children and that the children should get fatter.

Q. What is the most useful thing you learned?

A. How to feed children. Also we learned about the importance of being united. Before we never went to meetings.

A. Now there is more variety in what the children eat. You can see the changes in the health of the children.

A. I changed how I feed my child. Before my child was thin. Now he is a lot better.

Q. Now that you have learned these things, do you ever talk about these things to other women?

A. In our own farms we give the others advice, but we don't talk to outsiders.

Q. If you go around changing what you feed your child, do the others think you are being foolish?

A. We produce the ingredients we need so it doesn't cost any more, so our husbands don't comment. And there is good support from the others.

Q. Do people laugh at you when you do things differently?

A. That is not the case here.

Q. What of what you have learned have you actually put in practice?

A. We follow up on one another to make sure all the women feed their children. We make sure they are practicing the nutrition messages.

THE IMPACT OF THE PROGRAM ON THE BUSINESSES AND THE COMMUNITY

In addition to improving the knowledge and practice of nutrition, what other impact did the program have? After all, the reason this program was being carried out was to encourage positive social and economic change in the villages. What the groups reported is anecdotal, but these comments indicate possible categories for a more in-depth study.

Q. What are the changes you have observed in the associations over the last two years?

A. There have been many social changes. Now men and women collaborate. Women take loans. This didn't happen before. It is an opportunity for the women to meet every week.

A. The feeding of the children has changed. They are giving better food to the children, and when they are pregnant they eat more. This information about nutrition spreads when the women go to the market.

A. Before, the women did not have the right to count money. Now they are counting up to 400,000 CFA.

Q. What does all this lead to?

A. The importance of getting along, of collaborating. Before, the women did not collaborate with each other. It's working in the association with men. Men are approaching the women to see if they can join the groups to get loans. This is an important change. Women are getting involved in more income-generating activities and there is more relationship between the villages now.

Q. What changes have occurred?

A. We have more money now and we really understand solidarity.

A. We have to work a lot more because we go to many more markets, but we don't see that as a bad thing. We want to be courageous because we want to do everything to pay the loan.

A. We are happier in our families now.

A. I can sell many more sacks of salt more and I have more profits than before.

A. Now that I am making more profits, I can pay people to cultivate for me.

This comment sums up the importance of the program for many of the women: "Before our hands were calloused and we didn't make any money. Our hands are still calloused, but we make money now."

The comparative lack of problems in Mali reflects the careful planning on the part of FFH, the generally favorable economic conditions in the area, and, above all, the commitment and dedication of the AMIPJ local staff. Problems could emerge, however. The associations could be pressured by outsiders to provide them loans, or the market could become saturated and the investments that were once profitable could begin to lose money. The challenge of the local staff will be to identify problems as they emerge and deal with them before they become overwhelming.

SECTION SEVEN

RECOMMENDATIONS AND CONCLUSIONS

In late August 1991, a workshop facilitated by the evaluator was held at Freedom from Hunger's headquarters in Davis, California. At the workshop the senior staff discussed the implications of the evaluation on how FFH would carry out its Credit-with-Education strategy in the future, and these were developed into a set of recommendations. Although the discussion covered many points in detail, it was agreed that the major findings could be boiled down to a few "slogans of the day":

GUIDING THEMES

"Broad not Deep": Because it is FHH's objective to improve the nutritional status of children and women as widely as possible, it makes little sense to provide intensive assistance to a comparatively small number of businesses. Improving nutrition status and household food security, not business development per se, is FFH's primary goal.

"Muddle Don't Meddle": To the degree possible, associations, not staff, should devise solutions to problems. The solutions developed by the associations are likely to be more practical and, because they are developed by the group, are more likely to be carried out.

"No Paralysis by Analysis": It is important to forge ahead and take actions that can be corrected based on experience rather than trying to plan every eventuality before beginning.

RECOMMENDATIONS

The recommendations that follow are divided into four categories: targeting, the product, expansion, and implications for FFH. The recommendations are drawn largely from the discussion with the senior staff in Davis, especially for the issues of targeting and the product FFH is offering to the communities. The recommendations on the delivery of project services and expansion are based largely on the case studies.

Targeting

Where should FFH work, with what strata of the population, and with what types of economic activities?

1. FFH is a development agency, not a relief agency. FFH should not work in areas that are too unstable because of war, famine, or unrest or that are too remote. Within these parameters FFH should work in rural areas where there is more chronic hunger, and try to reach those places with the most hunger.

2. To reach poorer people within the targeted areas, FFH needs to keep the membership of the associations open. This is because associations reach poorer people only gradually, not because the associations change their loan criteria but because poorer people want to see how the slightly better-off fare before they join, because they have more to lose if their enterprises fail.

3. At the same time, membership in the associations should not be limited only to the poorest. The slightly better-off have more business skills and tend to be more literate and are the traditional leaders of the community.

4. The number of the poor entering the associations needs to be monitored carefully. If the poor are not being incorporated, it could reflect a problem in program design or in the orientation of the staff, or it could be that the better-off want to monopolize the benefits themselves.

5. A policy on whether men should participate in the groups is an open issue for FFH:

   On the positive side:

   - If some men are included, there will be less pressure on women to divert loans to them; and

   - Men often bring more skills and tend to be literate. These are the same arguments for including women who are slightly better off.

   On the negative side:

   - Men will pressure for larger loans;

   - There will be more pressure to use loans for agriculture;

   - Men will limit the development of the women's leadership potential; and

   - Men are more likely not to pay their loans or to defraud their groups.

   A good compromise seems to have been reached in Mali, where only 15 percent of the members can be men and men are limited to the secretary's job. On the other hand, men have caused most of the few late-payment problems.

6. The village bank methodology seems best suited to trade, and to trade in profitable activities whose price can increase with inflation. Longer-term loans for agriculture are inherently more risky because of drought and disease and require more technical assistance, thereby increasing project costs. Another advantage of financing trading activities is that they provide a steady stream of income. This means that the women will be able to purchase food on a regular basis.

7. The issue of whether to provide credit to agricultural ventures needs to be studied carefully and entered into with care. In Kintampo, for example, where the women were basically farmers, a trading methodology was imposed when the women were only interested in farming. Farming requires larger, longer-term loans. It is overly simplistic to assume that the poorest will always be engaged in trade.

The Product

What should FFH offer the participants in its projects in credit and hunger-prevention education?

Parameters of the FFH Credit Product

General Criteria:

1. To reach the poorer people in the community, the "rules of the game" — the size of the loan, and the loan terms — need to be biased in favor of the poor. This makes it easy for the poor to participate. It is also important that the size of the loan reflect what each borrower feels she or he can comfortably manage. Borrowers should not be required to take out the same size loan. The better-off can be accommodated by taking out larger loans or by taking out internal loans.

2. The same rules of the game that encourage the participation of the poor also tend to exclude the better-off. The expectation is that the better-off will not find it worth their effort to participate.

3. Agencies that implement FFH projects should be very businesslike. They should expect that associations will work honestly and that the loans will be paid back. If the staff is strict, the associations will be strict as well.

4. The responsibility of the staff is to ensure that the rules do not place the borrowers at risk. If the borrowers are placed at risk because the loans are too large, or they have not been encouraged to analyze their investments, whose fault is it when the loans are not repaid?

5. At the same time this is not only a business project, but also a program that will better the community and each individual. If the staff expresses this vision with conviction, it will tend to be adopted by the associations.

6. Associations should be encouraged to "muddle" — to work out practical strategies that they develop themselves. FFH makes this possible by minimizing risks through keeping loans small and encouraging the groups to take a conservative approach. Staff should not "meddle" — in other words, impose complex, risky, costly solutions that encourage dependency, because the groups will not understand how to carry them out.

Specific Criteria:

1. FFH projects should always start with very small, short-term loans. A major cause of the problems in Ghana seems to have been that the initial loans were too large. Also, the terms of the loans were long enough to encourage investment in agriculture, and the staff were not prepared to offer advice on agricultural loans.

2. There should be a strong expectation that loans be used only for business purposes.

3. The use of outside secretaries to handle the books is risky because of the potential for corruption. (Some communities hire outside secretaries because no one in the group is literate.) If secretaries are from within the associations, they will have more of a stake in the success of the association and their performance will be easier to monitor.

4. Internal loans (the internal account) need to be carefully controlled. The Ghana experience has shown that it is too risky to give associations complete access to savings and principal payments. Some alternatives: (1) Groups could only have access the group's savings; (2) groups could have access to one-half of savings and principal payments; (3) groups could have access only to interest payments; (4) the size of the internal loans could be limited; and (5) internal loans could be collateralized.

Market Saturation:

1. To minimize the risk of saturating the local market, the safest strategy is to reach an appropriate number of borrowers in many communities with the same increasingly fine-tuned basic credit and education package, rather than introducing new products or finding new market outlets. Although theoretically attractive, introducing new products and marketing techniques requires skills that FFH and the implementing institutions do not generally have. In addition, tension exists between the need to expand productivity in the project area, to increase both borrower incomes and revenues to the program, and the additional costs incurred by adding technical assistance in these areas.

2. Nevertheless, the groups should be encouraged to discuss ways that they can take initiatives to find new markets and improve existing products. FFH has already proposed that it develop an economic-education training module to facilitate this discussion. The training topics should be carefully selected to address only the most basic constraints to enterprise development that can be resolved through better use of existing local resources rather than by requiring intensive and expensive training for staff and the introduction of new technologies. There are several possibilities:

   - If the goods were presented better, they would be easier to sell;
   - It might be possible to transform existing products through simple techniques to increase the profit margin;
   - The cost of the goods sold could be reduced by buying in bulk;
   - New products could be sold including those that only the men now sell, such as clothing and batteries; and
   - New products could be produced and sold, although this is often a risky strategy.

Parameters of the FFH Education Component

1. The most difficult part of the training seems to be to stop the educated staff people from lecturing and instead to encourage participation.

2. It may be easier to teach the junior promoters how to do participatory education because they have been exposed to the participatory approach in the credit associations, which is a good basis for teaching others.

3. The next challenge is to have the field staff incorporate the problem-solving approach. The staff needs to move beyond presenting the information about hunger prevention and helping the group work out solutions.

4. FFH needs to continue to develop materials for the other components of the educational program.

Expansion

What is the optimum strategy for brokering expansion in several regions?

The major challenge that Freedom from Hunger faces is to demonstrate and document that large-scale, sustainable projects can be developed in a reasonable period of time with a reasonable level of investment, and are not just a theoretical possibility. The agency has already demonstrated that it can deliver credit and hunger-prevention education and that this package of services leads to positive change. Even though the Mali project is reaching close to 1,000 members, projects will have to reach several times this number to be cost-effective. If these programs do not reach scale, and must be sustained by large FFH staff inputs and become a major drain on the agency's resources, the criticism that these projects are high-cost may be justified.

There are four ways that projects can expand:

- The initial project can simply serve more people through its central headquarters (like ACCION in Bolivia);

- Branch offices can be set up over a wide geographic area (Grameen Bank);

- The staff of the initial project could involve other PVOs in areas contiguous to the original site; and

- An apex institution could be set up that would support first a few and later on many independent local PVOs (like ACCION in Colombia).

Either the branch office or the apex institution model would probably best serve FFH's expansion needs. In either case a central office needs to be set up to serve as a central support facility for several branch offices or a network of independent agencies. The ACCION International program in Colombia shows how an apex institution can galvanize the participation of local institutions nationwide. In the early 1980s, ACCION, using limited funding from PACT, was able to involve four institutions with solidarity-group-type poverty-lending projects on a modest scale. Currently this ACCION initiative, which has evolved into the Association of Solidarity Group Programs, works through 19 local institutions and serves more than 24,000 poor clients. The association provides the methodology and systems, access to credit, monitoring and evaluation, and supervises and trains the local institutions. The local institutions do the outreach, train and supervise the groups, and track the loan payments. Key staff from all the projects meet to exchange ideas on how the project could be improved. In this way, all the affiliated projects have the advantage of the experience of the others. Over the years the Association has become almost completely independent of ACCION International and is increasingly independent financially, with the membership fees paid to the association from the agency members.

The expansion plans outlined for Mali and Ghana are excellent examples of the type of thinking required to set up an apex institution. The task of the central support facility is to serve operations in the field. The concern of the affiliates, or the branch offices, is to deliver project services. These are some of the factors that need to be kept in mind.

Institution Building/Partnerships

Before choosing an institution that will take on central support functions, or creating a new one, the first challenge is to define its role. Although there may be some variation among projects, in general terms the central support facility institution:

- Defines the project's goals and objectives;
- Develops the project's methodology and systems;
- Secures funding from donors and negotiates credit lines with financial sources;
- Sets up branch offices or recruits the local PVO affiliates;
- Trains the field staff;
- Supervises the outreach, training, and follow-up activities carried out by the field staff;
- Intervenes in major problems that are not being resolved satisfactorily by the field staff;
- Audits the field offices if these handle funds;
- Sets up monitoring and evaluation systems;
- Prepares reports based on monitoring data sent from the field;
- Facilitates learning among the branches by holding meetings, or encouraging visits between offices;
- Works to improve and streamline the project methodology;
- Represents the project to the media and government agencies.

At the same time, there are several functions that the apex institutions should not carry out. These include:

- Promoting the project at the local level;
- Training groups and providing follow-on services;
- Providing technical assistance either to groups or to individual businesses;
- Approving loans;
- Tracking the payment of individual borrowers.

These functions should be the responsibility of the affiliates or branch offices.

Staffing is a key issue. A basic rule of thumb is that functions be delegated to the branches to the degree possible, and that the number of headquarters staff be kept to a minimum. The costs of the apex institution are typically paid by a spread on the interest income and fees.

Once the role of the apex is defined, the next question is whether to create a new institution or to work through an existing one. There are advantages and disadvantages to either choice:

- If a new organization is set up, the staff can easily modify the project based on its experience.
- If the project works through an already existing apex institution whose principal concern is another type of activity, a measure of control may be lost. Another potential problem is that carrying out the project may not be a very high priority for the agency. On the other hand, the advantage of associating with an already existing agency is having ready access to all the field operations of the institution and gaining a certain measure of credibility.

In choosing an institution to work through, it is important to consider:

- Its level of interest and commitment;
- Its management capacity;
- The degree of autonomy and flexibility you can expect;
- Its reputation for honesty.

The closer the mission of the agency and FFH, the greater the likelihood of success.

Specific benchmarks; what should be expected in terms of self-sufficiency

Fast-expanding projects find it difficult to pay for their operational costs. This is because start-up costs for a new branch or affiliate are typically fairly high and, since the size of the loans is very small during the start-up phase, income is also very low. Although each branch office or affiliate should expect to generate enough income through interest charges and fees to pay for its operations in three to five years, the apex institution will probably require 7-10 years or more to break even. Since Freedom from Hunger adds hunger-prevention education to the credit package, break-even will take longer than with a credit-only project.

The two key factors for reaching self-sufficiency are loan repayment and the ratio between the number of borrowers and groups and the number of field staff. Generally speaking, after three years of operations:

- Each apex field staff person should supervise four to eight coordinators;
- One coordinator should supervise four to eight senior promoters;
- Each senior promoter should supervise two to five junior promoters; and
- Each junior promoter should serve five to 10 village banks.

Defaults (more than 90 days overdue) should be kept to under 3 percent of the loan portfolio and overdue loans (less than 90 days overdue) should be kept to under 10 percent of the loan portfolio. If these ratios are exceeded, immediate action should be taken to bring loan payment back in line.

Implications for FFH, DAVIS

What is the appropriate role for the headquarters staff?

1. The first challenge is for Freedom from Hunger to define its role. These seem to be the most important elements:
    - FFH defines the vision for what is to be accomplished and why;
    - FFH defines the model and develops and continually refines the methodology for carrying out the project;
    - FFH delivers the model to each country through local institutions that it identifies or establishes;
    - FFH trains and supervises the local institutions; and
    - FFH mobilizes the resources required to carry out the project.
2. Challenges for FFH/Davis: To fulfill this role requires focusing the agency's attention on several key areas:
    - Continuing to learn to develop a better strategy;
    - Developing better systems that provide the appropriate guidance for the local institutions implementing the projects; and
    - Perfecting monitoring and evaluation systems so that what is learned from all the projects is constantly processed and fed back into the projects worldwide.
3. It is unrealistic to expect that projects in distant countries can be managed effectively from headquarters. The bulk of the ongoing work with the implementing agencies should be carried

out by regional representatives to reduce the problems of remote-control management and to reduce the lag time.

4. Delegating more responsibility to regional managers implies that there are people in the field whom FFH in Davis can trust to do a good job. These seem to be the most important characteristics for a regional manager:

   - An intuitive understanding and a real attraction to the group-based participatory methodology underlying village banking, and a real passion and commitment to make the project work with all that this implies in terms of hard work, risk-taking, and leadership.

   - Someone who sees the world in terms of, "I see the problems, and I'm not quite sure how it will work out, but this is what I propose." FFH is not looking for a person who puts up obstacles to any suggestion or for someone the agency must lead by the hand.

   - Other important characteristics are honesty, experience but with a passion for learning, intellectual curiosity, intelligence, leadership, the ability to listen, and the ability to make things happen without paralyzing analysis or indecision.

   - People should have a chance to test themselves in the field before they are hired as long-term staff.

CONCLUSION

FFH is to be commended for its innovative work in Africa. It has demonstrated that poverty lending can be successful in Africa. It has also demonstrated that credit can be linked with hunger-related education and that by linking nutrition and health to credit, the probability of poor women adopting these practices is greatly enhanced.

Through the agency's successes in Mali (and its troubles in Ghana), much has been learned about implementing poverty-lending projects for women in African villages. FFH is now poised for the next and equally challenging steps of reaching truly significant scale, reducing the costs per borrower served, and working in more than one region. If the projections are indicative of how these projects will develop over the next several years, the agency will have made a truly significant contribution. It will have developed a strategy that deals with some of the most basic and intractable problems faced by poor African women in scores of villages, not just in a small pilot area. Once these techniques are perfected and documented, they can be adopted by other agencies and in other countries.

ANNEX I

FIVE-YEAR PROJECTIONS OF PROJECT PERFORMANCE IN MALI AND GHANA

ANNEX I

FIVE-YEAR PROJECTIONS OF PROJECT PERFORMANCE IN MALI AND GHANA

CREDIT-WITH-EDUCATION PROJECT, MALI						
PERFORMANCE ASSUMING 15%/CYCLE LOAN GROWTH RATE						
	1992	1993	1994	1995	1996	
Portfolio	75,000	142,000	252,700	425,400	696,600	
REVENUES						
Interest	11,600	23,300	42,700	74,300	124,000	
Loan Loss	(1,500)	(2,900)	(5,300)	(9,300)	(15,400)	
Total Revenues	10,100	20,400	37,400	65,000	108,600	
EXPENSES						
Personnel	46,800	51,500	73,900	92,600	124,200	
Office Costs	14,700	13,200	17,500	15,900	20,800	
Training	11,600	12,700	22,000	24,200	34,700	
Travel	23,400	25,700	34,300	42,900	53,200	
Fixed Costs	33,200		7,300	16,800	36,800	
Cost of Funds	1,600	5,000	11,400	22,800	42,700	
Total Expenses	131,300	108,100	166,400	215,200	312,400	
Exp Covered by Income	7.7%	18.9%	22.5%	30.2%	34.8%	
Assumptions						
Borrowers/Association	25					
Bank Interest Rate	10%					
Program Interest Rate	24%					
Default Rate	2%					
Savings Rate	15%					

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Loan Size (in 1991 $)						
Year 1 Borrowers	30	46	70	106	161	245
	1991	1992	1993	1994	1995	1996
Total Associations:						
Dogo	40	64	96	120	150	190
Zone 2				20	50	90
Zone 3						20
Total Associations	40	64	96	140	200	300
Total Borrowers	1,000	1,600	2,400	3,500	5,000	7,50(
Average Loan Size	38	47	59	72	85	93

CREDIT-WITH-EDUCATION PROJECT, DOGO REGION						
PERFORMANCE ASSUMING 15%/CYCLE LOAN GROWTH RATE						
CREDIT COSTS ONLY						
	1992	1993	1994	1995	1996	
Portfolio	75,000	142,000	237,000	374,000	566,000	
REVENUES						
Interest	11,600	23,300	41,500	67,300	104,900	
Loan Loss	(1,500)	(2,900)	(5,200)	(8,400)	(13,100)	
Total Revenues	10,100	20,400	36,300	58,900	91,800	
EXPENSES						
Recurring						
Coordinator	3,900	4,500	5,000	5,500	6,000	
Senior Promoters	10,400	12,800	11,300	12,400	13,700	
Junior Promoters	4,500	2,200	2,425	2,650	3,650	
Bookkeeper	1,000	1,100	1,200	1,300	1,500	
Benefits	5,500	5,800	5,600	6,100	7,000	
Training Supplies	7,100	7,800	8,500	9,400	10,300	
Transport	6,300	7,600	7,100	7,800	8,600	
Cost of Funds	1,600	5,000	10,700	20,300	35,700	
Fixed						
Motorcycles				11,300		
Bicycles	2,400		1,000	500	2,300	
Other	1,400			0		
Total Expenses	44,100	46,800	52,825	77,250	88,750	
Exp Covered by Income	22.9%	43.6%	68.7%	76.2%	103.4%	

Assumptions						
Borrowers/Association	25					
Bank Interest Rate	10%					
Program Interest Rate	24%					
Default Rate	2%					
Savings Rate	15%					
-	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Loan Size (in 1991 $)						
Year 1 Borrowers	30	46	70	106	161	245
	1991	1992	1993	1994	1995	1996
# of Senior Promoters	4	4	4	4	4	4
# of Junior Promoters		12	12	16	16	20
New Jr Proms/Sr Prom		3	0	1	0	1
Total Jr Proms/Sr Prom		3	3	4	4	5
New Associations		24	32	24	30	40
New Assoc's/Sr Prom		6	8	6	8	10
New Assoc's/Jr Prom		2	3	2	2	2
Total Associations	40	64	96	120	150	190
Total Assoc's/Sr Prom	10	16	24	30	38	48
Total Assoc's/Jr Prom		5	8	8	9	10
New Borrowers	147	600	800	600	750	1,000
Total Borrowers	1,000	1,600	2,400	3,000	3,750	4,750
Borrowers/Sr Prom	250	400	600	750	938	1,188
Borrowers/Jr Prom		133	200	188	234	238
Average Loan Size	38	47	59	79	100	119

CREDIT-WITH-EDUCATION PROJECT, DOGO REGION						
PERFORMANCE ASSUMING 15%/CYCLE LOAN GROWTH RATE						
	1992	1993	1994	1995	1996	
Portfolio	75,000	142,000	237,000	374,000	566,000	
REVENUES						
Interest	11,600	23,300	41,500	67,300	104,900	
Loan Loss	(1,500)	(2,900)	(5,200)	(8,400)	(13,100)	
Total Revenues	10,100	20,400	36,300	58,900	91,800	
EXPENSES						
Recurring						
Coordinator	4,100	4,500	5,000	5,500	6,000	
Senior Promoters	14,000	15,400	16,900	18,600	20,500	
Junior Promoters	6,000	6,600	9,700	10,600	14,600	
Bookkeeper	1,000	1,100	1,200	1,300	1,500	
Benefits	7,000	7,700	9,200	10,100	11,900	
Training Supplies	11,600	12,700	14,000	15,400	17,000	
Transport	8,000	8,800	9,700	10,600	11,700	
Cost of Funds	1,600	5,000	10,700	20,300	35,700	
Fixed						
Motorcycles				11,300		
Bicycles	2,400		1,000	500	2,300	
Other	1,400			0		
Total Expenses	57,100	61,800	77,400	104,200	121,200	
Exp Covered by Income	17.7%	33.0%	46.9%	56.5%	75.7%	

Assumptions						
Borrowers/Association	25					
Bank Interest Rate	10%					
Program Interest Rate	24%					
Default Rate	2%					
Savings Rate	15%					
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Loan Size (in 1991 $)						
Year 1 Borrowers	30	46	70	106	161	245
	1991	1992	1993	1994	1995	1996
# of Senior Promoters	4	4	4	4	4	4
# of Junior Promoters		12	12	16	16	20
New Jr Proms/Sr Prom		3	0	1	0	1
Total Jr Proms/Sr Prom		3	3	4	4	5
New Associations		24	32	24	30	40
New Assoc's/Sr Prom		6	8	6	8	10
New Assoc's/Jr Prom		2	3	2	2	2
Total Associations	40	64	96	120	150	190
Total Assoc's/Sr Prom	10	16	24	30	38	48
Total Assoc's/Jr Prom		5	8	8	9	10
New Borrowers	147	600	800	600	750	1,000
Total Borrowers	1,000	1,600	2,400	3,000	3,750	4,750
Borrowers/Sr Prom	250	400	600	750	938	1,188
Borrowers/Jr Prom		133	200	188	234	238
Average Loan Size	38	47	59	79	100	119

CREDIT-WITH-EDUCATION PROJECT, GHANA						
PERFORMANCE ASSUMING 15%/CYCLE LOAN GROWTH RATE						
	Year 1	Year 2	Year 3	Year 4	Year 5	
Portfolio	16,700	42,600	116,000	233,400	462,100	
REVENUES						
Interest	2,000	10,000	26,200	60,200	120,200	
Loan Loss	(300)	(1,500)	(4,000)	(9,200)	(18,400)	
Total Revenues	1,700	8,500	22,200	51,000	101,800	
EXPENSES*						
Personnel	13,000	15,200	25,400	32,800	46,400	
Office Costs	4,400					
Training	1,000	2,000	3,400	6,300	9,700	
Transport	11,500	11,500	14,000	16,500	19,000	
Other	200	200	400	600	800	
Fixed Costs	25,450	300	5,750	10,500	6,650	
Cost of Funds	1,800	7,500	20,000	43,700	87,700	
Total Expenses	57,350	36,700	68,950	110,400	170,250	
Exp Covered by Income	3.0%	23.2%	32.2%	46.2%	59.8%	
Assumptions						
Bank Interest Rate	25%					
Program Interest Rate	40%					
Default Rate	5%					
Savings Rate	15%					

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Loan Size (in 1991 $)						
Year 1 Borrowers	30	46	69	106	161	244
		Year 1	Year 2	Year 3	Year 4	Year 5
New Rural Banks		1	0	1	1	1
Total Rural Banks		1	1	2	3	4
Total Borrowers		360	720	1,800	3,000	5,240

*Expense are shown in constant 1991 dollars — inflation in Ghana is too unpredictable to take into account in any meaningful way.

CREDIT-WITH-EDUCATION PROJECT, GHANA—ZONE 1						
PERFORMANCE ASSUMING 15%/CYCLE LOAN GROWTH RATE						
	Year 1	Year 2	Year 3	Year 4	Year 5	
Portfolio	16,700	42,600	99,300	174,100	303,500	
REVENUES						
Interest	2,000	10,000	24,200	48,200	84,000	
Loan Loss	(300)	(1,500)	(3,700)	(7,400)	(12,900)	
Total Revenues	1,700	8,500	20,500	40,800	71,100	
EXPENSES*						
Recurring						
Project Officer	1,200	1,200	1,200	1,200	1,200	
Promoters	1,800	3,000	4,200	5,400	6,600	
Training Supplies	1,000	2,000	2,400	3,300	4,300	
Transport	2,500	2,500	2,500	2,500	2,500	
Other	200	200	200	200	200	
Cost of Funds	1,800	7,500	18,200	34,400	60,200	
Fixed						
Motorcycles	4,000			4,000		
Bicycles	450	300	300	750	600	
Other	1,000					
Total Expenses	13,950	16,700	29,000	51,750	75,600	
Exp Covered by Income	12.2%	50.9%	70.7%	78.8%	94.0%	

Assumptions						
Bank Interest Rate	25%					
Program Interest Rate	40%					
Default Rate	5%					
Savings Rate	15%					
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Loan Size (in 1991 $)						
Year 1 Borrowers	30	46	69	106	161	244
		Year 1	Year 2	Year 3	Year 4	Year 5
# of Promoters		3	5	7	9	11
New Promoters/Bank		3	2	2	2	2
New Borrowers/Rural Bank		360	360	720	480	800
Total Borrowers/Rural Bank		360	720	1,440	1,920	2,720
Borrowers/Promoter**		120	240	300	300	300

***Expense are shown in constant 1991 dollars — inflation in Ghana is too unpredictable to take into account in any meaningful way.**

**Promoters hired and trained one year prior to adding borrowers

ANNEX II

HIGH-PERFORMANCE PROGRAMMING
GENERAL CHARACTERISTICS OF VILLAGE BANKING

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GENERAL CHARACTERISTICS OF VILLAGE BANKING

The FFH approach incorporates the characteristics of high-performance programming outlined below.

HIGH-PERFORMANCE PROGRAMMING

High-performance programming (HPP) reflects a critique of many small enterprise projects (including some of FFH's projects of a few years ago). Advocates of HPP point out that although the number of poor in the Third World is staggering and their needs are overwhelming, many projects address these needs only on a token level.

Many SED projects:

1. **Have Poor Results:** The businesses set up or assisted perform poorly.

2. **Promote Long-Term Dependency:** On close look, the enterprises assisted are often totally dependent for their survival on staff who organize production, solve problems, keep the books, and find markets.

3. **Are High-Risk for the Participants:** The businesses assisted, especially those in which the staff takes a major role, often fail when the funding is withdrawn, as it must be sooner or later.

4. **Have High Transaction Costs:** Because of the procedures, or the high level of staff control, operational costs per business assisted are often higher than the loan. Costs for the prospective loan recipients are also often very high since they must make repeated visits or go through extensive training that often does not fit their needs before they receive assistance.

5. **Loan Payment Is Often Low:** Loan payment is often so low that the revolving-loan fund set up by the program virtually disappears within a year or two.

6. **Projects are Generally Small-Scale:** Because their cost per beneficiary is high and loan payment is often poor, projects are limited in how many they can reach and they find it difficult to mobilize more funding.

7. **There is Little Development of Local Institutions:** Programs are often carried out in such a way that the local institutions are either not involved at all or do not develop the skills they need to run projects themselves.

The easiest way to conceptualize the differences between high- and low-performance (LPP) SED projects (or more generally any type of development project) is to compare a streamlined franchise operation like McDonalds with a Mom and Pop store. At McDonalds every detail of the delivery of a fairly standardized product has been worked out and simplified to the degree that people of average talent can do a credible job. Once the product and its delivery are perfected, operations can expand rapidly over a wide area. In contrast, each Mom and Pop store must be set up, financed, managed and maintained by the owner, which takes a high level of talent if the store is to be successful. While there are doubtlessly advantages in the uniqueness of each operation, the intent of each store is to serve a single locale and not to cover an ever-expanding geographic area.

Furthermore, if the Mom and Pop store does not provide the products people want, and is not open the hours people would like to shop, the store will probably fail unless it is subsidized to remain open. Too many development projects of too many development agencies have the characteristics of poorly functioning and heavily subsidized Mom and Pop stores.

While these criteria for high-performance projects were developed for SED projects, they apply equally well to any type of project:

1. **Fits Users' Needs, Plans, and Agendas:**

   HPP projects start with the economic activities people are already involved in or if new activities are started they are small-scale and similar to the businesses people already have in the community. If skills need to be taught, they can be learned from the borrower's family and friends. The services provided reflect the individual's priorities and interests.

   LPP projects often introduce complex, new business ideas, and since no one in the community fully understands the business that has been introduced, staff must provide extensive inputs.

2. **Quick Important Impact:**

   HPP projects provide the services people ask for without time-consuming procedures or a lot of up-front training. The types of services provided, generally providing small amounts of credit, lead to concrete and measurable changes in income quickly.

   LPP projects are often burdened with excessive procedures and training.

3. **Limited, Well-Defined Objectives:**

   The objectives of HPP projects are few and clear. The staff knows what it is trying to accomplish.

   The objectives of LPP projects are often not spelled out clearly. Staff members lack a clear vision of what they are supposed to accomplish and may even work at cross-purposes.

4. **"Minimalist" Projects With One Or Two Components:**

HPP projects generally focus on credit and savings within a group context. The staff develops an in-depth understanding of how to do a few things well.

LPP projects are too complex for the staff and the users to grasp quickly and carry out well.

5. **A Well-Developed "Product" with a Well-Defined Methodology and Clearly Spelled Out Procedures:**

HPP projects strive to systematize how they work, which makes it possible to train large numbers of field staff quickly to carry out the project well.

LPP projects are often not systematic, which makes the training of staff for expansion difficult.

6. **Carefully Designed Service Delivery That Is Conscious of the Time It Takes to Deliver Services, The Costs, and the Increasing Independence of the Group:**

HPP projects, since they strive to become self-sufficient and reach scale, are continually working to streamline the services they provide and to reduce their costs. There is a well worked-out sequence of inputs for each group that reflects increasing group autonomy.

LPP projects do a poor job of controlling staff time and costs per beneficiary, and they often continue to provide the same services even though the group or organization could provide them itself.

7. **Strive to Cover Costs Through Interest Charges and Users Fees:**

Since they are efficiently run, HPP projects have the potential to generate enough income to pay for their operations. Since they provide a service that is a high priority, the users are willing to pay a reasonable fee to receive these services.

LPP projects are often so expensive that the fees the users could reasonably pay cover only a small fraction of the actual costs.

8. **Are Group-Based, and the Groups Take a Major Role:**

A major reason HPP projects are efficient is that the group does much of the outreach, selects who will be members of the group, approves the loans, keeps the books, and pressures defaulters for payment.

LPP projects may work through groups, but the staff often carries out many of these functions.

9. Are Carried Out Through Local NGOs:

Another reason HPP projects are efficient is that they often work through existing NGOs, which use their client base as a starting point for outreach and can deliver services at lower cost. Building local institutions provides the base for the institutionalization of the project.

LPP projects often deliver services themselves without considering how they will be institutionalized locally.

10. Emphasize Community and Individual Empowerment:

HPP projects see credit as a catalyst for encouraging community organization and individual empowerment.

LPP projects often focus exclusively on business development, and their social impact is minimal.

11. Incorporate Careful Monitoring and Evaluation:

The people who run HPP projects keep good records and know whether they are meeting their objectives. They also solicit and act on the suggestions their staff members make. Monitoring and evaluation is used to make changes, not simply to report to donors.

Monitoring and evaluation is seldom a priority for LPP projects and what record-keeping is done is to serve the requirements of donors.

12. Have a Vision of Reaching Many Thousands of Users Over a Wide Geographic Area:

The desire to reach scale of HPP projects is what drives them to become ever more systematic and efficient. They have to replicate themselves over a large area.

LPP projects, since they serve only a limited clientele, do not have to address the issues of replication effectively because they can deal with their users on an ad hoc and personalistic basis.

HIGH-PERFORMANCE PROJECTS:	LOW-PERFORMANCE PROJECTS:
FIT USERS' NEEDS, PLANS, AGENDAS	OFTEN IMPOSE SCHEME FROM OUTSIDE
QUICK, IMPORTANT IMPACT	IMPACT OFTEN LONG-TERM, NOT SEEN BY USERS AS KEY
LIMITED, WELL-DEFINED OBJECTIVES	GENERAL AND VAGUE OBJECTIVES
MINIMALIST: ONE OR TWO COMPONENTS	OFTEN COMPLEX, MANY COMPONENTS
WELL-DEFINED PRODUCT, METHODOLOGY, PROCEDURES	AD HOC, SEAT-OF-THE-PANTS PROCEDURES
CAREFULLY DESIGNED SERVICE DELIVERY: CONSCIOUS OF TIME, COSTS OF SERVICES, INCREASING INDEPENDENCE OF GROUP	LITTLE CONSIDERATION OF TIME, COSTS, OR INDEPENDENCE OF GROUP
STRIVE TO COVER COSTS, INTEREST, USERS' FEES	ALWAYS GRANT-FINANCED
GROUP-BASED: GROUPS TAKE MAJOR ROLE	OFTEN INDIVIDUAL AND GROUP ROLES NOT CENTRAL
CARRIED OUT THROUGH LOCAL NGOs	CARRIED OUT BY PVO STAFF
EMPHASIZE COMMUNITY, PERSONAL EMPOWERMENT	NOT VERY CONCERNED WITH PROCESS
CAREFUL MONITORING AND EVALUATION	MONITORING AND EVALUATION SELDOM A PRIORITY
START SMALL BUT PLAN TO REACH 1,000s	LIMITED NUMBERS, FEW VILLAGES
REPLICATION A KEY CONCERN	ONE-SHOT PROJECTS

THE CHARACTERISTICS OF VILLAGE BANKING

1. **MEETS THE STRONG DEMAND FOR CREDIT IN RURAL AREAS:**

   - It is generally easier to attract large numbers of participants than in any other type of input that a PVO might promote.

2. **THE METHODOLOGY IS CLOSELY ADAPTED TO THE NEEDS OF THE VILLAGERS — ESPECIALLY WOMEN AND THE POOR:**

   - Group guarantee — collateral, land titles, wealthy cosigners not required.
   - Initial loans are very small.
   - Fund managed by the community — no need to go to town and deal with bank officers.
   - Bank structure encourages mutual support and assistance.

3. **THE BANK IS CREATED BY THE COMMUNITY:**

   - The community is responsible for its success or failure.

4. **A VILLAGE BANK STARTS AT THE SIMPLEST LEVEL:**

   - Initially only savings, then savings and very small loans.
   - Only later enters into the analysis of individual projects, loaning principal and savings to the community.

5. **IT IS COMPARATIVELY EASY TO CREATE A VILLAGE BANK:**

   - Bank receives the first loan quickly.
   - Only a few training sessions required before receiving the first loan.

6. **THERE ARE STRONG INCENTIVES FOR GOOD MANAGEMENT:**

   - The rules of the game are very few but very clear — pay the loans and save.
   - Once loans are paid and savings are mobilized, bank receives a larger loan.

7. **THE BANKS MANAGE THEIR LOANS FROM NGO AND THEIR OWN SAVINGS:**

   - Avoids dependency on an intermediary.
   - The community learns how to manage.

8. **THE BANK IS MORE THAN A SOURCE OF CREDIT — IT IS A SOCIAL CHANGE MOVEMENT.**

At the Level of Project Management:

1. **ROLE OF THE STAFF IS LIMITED TO TRAINING THE DIRECTORS AND SUPERVISING THE OPERATIONS OF THE BANK:**

- Staff does not provide technical assistance to individuals.
- Staff does not provide agricultural extension or other social services.

2. **EACH FIELD STAFF SUPERVISES SEVERAL BANKS:**

- Assisting so many banks avoids the temptation to provide too much help and fosters independence.

3. **THE STAFF MEMBERS SHARE A VISION THAT THE NUMBER OF VILLAGE BANKS WILL EXPAND SIGNIFICANTLY:**

- They are continually planning how to increase the outreach of the project.

ANNEX III

ASSESSING THE FUNCTIONING OF THE ASSOCIATIONS AND THE IMPACT OF THE PROGRAM IN MALI

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ASSESSING THE FUNCTIONING OF THE ASSOCIATIONS AND THE IMPACT OF THE PROGRAM IN MALI

A major priority of the evaluation was to understand how the associations were functioning as organizations, and, although this was not an impact study, to begin to understand the dimensions of the changes in the businesses and in the community. Interviews were held with six associations in three villages from June 26 through June 28. During each interview team members were accompanied by the local field staff, who served as interpreters. Interviews with individual borrowers were also held in Dogo.

To sum up briefly, the village bank methodology, as defined by Freedom from Hunger, is working extremely well in a setting where illiteracy is nearly 100 percent, but where the economy is gradually expanding. There has been considerable impact on the women, the communities, and the level of information about nutrition. Apparently the adoption of improved nutrition practices have also been significant. This is an exemplary program, which, if it keeps on its current course and is able to reduce its operational costs, is worth careful study and could become a model for the rest of Mali and other African countries.

These were the major themes addressed in the interviews:

- The Types of Activities Financed;
- Determining the Potential Demand for Capital;
- The Possibility of Saturating the Market as the Loan Size Increases and the Program Expands;
- The Potential for the Expansion of the Associations in each Village;
- The Adequacy of the Model;
- The Problems Faced by the Associations;
- Networking Among Associations;
- The Efficacy of the Health-Education Component; and
- The Impact of the Program on the Businesses and the Community.

To give the reader the flavor of these often animated interviews, which were held in the villages at night by kerosene lanterns, we will quote from the interviews as much as possible. References to the bleating of sheep, the braying of donkeys, the buzzing of mosquitos, and the crying of babies have been deleted.

THE TYPES OF ACTIVITIES FINANCED

One hundred and three female and seven male group members were interviewed during the regular association meetings. For those we spoke with, rice trading, sometimes along with some other type of economic activity, represents the majority (59 percent) of the loans for women. All the loans for women are for growing, selling, and processing food except for two women who make baskets and pottery. The men in these groups are engaged in nonagricultural activities including tailoring, selling gasoline, and blacksmithing, in addition to selling millet and meat.

TABLE 1

TYPES OF ECONOMIC ACTIVITIES FINANCED

WOMEN		MEN	
Rice trading	39	Meat	2
Rice trading, soumbala	15	Millet	1
Rice others (couscous, shey butter, donuts, soap,peanuts)	7	Blacksmithing	1
		Gasoline	1
		Cigarettes	1
Soumbala	11	Tailoring	1
Couscous	5		
Salt	4		
Restaurant	4		
Biegnets	3		
Shea butter	2		
Datu, soumbala	2		
Ginger drink	2		
Pottery/baskets	2		
Peanuts	1		
Cow heads	1		
Millet	1		
Kola	1		
Meat	1		
Millet porridge	1		
Soap	1		
Total Interviewed	103	Total Interviewed	7

DETERMINING THE POTENTIAL DEMAND FOR CAPITAL

Freedom from Hunger based its projections on the loans eventually reaching $300 per borrower, but were these projections realistic? We first needed to know how much the women had invested in their businesses before they received their loans. Were these practiced entrepreneurs who were merely adding a little capital to already considerable operations, or were the loans helping them begin working on a significant scale for the first time? The data clearly show that these economic activities were carried out on a very small scale before the program began; the average capitalization of these businesses was only $6. The program effectively moved most of these women into the market economy. The implications and long-term consequences of this change warrant careful study.

The second part of this question was to determine the current level of the loans and project the demand for credit for the next year. The average loan size for the two associations that had completed six or seven four-month cycles was $38, while the average loan for those that had completed one or two cycles was $22. The loan requests of the veteran groups for the next year was $71, while the request of the new groups was $44 for the next year.

TABLE 2

INITIAL CAPITALIZATION, CURRENT LOAN SIZE AND PROJECTED LOAN REQUESTS FOR NEXT YEAR (In Central African Francs)

Village	Group	Cycle Capital	Initial Loan	Current Request	Projected
WOMEN ONLY					
Fiana	?	1	2,500	5,808	18,833
Fiana	Bankadi	2	338	6,682	9,737
Dianou	Benkola	2?	2,409	7,273	12,727
Leban	Bankadi	2	1,639	5,667	9,167
Meridiela[1]	Diamou	6	607	12,607	26,607
Meridiela[2]	Sabalie	7	2,218	9,354	13,750
WOMEN ALL GROUPS			1,619	7,898	15,137
DOLLAR EQUIVALENT			$6	$28	$53
MEN ALL GROUPS			8,751	15,667	48,166
DOLLAR EQUIVALENT			$31	$55	$172

Based on these findings the average initial loan for a single borrower was projected to be $30. By the end of the first year this borrower would receive $67, the second year $90, the third year $110, the fourth year $130, and the fifth year $150.

Table 2 also shows the disparity in the level of economic activities between men and women in these groups. The average capitalization of men before the loans was $31 (compared to $6 for the women); the size of their current loans was $55 (compared to $28), and the projected size of their request within twelve months was $172 (compared to $53). The men had been active in the economy before the program began.

THE POSSIBILITY OF SATURATING THE MARKET AS THE LOAN SIZE AND THE PROGRAM INCREASE

The businesses the women were engaged in now appeared to be profitable, but what would happen as the loan size increased and the number of women engaged in the program increased several-fold? Would the market become saturated with too many sellers chasing after too little business, or, even if demand were sufficient, would there be enough agricultural production to warrant so many traders? Second, how inventive would the women be in changing what they sold, and seek out new markets themselves? The interviews provide considerable insight into these questions:

Fiana:

Q. Will the market become saturated if you all sell rice?

A. We have dealers from all over the country who buy rice from us. You can always sell rice at the market, and if the price is too low you can hold on to it until the price goes up.

Dogo:

Q. With so many women with loans, won't the market become saturated?

A. Sometimes we go to sell and no one buys, but that is the way it has always been. It depends on the season. It is no worse now that it was before.

Dianou:

Q. Now that so many of you are selling, isn't the market saturated?

A. This is a problem. There are so many women selling the same thing that we can't sell.

Q. What are you going to do to resolve this problem?

A. We can go to the smaller villages to sell.

Q. Is there anything else you can do?

A. This is the only solution there is. This is a seasonal problem. What we can sell varies from season to season.

Q. Is this problem of the saturation of the market worse now, or has this always been a problem?

A. During the harvest, it is always hard to sell. It's not any harder to sell now than it has always been.

Fiana:

Q. Now that all of you have more money, is the market getting saturated?

A. We haven't had any problems so far, but you have to be careful. You have to be careful and invest it little by little. If you don't do well selling one thing, you should quickly shift to something else. You have to be sly before you invest.

Merediela:

Q. What are good and bad activities to finance?

A. Rice, because it's food and people always buy from the cities. As for bad activities it depends on the season. At the harvest couscous is no good; during the peanut harvest you can't sell peanut butter. Food usually sells all of the time.

Q. Could you see a time where the market will become saturated with so many people selling?

A. When many women go to market with rice on those days, one has to sell at a low price. Even yesterday when we went to the market, there was a lot of rice being sold. Money is scarce now and people buy millet more than rice.

Q. Does this cause a problem for being able to pay your loans?

A. No. We are all able to pay normally. When people do well, they pay more than the installment that is due. When they make less, they pay less.

Q. Have you done anything to reduce this problem of market saturation?

A. When there is too much rice on the market, it is important to diversify, to sell something else, like soap.

Clearly the women are aware of the problem of market saturation and have strategies to avoid the problem, such as diversifying what they sell and going to smaller markets. The situation should be monitored closely, however. If the market is saturated and production is adequate, new marketing possibilities should be explored. If production is inadequate, but the demand is strong, using loans to increase agricultural production should be encouraged.

THE POTENTIAL FOR THE EXPANSION OF THE ASSOCIATIONS IN EACH VILLAGE

Another evaluation issue was the degree to which the associations had attracted all the eligible women in the villages and the economic level of the membership. Were the better-off attracted? Were the poor joining? And if the poor were not members now, would they be attracted in the future?

The local staff made this analysis of the situation:

Q. Are you reaching poorer villagers or better-off villagers?

A. The poorest don't come at first, but then they come in little by little.

Q. Why don't the poorest join right away?

A. They are afraid because they have so little.

Q. Are there a lot of poor women who have not joined?

A. In many villages you start working and the women themselves convince the poorest to join. The poorest are starting to join.

Q. How long does this take?

A. After the first cycle they start to join. People have to learn how to work with money. It's a slow process. In the oldest groups the poor are now integrated. The learning game speeds this up. It makes them more confident.

The staff's observations were reflected in the comments made by the members:

Fiana:

Q. Are there many people in the village who are eligible for membership but who haven't taken out a loan?

A. There are more people who aren't members than are members.

Q. Who are they?

A. Most of them are poor people who want to wait to see how the loans work.

Q. When these people join the program, will they form a new group or join the already existing group?

A. They will probably create another group.

Dianou:

Q. Are there many more people in the village who could join one of the associations but who haven't?

A. There are a lot of others. They could make up another association, there are so many.

Q. Why don't they join?

A. Little by little more people are joining.

Q. These new people who are joining, are they poorer or better off or what?

A. One woman answers: "The poorest people are already here. I don't know about the others."

The associations don't let just anyone join. New members have to prove themselves.

Leban:

Q. What is the process for becoming a member?

A. You have to pay a membership fee and make your first savings deposit. To get a loan, you have to observe for some time.

Merediela(1):

Q. How do you include new members?

A. The person must decide to save first and if they don't they can't join. They must save each week until the end of the cycle to receive a loan (16 weeks).

Merediela(2):

Q. What are the criteria for accepting new members?

A. She has to follow the rules. If she follows the rules, we know we can trust her and we know that she is serious.

There is no evidence of the poorest being excluded from the associations. As is the case with similar programs, the poor tend to observe first and then join later. The associations are also wise to prove the commitment of the new members by requiring them to attend the meetings and save before they receive a loan.

THE ADEQUACY OF THE MODEL

Do the women like the program? Are the loans and the loan terms adequate? How do the associations use the funds they generate internally? In general, how good is the product that the program is offering?

The fact that the program has expanded so quickly shows the enthusiasm of the villagers. It is a good sign if customers are "beating down your doors." There was little sign of discontent about the size of the loans or the loan terms. Borrowers got what they asked for, and, since there are virtually no late payments, apparently the requests made by the members were reasonable. There was only one case we could detect of a loan being revised. (See the following answers under Fiana.)

Fiana:

Q. When you give out an external loan, do you discuss each investment or do you simply give members what they ask for?

A. We analyze the loan in the borrowers' group before the money is given out.

Q. Do you ever turn down someone?

A. The secretary (a man) answers. "When I asked for 50,000 CFA, they only approved 30,000. That was the only time."

Merediela:

Q. Have you ever refused a loan to a member?

A. We never refused anyone because we are mainly women. The men are the ones who ask for a lot.

A significant innovation of the program is the association's decision to invest the savings collectively in an income-generating activity. Some associations also make loans to members.

Dogo:

Q. How much have you saved?

A. I've already saved 6,000 and the whole group has saved 68,150 CFA. The way we use this money is that we invest all our savings in millet and then wait until the price is high to sell it. Each person is paid according to how much they invested.

Q. Do you make any internal loans?

A. Yes, we make internal loans to people who have a problem. We loan them the money at 24 percent per year (the same interest rate that the program charges).

Fiana:

Q. Does your group make internal loans?

A. We invest our money in millet, which we store and then sell at a higher price. With the profits we make from the millet, we will purchase shey nuts and then process and sell them to make more money.

Q. How did you decide to use your money in this way? Did the staff tell you what to do or did you get the idea from another group?

A. The idea just occurred to us. The idea came from us.

In commenting about what the program offers the borrowers, the local staff made these comments:

Q. Have there been any problems with the quick turnover of the loans (every 4 months)?

A. They are content.

Q. Do they need agricultural loans?

A. They don't invest in agriculture. They invest in trading.
When they do agriculture, they use the seeds they used the year before.

Q. Did they do these commercial activities before?

A. Some did these things before on a small scale. Now you see a lot more.

Q. Have there been any kinds of businesses that have proved to be bad investments?

A. It depends on the seasons and on the skills of the women.

Q. When men are in the groups, are they always the officers?

A. All the officers are women. This is a rule. This is a break with custom.

The exception to men being excluded as officers are the association secretaries who are almost always men. This is because virtually all of the women are illiterate.

THE PROBLEMS FACED BY THE ASSOCIATIONS

The program is faring so well, the associations identified very few problems. Loans are being repaid; members by and large attend the meetings; leadership is adequate; and members appear to enjoy coming to the meetings, which are as much social events as business meetings.

These comments reflect the positive performance of the associations. The issues mentioned as problems are comparatively minor:

Dogo:

Q. What happens in the association if someone doesn't pay?

A. Everyone has a moral obligation to pay to make sure that everyone gets their loan.

Q. Does the solidarity group pay for someone who doesn't pay?

A. Everyone pays. Paying is a safeguard for our future.

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Dianou:

Q. Is this association facing any problems?

A. For the moment everyone is paying. But we don't know what the future will bring.

Q. How is attendance at the meetings?

A. Well, some people don't come to the meetings.

Q. Have you ever removed someone from the group?

A. No, but four people have left because they have to work in the fields. They are sitting out a cycle. They will return later.

Q. Has there ever been a case in which someone powerful from outside the group pressures one of the members to take out a loan and give it to them?

A. That hasn't happened here.

Fiana:

Q. What kind of problems is the association facing now?

A. We have no problems for now. Everyone comes to the meetings and everyone pays every week, so you could say that there are no problems.

Leban:

Q. What are the problems the group is facing?

A. We have no problems now. In the first cycle we had 15 members. Now we have 29.

Q. Have there been any repayment problems?

A. There have been no problems. Everyone pays weekly. We don't even have rules for late payment, but the people who miss meetings pay a penalty.

Diamou:

Q. What problems is the group facing now?

A. The lack of demand for the products we sell. If you can't sell and you don't have any food, you might buy food with the loan money, which could cause payment problems. Also, when a borrower gets sick the association pays for that person until they are well and can pay the group back. Another problem is coming late to the meetings. When one of us has to go to the fields to cultivate, we send a delegate to go to the meeting for us.

Q. Has any member been excluded from the association?

A. No one has been asked to leave or has left. People travel, or ask permission not to come to the meeting, or don't borrow, but no one has left.

Merediela:

Q. Have you ever had to remove a member?

A. We had to kick one member out. Their payments were late, they didn't attend the meetings and they didn't follow the rules.

The staff made these comments about the problems the associations were facing:

Q. Isn't there a lot of pressure to get larger loans?

A. Those who have been economically active for some time and the men want larger loans. The others are cautious.

Q. Do people stay in the groups or do they leave after a while?

A. In the great majority of the cases no one leaves except for the few who are removed by the group. To be a member you have to work hard. The reason people don't attend is they don't organize themselves.

Q. Would you say that over time the groups get stronger or weaker?

A. It depends. In some cases the dynamics are not good and members don't get along well. Some of the larger associations are self-motivated. They discuss things and have good ideas.

The lack of problems in Mali reflects the careful planning on the part of FFH, the generally favorable economic conditions in the area, and, above all, the level of commitment and dedication of the local staff. Problems could emerge, however. The associations could be pressured by outsiders to provide them loans, or the market could become saturated and the investments that were once profitable could begin to loose money. The challenge of the local staff will be to identify problems as they emerge and deal with them before they become overwhelming.

NETWORKING AMONG ASSOCIATIONS

One of Freedom from Hunger's long-range plans was that the associations would form an association of associations that might eventually develop a direct relationship with the bank. Each of the groups was asked whether they had any relationship with the other groups to see if this process of association was developing spontaneously. There was little evidence that there was much of a relationship among groups except on the most ad hoc and informal basis. Some associations did not even see associating with the others as desirable:

Fiana:

Q. Do you have any contacts between the different associations in the village, or between you and the associations in other villages?

A. We have no contact with the other groups. Each of us keeps business secret from the others.

Dianou:

Q. Are there any linkages between groups?

A. We talk among people from the two groups here about how to make a profit and how to get the loans repaid.

Q. Do you talk to those from other villages?

A. The women talk whenever they have spare time. Often the younger women talk to the older women to get advice.

Fiana:

Q. Do you have any relations with other associations?

A. No, but a few have asked the other associations what they did with their savings and they said they try to do the same thing as we do (store millet).

Still, if forming an association of associations were required, it is likely that the organizations would comply as they have complied with the other rules of the program.

Merediela:

Q. Do you think it would be a good idea to create an association of associations?

A. It's possible. If you think it would be a good idea, so do we.

THE EFFICACY OF THE HEALTH EDUCATION COMPONENT

The Freedom from Hunger program is unique because of the link between credit and nutrition education. At each meeting a specific nutrition lesson is role-played by the group members under the supervision of the staff. The lesson is then discussed by the group members. The "communication" takes about 10 minutes and usually addresses the nutrition needs of pregnant and lactating women, infants, toddlers, and other small children.

The questions the evaluators asked were whether nutrition education was actually taking place (it is), whether the members could articulate what they had learned, and whether they had applied this knowledge.

The communication sessions were observed at the association meetings, and there was much laughter as members took on the roles, such as the pregnant woman who was getting too skinny or the child who was getting fat on the wrong kind of food but was too weak to stand. Many of the members discussed what they had learned after the role-play was complete.

These comments help show what the women learned and how they applied these lessons:

Fiana:

Q. Have you been able to apply anything from the health-education lessons?

A. Some of us are too old and we don't think these lessons are addressed to us. But the others learned a lot about how to feed their children and that the children should get fatter.

Q. What is the most useful thing you learned?

A. How to feed children. Also we learned about the importance of being united. Before, we never went to meetings.

Dogo:

Q. Which of the educational lessons have been the most useful?

A. How to feed small children.

Q. Are any of you actually using what you learned?

A. Now there is more variety in what the children eat. You can see the changes in the health of the children.

Dianou:

Q. Of all the health-education lessons, which ones have been the most useful?

A. The ones on nursing mothers and feeding children.

Q. Have any of you actually changed what you do?

A. I changed how I feed my child. Before, my child was thin. Now he is a lot better.

Q. Let's hear from some others.

A. My child now eats L'aruo, green beans, and sauce in addition to Tow.

My child is eating peanuts and millet.

My child is eating l'arot, a weaning food.

Q. Now that you have learned these things, do you ever talk about these things to other women?

A. In our own farms we give the others advice, but we don't talk to outsiders.

Q. If you go around changing what you feed your child, do the others think you are being foolish?

A. We produce the ingredients we need so it doesn't cost any more, so our husbands don't comment. And there is good support from the others.

Q. Do people laugh at you when you do things differently?

A. That is not the case here.

Fiana:

Q. Of all the health-education lessons, what have most of you put into practice?

A. How to feed small children.

Q. How many have adopted these ideas?

A. We older women make sure the younger women change the ways they feed their children. We control the younger women. We can't have children, but we can help the young.

Leban:

Q. What are the things you have learned through the education program?

A. We have learned about feeding children and taking care of children. We learned how to prepare *bouille enrichi* (enriched porridge) and a local weaning food.

Q. What is the most useful thing you have learned?

A. About eating more food for mothers and children.

Q. What of what you have learned have you actually put in practice?

A. We follow up on one another to make sure all the women feed their children. We make sure they are practicing the nutrition messages.

Merediela(1):

Q. What have you learned that you didn't know before through the nutrition-education communications?

A. How to feed our children well.

I didn't know you were supposed to give cereal to children.

I didn't know the children's mothers needed to eat well.

We mothers now understand that not only must you give cereal but how often to give it. At a certain time you should add green leaves with peanuts as well as shea butter.

We learned that women who are nursing should also eat enough green leaves and peanuts so that the mother will be healthy and have lots of milk and the children will grow.

I learned that I must give the child a weaning mixture which is made with ground millet, peanut powder, ground smoked fish, plus soumbala and shea butter.

Q. Do you have a weaning-age child?

A. Yes, here he is. (She holds up the child on her lap.)

Q. How old is he?

A. Seven months old.

Q. How often do you feed this weaning mixture to your child?

A. I feed it to him frequently. At least three times a day.

Q. Does he like the weaning food?

A. He eats it. But there are children who walk and refuse to eat.

Q. What do you do?

A. We force them to eat often because milk alone is insufficient.

Merediela[2]**:**

Q. What have you learned from the health-education communications?

A. How to feed infants. If the children are in good health, the mother is free to do her work. We tell people who are not members of our group what we have learned and they change how they do things.

From these comments, a number of the women can articulate what they have learned and many report that they are changing their nutrition practices. It is also significant that the association members can identify mechanisms for enforcing good nutrition, such as the older women encouraging the younger ones to feed their children. The actual impact of the nutrition component will have to wait for a more formal, in-depth evaluation of the nutrition status of the children.

The results of these interviews are tremendously exciting for FFH, coming from an area where, as Katherine Dettwyler documented in her 1989 assessment, "...babies generally begin to eat solid foods when they begin to walk. For a healthy infant, this would be at approximately 13 months. However, malnourished children often do not walk until they are older because they lack the necessary muscular strength in their legs. Before the baby walks, the only food he would get is whatever he might pick off the ground."

THE IMPACT OF THE PROGRAM ON THE BUSINESSES AND THE COMMUNITY

Besides improving the knowledge and practice of nutrition, what other impact did the program have. After all, the reason this program was being carried out was to encourage positive social and economic change in the villages. What the groups reported anecdotal, but these comments indicate the categories for a more in-depth study. The interviews speak for themselves.

Q. To staff members, what were the changes they had observed during the two years they had worked with the program.

A. There have been many social changes. Now men and women collaborate. Women go into debt. This didn't happen before. It is an opportunity for the women to meet every week.

The feeding of the children has changed. They are giving better food to the children, and when they are pregnant they eat more. This information about nutrition spreads when the women go to the market.

Before, the women did not have the right to count money. Now they are counting up to 400,000 CAF.

Q. What does all this lead to?

A. The importance of getting along, of collaborating. Before, the women did not collaborate with each other.

It's working in the association with men. Men are approaching the women to see if they can join the groups to get loans. This is an important change.

Women are getting involved in more income-generating activities.

There is more relationship between the villages now.

Dianou:

Q. It looks like from these figures that you are making only another 3,000 or 4,000 per year. How does that change your life?

A. (An old woman speaks) Before the project we had these activities and we sold part of what we produced. Now with the profits we are making we can give more to our families. Our families are eating better, and our profits are invested in the family.

Q. How has the project changed the situation of women in this village?

A. Before, the only way women could get what we needed for ourselves and our children was to steal millet from our husbands. Now we have our own resources.

Fiana:

Q. What has the impact been?

A. We have more money now and we really understand solidarity.

Q. Have there been any differences in the relation between men and women?

A. There are no differences. With the association everyone benefits.

Leban:

Q. What kind of changes have resulted?

A. We have to work a lot more because we go to many more markets, but we don't see that as a bad thing. We want to be courageous because we want to do everything to pay the loan.

A man speaks: "Before, I sold sheep and goats, but I had to take out money on credit and they raised prices. Now I can pay cash and get a good price."

Q. What changes have there been in the family?

A. Before, there were women who spent the day sleeping, but now they are busy preparing wares to sell in the market.

We are happier in our families now.

We are controlling our expenses better than before.

Leban Association songs and dances:

"We pay well our loans."

"We can't tell you how much this loan has helped us."

"Don't keep your loan under your mattress. Invest it and make money."

Dogo:

Individual interviews:

Sogo Niambele; sells salt: "I can sell many more sacks of salt and I have more profits than before." She has a 15,000 loan now.

Mo Toui; sells salt, tobacco, and kola. "I am making more profits because I have more money to work with." She has a 15,000 loan.

Minata Niambele; sells rice and salt.: "Now that I am making more profits, I can pay people to cultivate for me." She has a 5,000 loan.

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Sarata Kone; sells cooked meat, beigment, ginger drink: "I make more profits now because I have the courage to do trading and I see that this is oeneficial." She has a 7,500 loan.

Q. What difference has this program made?

A. Before, our hands were calloused and we didn't make any money. Our hands are still calloused, but we make money now.

Merediela:

At the end of the session one of the women asked me if they could sing me a song:

"The women had little power before. But they dominate the men now since the project came. The women have more power."

ANNEX IV

THE ECONOMIC AND SOCIAL CONTEXT

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MALI

As a Sahelian country, Mali is among the poorest in sub-Saharan Africa and, indeed, in the world. In addition to its preferential loans from the World Bank and IMF, and extensive programs of support from an array of donor governments, Mali is also a regular recipient of food aid and relief supplies. Its basic standard-of-living indicators reflect a poor literacy rate, short life expectancy, and high levels of malnutrition and disease. A further reflection of its weak economy is its relatively undeveloped social-welfare system and subsequent reliance on private organizations to supplement services that otherwise would be provided by the government.

The effectiveness of the government in providing these services has been additionally jeopardized with the events of recent months that have seen the overthrow of the government and its replacement by a temporary commission headed by a UNDP officer who was repatriated to take the position. Although elections are planned for August, political unrest has continued, and uncertainty has interrupted what government services did exist. (The factor of political instability was not considered to be problematic to international donor activity at the time of the team's visit.)

Explanations for Mali's relatively poor economic performance are due at least in part to its harsh environment and poor natural resources. As the second largest country in West Africa, with an area approximately twice the size of Texas, it is estimated that only 2 percent of the land is arable, with 25 percent in use as pasture grazing for livestock. Most of the most fertile land is located around the basin of the Niger River in the south and the west of the country, with increasing desertification occurring in the north and eastern areas of the country. Climatic trends over recent years have made farming even more difficult, with the regular occurrence of drought further exacerbating conditions.

Although only a negligible percentage of the land is irrigated, Mali is nonetheless an agricultural country and relies heavily on its production of millet and sorghum, rice, maize, ground nuts, cotton, sugar cane, and cassava. Livestock also forms a significant part of the economy, along with fishing and fish processing (smoking), which, combined with farming activities, makes up approximately 80 percent of gross national product. Other sectors of the economy include mining, although this is largely undeveloped, and urban-based service industries.

With an estimated 80 percent of Mali's 9.2 million people living in rural areas (at least 10 percent of whom are migrant or nomadic), it is presumed that at least that many are involved in some form of farming. As the basis of the rural economy, agricultural production is carried out almost exclusively by small-scale farmers and producers who rely on the most basic production techniques (animal traction when available) and have little access to agricultural inputs such as fertilizers or improved seed.

As a Muslim country, gender roles of economic production have been traditionally defined by the polygamous households. Normally, men are responsible for the production of the staple grains for household consumption, and the women for the provision of the condiments that make up the sauces. She often obtains these by producing a crop that is partially consumed by the household and partially traded for other condiments through local markets.

In the Dogo Arrondissement of Sikasso region, where the Freedom from Hunger project is located, markets are generally small and dispersed and serve a highly localized population in light of the poor roads and limited means of transportation. However, situated in the part of the country known as Mali's breadbasket, the markets of Dogo have the comparative advantage of traders from Bamako who make the journey, despite these difficulties, to purchase staple crops in exchange for imported and locally manufactured commodities.

For both this type of trade and that among locals, barter continues to be an important form of exchange at these markets. It is especially prevalent during the lean season, when credit is extended for products to be repaid in kind after harvest. This form of advance has been the most important form of credit available to villagers, apart from the traditional moneylenders (who tend to be used as a source of funds only as a last resort in times of extreme need) or the *tontines* (saving groups), although traditionally these sources have been used for consumption rather than investment purposes.

It is within this rural environment, situated some four hours from the capital of Bamako, that the FFH Credit-with-Education model has been introduced. (See Attachment 1.) With a population of approximately 26,000, this area was selected because of its economic potential, its proximity to urban market centers, and the problematic health and nutrition conditions that prevail. It can be assumed from even a superficial overview of the area that the vast majority of residents in Dogo would qualify as poor to extremely poor, making it a prime situation for a poverty-lending program.

GHANA: OVERALL ECONOMIC TRENDS AND THEIR RELEVANCE FOR THE RURAL ECONOMY OF KINTAMPO DISTRICT

The most striking feature of Ghana's economic landscape over the past decade has been its wholehearted adoption of a program of reforms implemented through the IMF/World Bank Structural Adjustment Program. Initiated in 1983, the SAP policies have served to liberalize the economy substantially, reduce the government's deficit through a sharp contraction in public spending, and stabilize the economy. With inflation reduced to somewhere between 35 percent and 45 percent, these policies continue to bring this figure lower, though in recent years they have met with limited success.

Although the first eight years of the program have brought significant improvements to the macro economy (its experience has been held up to other countries in the developing world as a shining example of reforms), the impact of the program has been much less positive at the level of the street economy. With the redeployment of many government workers, many have turned to self-employment and farming, heightening competition for an already limited market.

At the poorest levels, and particularly among women, SAP has also had a distinctly negative impact on their lives due to cutbacks in government services in health and education, which often result in the need to spend more time traveling longer distances to reach more crowded facilities. This is especially so in rural contexts.

To soften the effect of these reduced services, a supplementary fund made up of contributions by a range of donors was established to form PAMSCAD or the Program of Actions to Mitigate the Social Costs of Adjustment. Administered through a special government department with assistance from UNICEF, this program has been significant in the number of activities it has sponsored, but has also been the subject of much controversy and even despair at the ineffectiveness with which it is being deployed.

Within the remote village economies, it is difficult to assess what the effects of SAP have been, if any. As a predominantly rural country (70 percent), Ghana is dependant on small farmers for the production of almost all of its food. In the Kintampo District, where the FFH project is located, there is evidence that most rural people are involved in some form of agriculture (predominantly cassava, yam, and maize production), although this may form only a small part of their livelihood. Among the women, trading, along with food processing, preparation, and vending, is among the most popular of income-generating activities.

ANNEX V

THE IMPLEMENTING INSTITUTIONS

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THE IMPLEMENTING INSTITUTIONS

MALI

Association Malienne pour l'Insertion Professionelle des Jeunes (AMIPJ) and the Bank of Africa, Mali

AMIPJ was founded in 1986 by a group of university graduates frustrated with the lack of employment opportunities available to young professionals in Mali. A nongovernmental organization, it is structured as a consulting agency with a large membership of highly educated people who come from a variety of educational backgrounds. With its primary focus on community and rural development work, AMIPJ has as its mission the generation of employment for its membership through contracts granted by outside (often foreign) agencies to implement and/or manage development projects being financed by the contracting agency. In addition to this, AMIPJ is also commissioned to carry out research projects, feasibility studies, and 'rapid appraisals' for a variety of organizations working in a wide spectrum of areas.

Besides its work for other agencies, AMIPJ is also active in recruiting donor organizations for the sponsorship of projects that have been conceptualized and designed by its own members. It also provides assistance to its members by undertaking programs to strengthen the technical and managerial skills of individuals within their areas of expertise, enhancing both the capacity of the organization and the general employability of its consultants. Freedom from Hunger has had a significant part in assisting AMIPJ to meet these objectives by providing it with a grant in 1987 to assist with institutional support and training for its membership in the areas of strategic planning and management systems.

With the collaborative support of Freedom from Hunger and the Canadian NGO, the Societe de Developpement Internationale Desjardins (SDID), AMIPJ has matured substantially over the last five years — although not without growing pains — into a well-developed and effectively managed organization. From 1988 onward, it has produced substantive planning documents and has introduced effective administrative procedures that appear to be operating effectively.

With regard to its specific activities with FFH, these have been structured into a comprehensive program known as MIEN or the Mali Institutional Development, Enterprise and Nutrition Project. Under the guise of MIEN, FFH continues to provide direct support to AMIPJ as an organization, while also contracting with it as the implementing agent for its Credit-with-Education project.

Through MIEN, AMIPJ has had a central role in the adaptation of the FFH credit methodology to meet conditions in Mali. In 1988, it undertook a rapid rural appraisal of the project site and conducted a training workshop for the project staff. Since the inception of the field program, AMIPJ has staffed the MIEN project from its membership and has taken an active interest in the success of the program- which is clearly the most important of all of the organization's activities. Because of their involvement throughout the formulation and implementation of the program, there is a strong commitment and sense of ownership on the part of MIEN staff to the project.

Apart from FFH and SDID, AMIPJ has also worked with some 20 partners from a range of donor countries. These include Cause Canada, Bread for the World, Oxfam Canada, and Africare, as well local initiatives by Malian businesses and organizations. Because its graduates bring a range of educational backgrounds, AMIPJ has been involved in an assortment of projects in water management, animal husbandry, horticultural and fishing cooperatives, crop management and agricultural education, communications and transport engineering, primary health care, and credit and savings programs. Along with these, it has also been involved in a variety of other research projects, although these have generally focused on some aspect of rural development.

More recently, AMIPJ has decided to become more specialized in the field of credit and small-enterprise development, inspired by its participation in the MIEN program, among others. In so doing, it will be the only Malian NGO to provide specific expertise in this area, although it will not limit its participation in projects exclusively to this subject area.

Organizationally, AMIPJ is made up of a membership of 78 graduates who come with post-secondary degrees in economics, business administration, agriculture, law, education, and health sciences. Currently, 23 of its members are women, although this number tends to fluctuate. As a Muslim country, there are some barriers inhibiting women's participation in some types of employment — particularly as a result of demands placed on them through marriage — although this is gradually changing.

Of the 30 programs AMIPJ has participated in or operated themselves over the past five years of its existence, 22 are ongoing, currently employing 34 of its members. Others may be involved in non-AMIPJ work but retain their membership status. Regardless of their work situation, all members meet twice annually at formal sessions to discuss the progress and management of the organization. In many cases, however, members choose to have a more regular involvement with the agency and are active on a volunteer basis throughout the year. In this regard, AMIPJ serves as a form of social support and a meeting point for young professionals, and provides an opportunity for an exchange of ideas and information.

Together the membership makes up the shareholders of AMIPJ, from which an executive board is elected. The board consists of seven representatives who serve on a voluntary basis and are responsible for the general policies and strategic planning of the organization. A permanent secretary, hired with AMIPJ funds is appointed by the board and serves as the director responsible for day-to-day operations and administration of the agency. Other positions staffed by full-time employees include an accountant, secretary, director of research studies, and program director. Recently, an assistant accountant and an administrative assistant for projects were added to these following a personnel-needs assessment conducted as part of the most recent three-year plan approved by the board.

In addition to hiring these staff members, the board also plays an active role in the affairs of the organization. This is primarily through the operation of a number of committees established to undertake specific functions and new initiatives. During the visit of the GEMINI team to the offices of AMIPJ, a meeting was held with the executive, and the team had the opportunity to view the organization in operation. A striking element of this visit was the evidence of the professionalism and seriousness with which it is organized despite a marginal budget. This sense of commitment and competence was equally apparent among the field staff members who were visited in Dogo, and was especially pertinent given the isolation and additional challenges presented by the poor state of transportation and communications.

However, along with their accomplishments and successes over the past five years, AMIPJ has also encountered its share of difficulties. Not uncommon among new NGOs, over a year- and-a-half ago AMIPJ experienced some problems over alleged mismanagement of some excess project funds. To AMIPJ's credit, a system of checks and balances was in place that allowed the problem to be discovered through a regular audit. The board took action immediately to resolve the problem and the funds are being reimbursed. On the positive side, it is arguable that the experience that these problems have provided to AMIPJ has strengthened the organization by its recognition that planning and management must be made more transparent and accountable if it is to survive.

The MEIN program was unaffected because its accounts are managed separately from other AMIPJ accounts. This practice will be continued, and to facilitate program expansion, the MEIN program will hire its own program accountant in 1992, whose sole responsibility will be to manage the MEIN program finances.

ANNEX VI

THE PARTICIPATING BANKS

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MALI: BANK OF AFRICA

The Bank of Africa is a private, independent bank, operated for profit and owned solely by Malians. Since its inception in 1987, the bank has expanded from one to two branches in Bamako and has opened two smaller regional offices, one in Sikasso and the other in Koutiala. At the end of fiscal year 1990, the bank's holdings totaled 12.5 billion CFAF, up 22 percent from the previous year. Earnings for the year were stable at approximately 111 thousand CFAF. The number of Bamako accounts rose from 10,630 in FY 1989 to 12,025 in FY 1990, with a similar rate of growth in its smaller regional offices. Borrowers are charged an interest rate of 17 percent. In 1990, shareholders were granted gross dividends of 7 percent, or 5.74 percent after taxes.

The bank is professionally managed and has achieved its growth despite the difficult recent international and national economic context. The bank's recent tightening of credit policies, along with the long-term board-directed focus on loan recovery, has enabled it to prosper in the wake of increased market risk and diminished market opportunities. The bank is committed to continued vigilance in maintaining tight credit policies and high repayment rates.

The past years have been marked by a steady broadening of its clientele, both business and individual. In particular, the bank has developed a rural credit portfolio of approximately 2.2 billion CFAF. Its liquidity ratio remains high, with about a third of its portfolio composed of medium- and short-term loans. To employ internal resources more efficiently, the bank has recently restructured its operations to correspond with the credit needs of its different categories of clientele. The bank's annual report speaks to a sophisticated capacity both in analyzing the economic environment as it relates to bank operations and in adapting bank policies accordingly.

Well-suited to work with the Freedom from Hunger program, the Bank of Africa routinely handles the accounts of donor organizations working in Mali. Furthermore, the bank has a $500,000 guarantee fund, centrally funded by the private-sector bureau of A.I.D. in Washington to guarantee 50 percent of the bank's loans. The Bank of Africa pays a fee for access to these funds.

M. Doree, the bank's director, notes that the bank's interest in the program is financial. The bank is attracted to the program:

- Because of its high repayment rate, currently at 100 percent and anticipated to remain above 98 percent;
- Because of its potential for mobilizing savings for the bank; and
- Because it may be possible to establish direct banking relations with individual associations or with an association of associations.

The current repayment rate for the bank's agricultural loans is significantly lower, running between 80 percent and 90 percent. Furthermore, the bank does not have the capacity to reach the population served by the MIEN program.

While M. Doree and the bank are pleased to be able to contribute to Mali's development through their involvement with the program, the goals of the bank are also strictly financial. M. Doree emphasized that development considerations do not figure into the bank's credit decisions. In addition, private banks in Mali are not answerable to any government credit policies regulating who must be served. Instead, servicing agricultural needs is a mandate of Mali's Agricultural Development Bank.

The Bank of Africa's strictly financial mandate currently limits the extra services it would be willing to provide to a rural small-scale credit program such as the FFH/MIEN program. The bank is unwilling to extend credit to borrowers or borrower groups, but instead will extend one loan to the program as a whole. Because it judges the extension of small loans to rural borrowers to be too expensive to be profitable, the bank does not foresee opening up special rural branches or special windows for small borrowers. The bank would not consider accepting these smaller loans even for a higher interest rate because, according to M. Doree, the bank is concerned with its own liquidity and the risk of these loans.

While restricting its current involvement with the MIEN program, the bank's adherence solely to financial criteria could represent a boon to the program in the future. The bank is financially solid, professional, and pursuing fiscally sound policies. If the program expands as planned and demonstrates continued high repayment and savings-mobilization rates, the bank could prove to be a necessary and reliable partner.

Furthermore, the bank has already demonstrated considerable interest in the program. In addition to meeting personally with the Freedom from Hunger staff numerous times to discuss the extension of credit to the program, M. Doree assigned M. Houno Dicko, a bank agent who works under him, to work with MIEN. M. Dicko recently spent a full work day as well as a weekend day observing and participating in a staff workshop on planning and self-sufficiency. Insightful about the structuring of staff incentives to maximize project expansion, he was also enthusiastic about the plan that emerged. He can be considered a knowledgeable supporter of the project who will be able to provide technical assistance if desired. He commented that if the program were able to expand and maintain its high repayment rate, the bank would certainly be interested in extending more credit to it.

In a meeting with M. Dicko, the Bank of Africa, the MIEN program, and Freedom from Hunger, it was agreed that the bank would loan $12,000 per quarter to the program, granted at 14.5 percent, with future disbursements dependent on the rate of loan repayment. FFH hopes to receive the first installment on this line of credit in September 1991.

GHANA: THE RURAL BANKING SYSTEM AND THE PERFORMANCE OF THE KINTAMPO RURAL BANK

Background to the Rural Banking System

The introduction of the rural banking system in Ghana in 1976 was an imaginative and daring initiative on the part of the Bank of Ghana in response to its frustrated attempts at meeting the credit needs of the rural smallholders and producers whose economic activities form the backbone of the country's economy. As unit banks (having no branches), the rural banks form a network of community banks unique to Africa. Owned and operated by individuals in the immediate catchment area, the rural banks were designed to meet the particular needs of small farmers and microenterprises, which, due to their size and remote locations, were unable to gain access to financial services through the existing formal banking institutions.

Launched in 1976, there are currently 122 rural banks scattered mainly throughout the southern regions of the country, each operating as an autonomous institution. Although the Bank of Ghana did put up a large proportion of preference shares for each of the newly created institutions and has maintained representation on the Boards (with veto powers), it is gradually divesting its involvement with the banks in favor of a more limited role as a regulatory and supervisory body, with the Association of Rural Banks providing promotional and training support.

The original objective of the government in creating the rural banking system was to provide an alternative source of credit to the informal moneylenders whose high interest rates were thought to impoverish rather than empower rural entrepreneurs. They were also designed to mobilize rural savings, which could be transformed into lending opportunities rather than being siphoned off to urban areas by the commercial banks. They were perceived as development banks and intended to support community initiatives.

While conceptually exciting, the rural banks have experienced a troubled past. With their initial success, the system expanded at an accelerated pace, staffed and directed by individuals with little experience and understanding of banking practices. Poor management, opportunism by directors and other staff, a negative policy environment enforcing negative real interest rates and subsidized credit, and natural calamities all served to undermine the success of the banks throughout the early 1980s. These, in addition to other factors, resulted in huge problems of repayment that continue to be a legacy of the banks.

Yet despite its troubled past, the rural banking system has also had its successes. Most important, its effectiveness in mobilizing rural deposits has demonstrated the enormous demand for a safehold in which to place savings and the willingness of people to pay for these services. It is perhaps this factor that has encouraged the Bank of Ghana and the World Bank to undertake a comprehensive restructuring of the banks through the Rural Finance Project as part of a larger program of financial reforms.

On a macro level, policy changes that directly affect the rural banks include the movement away from concessionary interest rates (26 percent, with inflation estimated between 35 percent and 45 percent-officially 36 percent in June 1991), the deregulation of banks (removing sectoral guidelines and freeing both savings and lending rates), and the introduction of prudential regulation (1989 Banking Law). These changes provide a more positive policy environment, promoting more viable guidelines for operation and encouraging greater confidence in the banking system generally by ensuring greater transparency in the operations of financial institutions.

On a micro scale, the Rural Finance Project has set out systematically to assess and categorize the rural banks into three groups:

- Those making profits of over 5 million cedis;
- Those breaking even, but less than 5 million cedis; and
- Those operating at a deficit level.

To achieve category A status, each bank must also meet a capital adequacy requirement ratio of 6 percent (a measure of attaching risk factors to capital assets). For banks below this requirement and operating at a deficit, there are three ways to improve their status:

- To collect outstanding loans;
- To improve their share equity by attracting new shareholders; and
- To reduce their overhead costs.

To date, 50 of the rural banks have been reviewed with a total of 17 banks classified as Class A or profitable institutions (approximately 33 percent). This would suggest that when a total assessment of the banks is completed, it is likely that around 40 of the existing 122 banks will be classified as viable.

Why then have many of the rural banks been able to stay in operation? One reason has been the ineffective supervision on the part of the Bank of Ghana and the lack of regulatory laws to protect against banks operating in a state of insolvency. Another important factor has been the policy on the part of the government of Ghana to channel paychecks of civil servants and state organizations through the banking system. The flow of this capital through the rural banks continues to be central to their operation of both loan and overdraft services, where there is implicit insurance against defaulting.

Indeed, with the history of loan defaulting throughout the banking system in Ghana, the rural banks further limit the availability of credit to clients by maintaining excess liquidity — especially through the purchase of no-risk government treasury bills and securities earning an income of 35 percent. Although prudent management, this directly undermines the function of the rural banking system as financial intermediaries for the populations who own the banks and the clients for which they were originally created.

The failure of the rural banks in this regard sets the scene for the imaginative proposal that FFH has set forth to institutionalize its existing credit program aimed at drawing poor rural women into the rural banking system.

KINTAMPO RURAL BANK

Formed in 1979, the Kintampo Rural Bank (KRB) was among the first group of rural banks to be established whose excellent record in the early years would encourage the expansion of the system. However, its experience of good repayment rates and strong deposit mobilization ended abruptly in 1983 and 1984, when drought and brush fires devastated the country and left people in Ghana hungry for the first time since their independence.

While this period of hardship accounts for a significant proportion of the current outstanding loan portfolio of many rural banks including Kintampo, other factors have also contributed to their poor economic performance. These are:

- The misappropriation of funds by past management;

- The distribution of loans among the former board members; and

- The public's perception of the bank's funds as being soft or concessionary, resulting from government-subsidized credit programs and international aid channeled through the banking system.

As the Kintampo Rural Bank was a leader during its early success, it has also been an example of all of these negative phenomena and suffered significant losses during much of the 1980s. In 1986, the Bank of Ghana intervened and appointed one of its officers to conduct a "rescue mission," which included a restructuring at all levels of the bank. A new manager was appointed late in 1987 who continues to hold the position. Since his appointment, there is evidence of improvements in its operations, the most striking of which are:

1. The collection of approximately 25 percent of its outstanding loans (reducing unrepaid loans from 19 million cedis to 14 million in June 1991);

2. The mobilization of new savings (up from approximately 10 million cedis in 1989 to 49 million in June 1991); and

3. The creation of a new board of directors, which draws widely from within the community, and the bank's effectiveness in drawing new shareholders to the bank.

In spite of these successes, the Kintampo Rural Bank continues to be categorized as a Class C bank, operating with a substantial deficit. Without discounting the successes that the bank my have achieved, a hard look should be directed at the some of the problems that the KRB faces. According to the latest report on the bank carried out by independent auditors as part of the Rural Finance Project Restructuring Program assessment, the following are some of the issues that emerge as major concerns:

- Evidence of poor bookkeeping and inefficient management;

- Negligence in managing its accounts (its own as well as client accounts);

- Failure to submit regular reports required by the Bank of Ghana and other agencies;

- Inadequate transparency in its records, unreconciled statements, and lack of budgetary controls;

- Incomplete documentation of loans disbursed;

- Excess liquidity and failure to make loans (apart from overdrafts to salaried employees and staff loans);

- Spending of loanable funds on the construction of a new building, despite weak finances.

Some of the problems were confirmed through conversations in Kintampo based on records for May/June 1991:

- There is a surplus in both the primary and secondary reserves:

  — Primary reserves : required (10%) actual (38%)
  — Secondary Reserves: required (20%) actual (36%)

- The repayment rate is poor:

  — 78 percent of the portfolio is in default.
  — Of the 22 percent of the loans that are current, there is one large loan for the purchase of a truck (16 percent) and overdraft loans to the KRB staff (6 percent).

- Capital Deficiency for 1990 was 17 million cedis. (According to the 1989 Banking Law, banks must have an adequate capital base before they are entitled to lend. A required capital adequacy ratio is set by the Bank of Ghana — currently 6 percent — and is calculated on the basis of the bank's secured assets to those that are unsecured or risk-oriented. In 1990, the Kintampo Rural Bank was 17 million cedis below this 6 percent requirement and has therefore been subject to a fine levied by the BOG. Although its capital deficiency for 1991 was not disclosed at the time of evaluation, there is indication that the KRB remains in a deficit position.)

Despite evidence of improvement in the performance of the Kintampo Rural Bank over the last two years, then, the bank is a very fragile institution. On the positive side, the interest expressed by the manager and the board to manage the Credit-with-Education project in Kintampo should not be overlooked. The potential exists to develop a mutually beneficial relationship in which the project strengthens the bank while providing a suitable institutional home for Freedom from Hunger's project.

The seriousness of the bank's commitment to the project will be demonstrated by its taking a lead role in collecting the overdue portfolio of the Community Credit Committees (CCCs) over the next two months. If the bank is unable or unwilling to resolve these problems, the alternative is to recruit one of the strongest of the rural banks to manage the program and base it in another part of the country. This should not be too difficult since there seemed to be considerable interest in the program and its methodology from the officials interviewed during the evaluation.

There are several arguments for involving the rural banks:

- The existence of an established network of banks that are currently undergoing a program of reform and rehabilitation;
- The interest expressed by the Bank of Ghana and international donors for strengthening rural financial institutions and creating a positive policy environment (as evidenced through the Rural Finance Program);
- The potential benefit of implementing this program through institutions owned and operated by a broad base of local shareholders who can help ensure the effective management of both the bank and the credit program;
- The frustrated experience of the Government of Ghana in finding an effective means of providing financial intermediation for rural populations, and particularly to small farmers, which this model could address;
- The proven demand for credit and savings services in rural Ghana; and
- The interest in the program expressed by senior Bank of Ghana officials.

ANNEX VII

THE STUDY

ANNEX VII

THE STUDY

The purpose of the evaluation was clarified in the scope of work provided by GEMINI and through conversations with Kathleen Stack of Freedom from Hunger, Davis, California. The team had six major tasks to complete:

TASK 1: Assess the current performance of the project, describing how it functions with respect to:

- The "product" (the services actually delivered to the associations);
- The delivery of these services by the project staff; and
- The administration of the project and the linkages with collaborating institutions.

TASK 2: Define problem areas and, working closely with the staff, specify a concrete action plan for their resolution.

TASK 3: Assess the Bank of Africa, and if the assessment is favorable, develop a plan in which the Bank of Africa would fund at least part of the loan.

TASK 4: Develop a plan for the expansion of the model developed in Dogo to other regions.

TASK 5: Explore possible sources of funding and institutional linkages to carry out the proposed expansion plan.

TASK 6: Finally, moving beyond the level of the specific plans for this project, reflect on its implications for poverty lending and the other Freedom from Hunger projects.

The GEMINI team was made up of three members; Jeffrey Ashe, the team leader who been involved in micro-credit projects dating from the A.I.D.-financed PISCES project; Madeline Hirschland, an expert in financial analysis and planning; and Jill Burnett who is involved in research on financial systems and poverty-lending in Ghana and elsewhere. The team was completed by two Freedom from Hunger staff, Kathleen Stack, associate vice president for programs, and Mark Gizzi, regional specialist, Africa, who were completely integrated into the evaluation activities.

MALI

The team traveled from Ghana to Mali on Tuesday, June 25. On Wednesday, June 26, interviews were held at the AMIPJ offices and the Bank of Africa. In the afternoon the team drove to Dogo, approximately four hours from Bamako, and interviewed the field staff and two of the associations. On Thursday interviews with individual borrowers were held in Dogo, and discussions with the staff were held to determine the current costs of field operations. Methods of simplifying the delivery of the program were proposed to reduce these costs, and a future plan of action was developed. That evening, further discussions on AMIPJ and program administration were held by some members of the staff and team, while others traveled to neighboring villages to conduct interviews at credit-association meetings.

On Friday, June 28, after more interviews with associations, the discussion on decreasing costs and increasing staff efficiency continued. A plan incorporating payment based on staff performance and recruiting and training of community-based promoters was discussed at length. The team then traveled to another village and interviewed two more associations in the evening. On Saturday the planning exercise with the staff was completed and a strategy for implementing the action plan was agreed on by the staff. The team returned to Bamako in the evening. On Sunday one of the GEMINI team members, Jill Burnett, came down with malaria and was evacuated to London accompanied by Madeline Hirschland, another team member.

On Monday, July 1, discussions were held with the Bank of Africa, USAID, and the AMIPJ permanent secretary. The team leader departed for Brussels.

GHANA

The team began its work Sunday, June 16 with a discussion of the design and content of the evaluation. The design of the evaluation reflected a strategy of maximizing the participation of local staff to develop their commitment to the plan. It was also felt that the evaluation exercise would help train the local staff.

On Monday, June 17, the team spoke with an A.I.D.-funded team that was exploring options for funding PVOs and then went on to speak with CIDA (the Canadian Aid Agency) and officials from the Bank of Ghana and the Rural Bank Department of the bank.

On Tuesday, June 18, the team traveled to the project site, where three days were spent evaluating the Credit-with-Education project in Kintampo. On June 19, the seconded staff attached to the project were interviewed to gain their perspectives on the current status of the community credit committees. It became evident that loan repayment had emerged as a major problem in one of the two communities served by the project during the preceding weeks and that immediate action was needed to collect on overdue loans. The chief in Ntankoro was contacted and he agreed to discuss the repayment problem with the women borrowers in the community.

On June 20, the team, accompanied by the local staff, interviewed five community credit committees, following a study guide based on the problems that were identified the day before. The interviews were discussed with the local staff that afternoon and the key lessons were identified. Later that afternoon the FFH staff and the evaluation team met with the staff of the Kintampo Rural Bank to discuss their interest in participating in the project. In the evening the chief was contacted again to underscore the importance of collecting on overdue loans.

On June 21, five more community credit committees were interviewed and an action plan detailing the strategy for dealing with late payment was designed and presented to the staff. The action plan was modified by the local staff.

Saturday, June 22, was a travel day, but in the evening the team presented a concept paper on the expansion of the project to the A.I.D. consultants. The first partial draft of the study was written on Sunday, and on Monday, June 24, conversations were held with USAID and the Bank of Ghana to review what was learned in the field.

In October, Madeline Hirschland returned to Ghana and Mali to complete the study. She was accompanied by Kathleen Stack in both Ghana and Mali, and by Mark Gizzi in Ghana. An A.I.D. Partnership assessment of FFH occurred during this trip, led by Cheryl Lassen with Barbara Mknelly of FFH.

QUESTION GUIDES FOR THE MALI STUDY

QUESTIONS FOR AMIPJ:

1. The origins of AMIPJ. When did it start? Why? What are your goals for development? For the organization?

2. Current activities. (List all of them.) Where are they located?
   What are the difficulties in carrying out so many types of projects at once?
   What percentage of budget related to the MIEN project?

3. What percentage of permanent secretary's time concerned with this? What is his role?
   Project director? What is his role? What percentage of time?
   Accountant: What is his role? What percentage of time on MEIN?
   Any support staff? Role of assistant?
   Role of other staff? What percent of other staff time?
   Where does FFH project fit into all these activities?

3. Vision for the organization in the next two years? Five years?
   What kinds of projects will you be running? What will be major focus?

4. Vision for MIEN in next two years? Five years?
   What would you like AMIPJ's role to be in this expansion?
   If the project expands this much, what changes will this require for how AMIPJ is staffed and managed?

5. What are the major difficulties for reaching this level of expansion of the project for AMIPJ organizationally?

6. How is board organized?
   Who are the members?
   How often do they meet?
   How much turnover is there in board members?
   What is their role? What involvement in day-to-day activities? Is this an advantage or disadvantage?

7. Are there other local NGOs that could, would want to be involved with MIEN?

8. What do you think the Bank of Africa's interest is in putting more resources into MEIN? More management time? Do you think more involvement with the bank is good?
   Can you meet the requirements for accepting the loan and becoming a lender? What are the issues?

   Could you imagine that the bank could take over the expansion of MEIN?

INTERVIEW WITH THE BANK OF AFRICA:

1. Origins of the bank?
   Bank's goals/mission?
   Size of operations? Portfolio? Branches? Level of defaults? (Get documentation).

2. Current role/relationship with MEIN?

3. Why find MEIN interesting? What advantages to the bank?

4. How would you see the bank's involvement in the future as the project expands?

5. What incentives would encourage greater participation by the bank?

QUESTIONS FOR THE ASSOCIATIONS: WE SHOULD INTERVIEW NEW AND OLD GROUPS, GROUPS THAT ARE CLOSER TO DOGO AND FARTHER AWAY, AND COMPARE THE DIFFERENCES.

1. Ask borrowers one by one:
   What activities do you do?
   What activities financed?
   How many cycles?
   Size of first loan? Current loan?
   Maximum loan size?

2. What have they learned about good activities to finance? Why were they good? What have they learned about bad activities? Why were they bad?

3. How have they used internal loans? Size? Payment problems? Types of activities? Guarantees?

4. What issues, problems is the group facing now?

5. What problems in paying external loans? How have they dealt with these problems?

6. Have any members been removed? Why? What consequences? How was this done?

7. What do you look for in new members? What is the process of incorporating new members?

8. Health education: What was most useful? How have you applied this learning? (Try to see some examples of these sessions during visits)

9. Have you heard of groups that have had outsiders trying to get loans? How have they dealt with this problem?

10. How good is attendance? Why do people not come to meetings?

11. Why do you save? What do you do with your savings?

12. What linkages do you have with other groups?

COMMUNITY PROMOTERS:

1. Who should they be? Characteristics?
2. How should they be identified? Process of recruiting?
3. How should they be trained?
4. What should their role be?
5. How many groups/villages could one promoter handle?
6. Should they be full-time/part-time?
7. How should they be supervised? How many promoters can one staff person supervise?
8. How much should they be paid?
9. What incentives should be built in to encourage efficient performance? How do you avoid corruption?
10. A career ladder?
11. Where should they be based?
12. Will they need bicycles?
13. How will supervising promoters change the field worker's job?
14. How many should be trained at first?

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