

**Morocco:**

**Appropriate  
Microfinance  
Model for the  
Rural Areas of the  
Sous-Massa-Drâa**

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## **EXECUTIVE SUMMARY**

### **OBJECTIVE AND BACKGROUND**

DAI conducted this study at the request of the USAID mission in Rabat, Morocco. USAID has identified the Sous-Massa-Drâa (S-M-D) region as an area of strategic focus, and is considering microfinance as a potentially useful development tool for providing increased economic assistance to that region.

The objective was to provide the mission with guidance in determining a viable approach and potential model for expanding the delivery of microfinance activities to the rural areas of the S-M-D.

The S-M-D region comprises the administrative provinces of Agadir, Tiznit, Taroudant, Ouarzazate and Zagora. The population density, gender composition, economic and social conditions vary greatly among provinces and between urban and rural areas

The last available census in 1994 puts the total population of the region at 2.6 million people (10 percent of the overall population), 64.3 percent of which are located in rural areas. Due to heavy migration by younger adult males from the rural areas into the urban centers or abroad, the rural areas are populated predominantly by the elderly, women and young children.

The people of these regions have a tradition of independence from the central government, as well as an independent culture and language. The Chleuh group of tribes that speak the Tachelait Berber dialect are the dominant inhabitants. These people are known for their resilience, industry and business skills.

### **MICROFINANCE PROGRAMS IN MOROCCO**

Rural microlending in the S-M-D is practically non-existent. There is one small rural pilot program that has been recently launched by the Foundation Zakoura near La Teima in the region of Agadir. This program serves 40 women, however, the goal of the pilot is to reach 240 women. The only other active microfinance program in the rural areas of Morocco is run by Association Microfinance Oued Srou (AMOS) and operates in the region of Khenifra.

Presently, NGOs providing microcredit in Morocco have focused on urban areas, primarily in the north, because of greater population density, higher levels of economic activity particularly with respect to women, and more diversity in the types of productive activities. NGOs with an urban focus find it easier to increase client outreach and to move towards achieving operational and financial sustainability objectives.

It is noted that the microcredit programs interviewed for this study are utilizing best practices and credit methodologies commonly seen in microfinance programs in Asia, Latin America and Africa. Indeed, the early results already achieved by these primarily urban programs in

terms of client outreach are at a respectable level when compared to similar periods of program development in other countries. The combined programs in Morocco reach approximately 41,000 active clients, of which 75 percent are women.

The urban based approach of the primary practitioners and the rural program in Oued Srou have established that microfinance programs built on best practices can and do work well in Morocco. The particular successes of Al Amana, Zakoura and AMOS have provided a very good path of lessons learned in the Moroccan context. Drawing more from these local experiences is perhaps far more important than looking at external development experiences in terms of understanding and meeting the needs of the rural areas of the S-M-D. It can be seen from the urban experiences in Morocco that the targeted clients can adapt to the microcredit program requirements and accept the obligation to pay the associated fees if they are properly sensitized.

### **Progress Towards Reaching Sustainability**

Several of these programs are reported to have reached sustainability. Zakoura is reporting 112 percent cost recovery of operational expenses and 82 percent of total cost recovery, while AMOS reports to have reached a level of 125 percent for operational sustainability and 122 percent for financial sustainability. The largest program, Al Amana, has attained 84 percent operational cost recovery and 66 percent total costs recovery. It is to be noted that Al Amana has a very extensive branch network, with 36 branches as compared to 14 for Zakoura. AMOS is a very small program and is not really comparable to the larger ones.

These programs appear to be well ahead of the sustainability level reached by many of the MFIs around the world, particularly those in Africa. Though it is difficult to find an average given the varying sizes of programs and differing market characteristics, it is fair to say that the more mature MFIs have now reached the range of 65-85 percent operational cost recovery, and 85-90 percent total cost recovery.

There are several reasons why Moroccan NGOs have made very quick progress towards full cost recovery. These are:

- " Costs of loan capital funds are imputed at a rate less generally than 10 percent, while interest rates charged averages 27 percent per annum and the effective rate is even higher.
- " Capacity building costs have been well managed.
- " Operating costs, particularly staff salaries, are low.
- " Consistent loan growth and high repayment rates.

## **Client Demand for Microfinance in the S-M-D**

There were few statistics available on village demographics and as a result we had to rely on estimates provided. Given that there are 1.6 million inhabitants in rural S-M-D, and assuming 5 people per household, we estimate the market size to be about 320,000 households.

It is safe to say that each rural household is active in activities that generate some basic level of income. The range of rural activities include the merchants in the open markets, the women who raise sheep and make rugs, the men who have small parcels of land for agriculture, and fishermen. Many of the villages do not have small trades such as electricians, plumbers, carpenters and shoemakers.

In discussions at some of the villages in the S-M-D, it is evident that the concept of microfinance is new to the majority of this part of the population. There is, however, an interest on the part of many, especially among the women, for receiving help to improve their ability to earn income for the household.

Though the concept of debt and interest is not in their culture, the people have certainly found ways among themselves to support even the smallest investment such as buying yarn to make a rug. Other than the rather hidden informal network among themselves, there are few, if any, options available to provide financing for productive activities

Here it may be appropriate to refer to external development experiences of microlending programs, particularly among the rural poor, in India, Bangladesh, Indonesia and Haiti. It has been demonstrated that the poor place a high value on having access to credit and are less concerned about having to pay a fee. The poor participants in these programs have also demonstrated a capacity to repay at very remarkable rates, generally reported at a level greater than 98 percent in most of the best practices programs. There is, however, growing concern in the industry that this high level of repayments is being consistently overstated. Currently, in Morocco all of the existing programs are reporting repayment rates in excess of 98 percent.

More importantly, having access to credit is seen as a way to self-empowerment because it provides an opportunity to improve economically that might otherwise not have been possible. Thus the poor will make every effort to increase their capacity to repay the loans in order to continue receiving this type of assistance.

## **A Potential Model for Rural Microfinance in S-M-D**

The lack of any significant experience with a rural model for microcredit lending in the S-M-D dictates the need for a carefully planned and executed program. We are convinced that to do microcredit in the S-M-D, it will require at least twelve months of on the ground program testing to determine if there is indeed longer term potential for a viable program.

It is to be noted that in many countries, microcredit programs have taken many years to develop and have required millions of dollars in donor funding for capacity building and loan funds.

We believe that a rural microlending program in the S-M-D can achieve the following:

- " Contribute to the generation of higher income producing activities of rural households.
- " Encourage the increased participation of women in commercial activities.
- " Provide needed training to women and men in basic business skills and methods.

While there is a recognized need to provide microfinance, it is less obvious at this point whether a sustainable program can be achieved given the constraints specific to the S-M-D.

Some of the more critical constraints noted are as follows:

- " Many in the rural areas live at or below subsistence levels.
- " There is heavy migration among active adult males.
- " There exists a lack of cultivable land in many areas.
- " There are recurrent water shortages due to lack of rain.
- " There are minimal commercial opportunities at the village level.
- " Women often are not active in commercial activities outside of the village.

USAID is encouraged to consider a demonstration pilot program in two distinct areas of the S-M-D. It is estimated that the costs associated with this approach would be about \$750,000 over one year.

The program would be introduced in two distinct regions to reflect the diversity of the S-M-D in terms of climatic conditions, population density, and commercial activities. In addition, the wider scope of the pilot would also help to validate the potential for extending the rural microfinance program on a broader basis in the S-M-D.

The two pilot areas, south of Agadir near Tiznit and north of Ouarzazate, have been chosen based on the potential for a greater number of villages with higher density among the targeted villages and more varied economic activities. The population of Tiznit is estimated to be 347,821 with 277,820 in the surrounding rural areas. Ouarzazate is reported to have a population of 439,072, with 329,577 in the rural areas.

Ideally, the pilot programs would initially (up to 6 months) concentrate on areas in and within 20 kilometers of a peri-urban center as a basis for departure for the following reasons:

- " There is greater potential to attract men to the program, as they tend to migrate from the remote villages towards the peri-urban areas.
- " Peri-urban areas tend to have a higher density in the surrounding villages and a broader range of economic activities due to more active commercial environment.

- " In targeting the surrounding villages, women will be a key priority group and this reinforces the importance of providing parallel social programs.

As the pilot programs achieve a critical mass of borrowers, it could then be gradually expanded into those areas that maybe somewhat less dense beyond the 20 kilometers perimeter. In this expansion phase, it is likely that the beneficiaries would be primarily women.

The decision to fund subsequent years would be taken after evaluation of the achieved results versus the established pilot targets. Measurable targets for number of loans and number of clients would be set as a barometer for reaching a higher level of outreach and for covering incremental program costs in succeeding periods. It must be underscored that microfinance programs can only be sustainable with continued growth of the loan portfolios; scale is important given the small size of the loans being made and the higher costs of program delivery.

The demonstration pilot program would serve to field test on a broader scale the credit methodologies being applied in the rural areas of Khenifra and in the small rural pilot being conducted near LaTeima. The consultants believe that there is no need for a rural lending model different from the one that is evolving here in Morocco already, although there may be a need to adjust the loan sizes downwards to accommodate a potentially smaller borrowing need of the rural client.

## **SELECTION OF IMPLEMENTING PARTNERS**

DAI has concluded that there are two Moroccan organizations, Zakoura and AMSED/INMAA, that are well positioned to conduct a pilot activity in accordance with the specific objectives of USAID to have maximum funding allocation for loan capital and a smaller amount for capacity building.

Building upon the existing models and utilizing established institutional capacity achieves the following:

- " Smaller investment in institutional capacity building is required so that more of the funding is available for loans.
- " More timely disbursement of funds to target groups.
- " Simpler framework for evaluating program impact after the pilot period.

The rationale is not to launch a separate institution that requires a completely new buildup of institutional capacity. There is a need to minimize the cost of institutional strengthening in favor of more funding for loan capital and more rapid delivery of loans into the target market. Their existing institutional structures will allow larger savings on the head office overheads and will put more funds directly into the field.

DAI's suggestion that USAID partner with Zakoura seeks to achieve the objective of timely disbursement of funds and maximum outreach in the pilot period. This is because the existing institutional framework of Zakoura requires little additional capacity building during the pilot phase, therefore, a larger percentage of the funds can go directly towards loan capital. Only a small amount of funding would be allocated to head office overhead and to the set up for the local field offices. In the scenario with INMAA, there is clearly a need to allocate a greater percentage of funding for institutional strengthening given the nascent stage of INMAA's development.

Both organizations will require a reasonable period to define the final program outreach targets. Only then will it be possible to project the operational sustainability and financial parameters, which should be consolidated with existing programs. It will be possible, however, to isolate the costs of implementing the pilots.

The basis for suggesting this approach stems from follow-up discussions subsequent to our original meetings with Zakoura and INMAA. We wanted to have a clearer understanding as to their views of a rural microcredit program in the S-M-D, and to inquire as to their willingness to assume a role as a partner with USAID to find a workable solution to program delivery for the rural areas. These organizations supported the roll out of the pilot activity as the best approach. Both Zakoura and INMAA have acknowledged the significant challenges for rural program delivery but were quite optimistic that a well-planned program could succeed.

Zakoura, in particular, indicated that a longer program development period should be expected owing to the density issues and the problems of distance and reaching the villages. They also pointed out that outreach would certainly not get to the level of the urban model, but ultimately there would be a lower cost structure. Zakoura representatives believe that as their urban program continues to grow and expand, it can serve as a cushion for the lower expected outreach of the rural portfolios. Zakoura does not believe, and we concur, that there is a need to radically change the existing credit products or group solidarity methodology, though there maybe a need to lower the loan sizes. This will be borne out during the pilot and such changes can made if necessary.

INMAA, still to be formally constituted as a separate entity form AMSED, has also commented on the necessity to test the receptiveness of the rural population and their ability to meet the program requirements over time. Therefore, they also see a pilot as the best way to validate the potential for a longer-term program.

AMSED strongly believe that the institutional connection of INMAA to AMSED, and the past direct working experiences by key members of the INMAA management team with the Oued Srou rural program, are important factors that mitigate any concerns due to its pending new formation. Ultimately, INMAA would look to expand to other areas outside of the S-M-D as it is able to get additional funding to support its growth.

## POTENTIAL SUSTAINABILITY OF THE PROGRAM

Following a successful pilot period, the rural program could then be expanded and would be well positioned to benefit from the support of the larger donor community over a continued evolution period. Assuming that a repayment rate close to 98 percent can be achieved (as we see currently in the urban programs), and assuming that program delivery costs are covered by an adequate fee structure, an expanded program should be well within the executing organization's targets for operational and financial sustainability. This also assumes that the executing institutions remain on course to meeting the requirements of the new microfinance law.

Within two months of the end of the pilot period, longer-term objectives for outreach, operational and financial sustainability would need to be solidified with the implementing organizations. These objectives would be a function of the costs of continued program delivery to the rural market, cost and availability of additional funding, additional institutional capacity required, and the level of cost recovery already achieved.

This appears less of a concern with Zakoura given the levels of sustainability and institutional capacity already reached. Though with INMAA there is some level of institutional development that must take place.

## CURRENT GLOBAL TREND IN SUPPORTING MICROFINANCE PROGRAMS

In recent years, many MFIs around the world are working harder to become operationally and financially sustainable since it has become critically important to assure program continuance. However, the progress in this regard has had mixed results and there are only a few who have been successful.

Certainly, it has been a difficult task for experts to quantify what is an acceptable timeframe to meet this goal. What is frequently observed is that existing MFIs, prompted by changing donor attitudes for program funding, are adopting strategic plans that call for attaining operational and financial sustainability within three to five years.

A recent innovation in the global microfinance circles is the new funding model for establishing MFIs that is supported by the International Finance Corporation (IFC) and several other Development Finance Institutions. The goal is to partner with private sector investors to finance the startup of greenfield microfinance institutions in a number of countries.

This formula is based on an initial capitalization from the investor group plus a donor supported grant to fund institutional capacity building over the first two years. This dual funding mechanism recognizes that in many previous models, MFIs have been burdened at the onset with very heavy capacity building costs such that reaching sustainability has been elusive. Under this approach, the new MFI is expected to reach profitability within three

years and to provide the investors with an adequate return on capital by the end of year five. The success of this model has yet to be proven, though there are several projects underway.

### **INTEGRATED PROGRAMS APPROACH TO MICROFINANCE DELIVERY**

Recently, a trend can be observed among development practitioners, both social and economic, in Morocco that seeks to link independently managed economic and social program components to meet the unique requirements of the rural population. Several microcredit providers in Morocco like Zakoura and AMOS have recognized that their microfinance clients have other basic social needs, such as clean water, health, and education that must also be addressed. At the same time, social development organizations such as AMSED, NEF, Tichka, and ILIGH, have forged partnerships with community based organizations to help design programs for village development. The social development NGOs have also come to realize that their programs provide opportunities for women to find their voice and to assist in their own self-development economically as well as socially. Consequently, there is a strong argument to be made for the applicability of this integrated approach as a workable model for successful rural program development.

### **GOVERNMENT ACTIVITIES IN THE S-M-D**

From our interviews and field visits, broadly speaking, it would appear that government intervention in villages is limited to the improvement of basic infrastructure such as roads, water, and electricity. However, it appears that this is done on a small scale and often in conjunction with international and local NGOs and community associations. We were not informed of any government-sponsored activities to support productive or income-generating activities on a large scale in the S-M-D.

There are a few small enterprise-related programs, such as those funded by the Japanese and Canadian governments which are targeted toward developing a specific subsector such as fisheries or argan oil production. As a result, they target a specific client group and these programs usually do not achieve a significant level of outreach.

Should the pilot microfinance program be implemented, it should not be viewed as a competing program to any other existing economic development programs in the S-M-D, but more as a parallel activity that has complementary development objectives. It may be beneficial to work in conjunction with such activities in villages where these government-sponsored programs are already in place.

### **SYNERGIES WITH CROSS-CUTTING THEME**

The evolution of this trend towards integration of programs and increased cooperation among NGOs has some particular relevance for USAID as it attempts to meet the objectives of the Country Strategic Plan, particularly with respect to the crosscutting themes.

The Cross Cutting Theme Team of USAID will be supporting social services programs targeted to the rural S-M-D and to be implemented by NEF and CRS. At the time of this report, operational sites have not yet been selected by NEF/CRS. As the planning process for both of these programs get underway, there should be an attempt to select common sites to establish synergies. However, appropriate linkages would be those that can achieve positive program results for both the pilot microfinance program and the NEF/CRS activities. Given the unknown factors related to timing of the rollout of both programs, and the final selection of operational sites, some additional joint planning by the selected microfinance implementers and NEF/CRS will be necessary.

## **GENDER CONSIDERATIONS**

An important linkage to a key theme within the crosscutting framework is that women are key beneficiaries in a rural microlending program. The pilot programs will not target women exclusively; however, the gender composition of the programs will necessarily reflect the demographics of the targeted areas. As mentioned above, as the programs expand further from peri-urban centers into less dense and more remote villages, the gender composition of clients will gradually shift to comprise primarily of women.

The integrated approach was recommended as the approach to be followed for the pilot programs specifically because women in these remote areas will tend to have other social needs that will have to be met in addition to the economic needs. Services such as health and basic education, when coupled with microcredit, will be more effective in empowering women than just microcredit alone.

## **NEXT STEPS**

Should USAID agree with the recommendations described in this report, the following steps will need to be taken:

- " Partner selection.
- " USAID to issue a RFA to solicit interested implementers for the pilot programs.
- " Selected implementers will provide a financial and operating plan that will outline their implementation strategy for the pilot program.
- " USAID will decide on partner for pilot implementation and finalize a schedule for funding and program start.
- " USAID will review program performance on a quarterly basis.

- " USAID will conduct an impact assessment in the 10<sup>th</sup> month in order to determine if funding will continue after year 1.

## **Potential Risks of the Pilot Program**

The pilot program is expected to face operational and systemic risks. These can be categorized as follows.

### **Operational risks of pilot program:**

1. Low repayment rate/high default

Mitigating factors:

- " Use sound credit methodology and provide adequate training of staff.
- " Adequate group formation and training.
- " Credit officers are located in the community.

2. Lack of variety in the activities being financed

Mitigating factors:

- " Groups should have diverse activities
- " For certain borrowers, encourage multiple activities to be conducted simultaneously.

3. Growth in clientele and loan portfolio is lower than expected

Mitigating factors:

- " Assure that loan product is adequately tailored to the needs of the target group.
- " Conduct program promotion and information sessions on a regular basis.

### **Systemic risks of pilot program** (effects on Morocco microfinance industry):

1. Failure of pilot program could destabilize the overall national portfolio of Zakoura and INMAA, and affect their sustainability.

Mitigating factors:

- " Scope of pilot program is small and 100 percent funded by USAID so there is minimal risk to the implementer.

2. Domino effect—this destabilization might in turn affect the level of client confidence of microfinance institutions in Morocco.

Mitigating factors:

- " Program is being tested as a pilot.
- " Existing programs are well-established and should be shielded from this activity.

## **PART ONE**

### **INTRODUCTION**

#### **OBJECTIVE OF THE STUDY**

DAI was commissioned by USAID/Morocco to provide guidance to the Mission in developing a microfinance program for the Sous-Massa-Drâa (S-M-D) region. The primary objective is to suggest a viable approach and potential model for a rural microfinance program for the S-M-D that can be delivered to the targeted areas in a timely and cost effective manner. Ultimately the recommended model would be piloted by an appropriate implementing NGO to test its long-term suitability for providing access to credit to the rural population in the S-M-D.

The critical parameters in the evaluation process include:

- " An assessment of existing microfinance programs in Morocco.
- " An evaluation of social development programs in the S-M-D.
- " The applicability of existing microfinance models for rural areas in the S-M-D.
- " An analysis of environmental and market conditions in the S-M-D.
- " Available funds from USAID to support a new program.

It is not within the scope of this study to assess the feasibility of introducing microfinance into the remote rural<sup>1</sup> areas of the S-M-D. Rather, the DAI consultants prepared this report based on the premise that the mission has previously identified this region as an area of strategic focus, and has selected microfinance as a mechanism for providing development assistance in the S-M-D. Microfinance in this case also refers exclusively to the provision of credit. Savings as a product area within a microfinance program is not considered within the scope of this study given the fact that microfinance organizations in Morocco are not legally authorized to mobilize savings.

#### **BACKGROUND AND CONTEXT**

The S-M-D region comprises the administrative provinces of Agadir, Tiznit, Taroudant, Ouarzazate and Zagora. Bordered by the Atlantic Ocean on the West, Marrakech on the North, Algeria on the East, and the Guelmim-Smara province in the South, S-M-D's terrain is marked by two mountain ranges, the High Atlas and the Anti-Atlas, which divides the region into two valleys, the Souss-Massa and the Dadès-Drâa.

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<sup>1</sup> In this study, the term "rural" is being used to include agricultural and non-agricultural activities such as artisanal handicrafts, small trade, and commerce. The term "remote" refers to villages that are located at least 50 km from an urban center.

The last available census in 1994 put the total population of the region at 2.6 million (10 percent of Morocco's total population), 64.3 percent of which are located in rural areas. Population density, gender composition, economic level, and standard of living vary greatly among provinces and between urban and rural areas. There exists heavy migration from the mountainous rural areas into the coastal urban area of Agadir, due to the lack of cultivable land, adverse and unpredictable climate for agriculture, minimal economic opportunities, and absence of basic social services. Most of the migrants tend to be men; as a result, the rural areas are made up predominantly of women and young children.

According to a recent government report, uncontrolled urbanization and the increasing disparity among provinces is considered to be one of the top developmental problems in the S-M-D. The report recommended that priorities be placed on the development of peri-urban and rural areas to curb the rapid rate of urbanization and alleviate the worsening conditions of people living in slums (bidonvilles) around major urban centers.<sup>2</sup>

### KEY ISSUES AND RESEARCH QUESTIONS

This study addresses the following issues/questions:

- " What programs exist currently to address the needs of the rural population in the S-M-D? To whom are these programs targeted and what impact have they made?
- " Are there microfinance models that currently exist elsewhere in Morocco that could be applied to the S-M-D?
- " What is the level and type of economic activity in the S-M-D and what additional risk and costs does that impose on a microfinance program?
- " What are the characteristics of the clientele in the S-M-D?
- " What are the terms and conditions of the financial product demanded by poor households in rural areas?
- " What necessary preconditions must exist in an area before a microfinance program could be launched?
- " What are the criteria for a successful rural microfinance program? It is possible to achieve both outreach and sustainability in a rural program?

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<sup>2</sup> "Région Sous-Massa-Drâa: Débat National sur L'Aménagement du Territoire: Eléments Introductifs," Royaume du Maroc, Ministère de l'Aménagement du Territoire, de l'Environnement, de l'Urbanisme, et de l'Habitat, 1999.

## METHODOLOGY

The DAI team consists of two researchers: Mr. Lloyd A. Freeman, Principal Development Specialist, and Ms. Nhu-An Tran, Associate Development Specialist. At USAID's request, the consultants met with a pre-selected sample of existing microfinance programs in Morocco, as well as local non-microfinance associations currently operating in the S-M-D who are interested in microcredit. Visits were held at the main headquarters, selected branch offices, as well as selected client sites.

The consultants conducted the following activities:

- " Interviewed NGOs currently involved with microfinance programs in Morocco to determine progress in meeting strategic and operational goals, to learn about the institution's approach and methodology, to evaluate levels attained in terms of outreach and financial sustainability, and to determine the appropriateness of existing models to the S-M-D;
- " Visited clients of existing programs to ascertain level of clients' satisfaction with credit product and/or non-credit services (see field visit report in Annex C);
- " Conducted a field reconnaissance of villages in the S-M-D to assess the potential for microfinance based on the number of potential clients, level of commerce or entrepreneurial activities in and between the villages, and the geographical proximity and ease of access to the villages;
- " Held focus group discussions with potential clients in the targeted region to measure the demand for financial products and to assess customer preferences for loan tenor and size (see field visit report); and,
- " Conducted interviews of social development NGOs currently working in the targeted region who are interested in microfinance to determine their institutional readiness for carrying out such a program.

This study is not meant to be an academic or theoretical exercise. Where appropriate, the consultants have made references to certain principles and methodologies of microfinance that are considered part of industry best practices. Instead, the consultants based their recommendation on an analysis of the current microfinance models currently in place in Morocco, rather than a comparative analysis of working models for rural financial delivery in other countries. This decision was driven by the fact that urban microfinance programs in Morocco are well established and already are applying, with noted success, what are considered to be "best practices" and so would make an appropriate starting point for the analysis.

## FINDINGS AND CONCLUSIONS

### Market Assessment

#### *Existing Microfinance Programs in S-M-D*

In the rural areas of S-M-D, the presence of microfinance programs is practically non-existent. The delivery of microcredit lending has been limited to one pilot program of the Zakoura Foundation in two villages in the vicinity of La Teima, Agadir. The scope of the recently launched pilot program is small as it currently serves about 40 clients, all of whom are women.

Microfinance organizations in Morocco have focused on urban areas because of greater population density, higher level of economic activity, and greater number of growth-oriented enterprises. In addition, organizations with an urban focus find it easier to build their client outreach and to move towards achieving operational and financial sustainability objectives.

In the urban areas of the S-M-D, there are active offices of the two primary NGOs having urban lending models. Al-Amana has an office in La Teima since August 1999 and has recently as of December 1999 expanded to Ouarzazate, while Zakoura has an urban-based program in La Teima for about 18 months. The Al-Amana program covers men and women while Zakoura primarily targets women.

#### *Successful Models for Microfinance in Morocco*

- " Urban & Peri-urban: Zakoura Foundation and Al-Amana; and
- " Rural: Association Microfinance Oued Srou (AMOS) has had moderate success with the village banking model, and now Zakoura is experimenting with a rural model for expanding its activities beyond the urban and peri-urban.

### Constraints and Challenges in the S-M-D Region

#### *Developmental Constraints in the S-M-D*

The rural areas, particularly in the S-M-D, have historically tried to address development needs through the formation of local associations to mobilize available resources to bring minor infrastructure improvements and basic services to the villages to improve the overall standards of living. Non profit groups such as AMSED, NEF, ILIGH and Tichka have

worked closely with local associations and have been instrumental in building the capacity of communities to assist in their own development.

Some common constraints are:

- " Many live at or below subsistence and there is heavy migration from the mountainous rural areas into the coastal urban area of Agadir.
- " Lack of cultivable land.
- " Adverse and unpredictable climate for agriculture.
- " Minimal economic opportunities at the village level.
- " A widespread lack of basic social services.

Implications for the development of a rural microfinance model:

- " According to the World Bank's report on Best Practices in Rural Finance, the development of rural financial markets should be undertaken as part of a broader rural development program which includes human capital development (through education and other social services), and the building of basic infrastructure and channels for market access.
- " In the S-M-D, such an integrated approach would not only help to improve the overall impact of a microfinance program on the rural population, it would also help to mitigate the migration of this population into the already congested urban centers.
- " Such a development assistance program would consist of (a) financing of income-generating activities for the population of these villages through a microcredit program; (b) the provision of basic social services, specifically health, child's education especially girls; and, (c) the creation of economic opportunities for older and younger men in vocations such as mechanical repairs through an enterprise development program.

Environmental challenges of implementing a microfinance program in the rural area of S-M-D include:

- " In the Berber culture the men are the heads of households and the decision-makers in the family, and traditionally, Berber men do not like the idea of taking credit.
- " The low number of potential clients in some villages (lack of density).
- " There is little commercial activity within and between some of the villages.
- " The access to many villages is by dirt roads that are poorly maintained and the roads can be cut-off if there are floods due to heavy rains.

- " The open markets are held on set days of the week and are not usually on a daily basis.
- " Small-scale agriculture is the main activity among the men in the villages and is primarily for daily provisions.
- " Near Ouarzazate, the success of the agricultural activity is dependent on the level of runoff from snow and the amount of occasional rains.
- " The current drought has created very difficult conditions for drinking water and for irrigating the fields, particularly in the region of Ouarzazate.

Implications for the development of a rural microfinance model:

- " The microfinance program should be implemented in an incremental approach, initially targeting more densely populated areas and gradually expanding toward more remote areas as the program evolves and becomes more stabilized operationally.
- " There would be no need to develop a new microfinance product geared specifically for agriculture. Because of the unpredictability of the climate in the S-M-D means that households have limited their agricultural activities to a subsistence scale, and have tried to find other income generating activities such as handicrafts, or raising livestock.
- " There needs to be greater sensitization of training of clients on the concept of microfinance.
- " The administrative cost per client would be higher because of longer distance between clients, more difficult transportation.

### **Agricultural Lending Schemes**

Traditionally in Morocco, credit to farmers for agricultural production has been provided primarily by government-owned institutions such as the Caisse Nationale de Credit Agricole (CNCA). These state institutions have followed a directed credit approach to the target group which usually entails a subsidized interest rate. As in many countries, the agricultural lending schemes in Morocco have been plagued with problems of low participation among potential borrowers due to requirements for collateral and often, the bulk of the credit are extended to farmers that are not necessarily poor. Owing to the difficult climatic conditions, many farmers have defaulted on loans. Often, there is little intervention on the part of these institutions to recover these loans. In addition, many farmers view these loans as entitlements rather than a debt to be repaid.

In conducting this study, we did not focus specifically on agricultural lending as an independent market activity because of the higher risk inherent in a single focused program that is not integrated into a broader framework of productive activities, particularly non-farm

related. However, agricultural activities are not excluded as beneficiaries of a microfinance program.

Historically, USAID has refrained from supporting lending programs for agricultural production activities. Recently, there is a renewed interest in the rural areas as microfinance institutions in some countries are looking for new markets outside of a saturated urban market. However, the focus remains to lend for non-agricultural activities in the rural areas. USAID currently supports funding for programs that will develop the market for microentrepreneurs to sell their agricultural-related products but will not support lending programs for the purchase of agricultural inputs such as seeds and fertilizers.

## **DEMAND ANALYSIS**

### **Number of Microentrepreneurs in S-M-D**

There does not exist any publishable data on the exact number of microenterprises or the informal sector in the S-M-D region. Likewise, most of the organizations interviewed could not provide us with an estimate of the potential market for microcredit. There are about 1.6 million inhabitants in rural S-M-D. Assuming that there are 5 people per household, and that each household is engaged in some sort of income generating activities, the market size for microcredit in rural S-M-D is estimated to be about 320,000. It should be reiterated, however, that the density of the rural population and development conditions vary greatly among areas within the S-M-D so potential outreach for microfinance could not be easily determined.

Client characteristics:

- " The population in the villages is primarily made up of women and children, most of the men having emigrated to larger cities or overseas.
- " Women have had little role in rural commercial activity as it has been the men who earn income, and go to the open markets and buy the provisions for the family.
- " Many of the women engage in the same principal activity, making carpets or raising sheep.
- " In some parts of the region, the type of activity is of a nature that does not result in a regular cash flow. For example, women who make traditional rugs have a longer production conversion cycle.
- " However, many women conduct several activities that are of shorter cycle that enable them to have more regular cash flow. Some of these are kitchen and herb gardens, selling poultry and eggs, embroidery, and small rugs.

- " Aside from family, neighbors, and credit from traders, the rural population tends to have no other access to credit.
- " Some of the women interviewed have participated in village level rotating credit associations and so are familiar with the solidarity group concept.
- " Based on Oued Srou's experience in rural Khenifra, as well as Al-Amana's and Zakoura's experience in S-M-D, there is evidence that the rural population recognizes the need to pay a fee for accessing credit services and are willing to pay these fees.
- " In interviews made during field visits to the S-M-D, the potential clients stated that they would use the loan to buy input for their principal income generation activity, and to support other income generating activities.

Implications for the development of a rural microfinance program:

- " Clients want access to credit for consumption smoothing purposes rather than for growing an existing enterprise. Thus, the terms of the loans should not be geared to match the timing of one principal productive activity, but to match the client's or household's general cash flow.
- " The lack of diversification in the type of economic activities seems to indicate that there would not be significant variation in the terms and conditions preferred by clients. At the same time, the fact that women undertake a range of economic activities to generate cash flow means that there exists a capacity to make regular loan repayments.
- " Solidarity already exists at the village level which means that the solidarity group lending methodology would be readily accepted.
- " The lack of commercial skills among the women reinforces the need for the microfinance program to include training on business skills and methods.

## **A POTENTIAL MODEL FOR RURAL MICROFINANCE IN THE S-M-D**

### **Social Development Programs Impact on Economic Program Delivery**

Until now, the principal vehicle to reach the S-M-D rural community has been through social programs, which are directed towards the building of basic infrastructure, and providing training and counseling in health, literacy, and basic education for children. The active participation by many villages in such social programs has contributed to building village and group solidarity, especially among the women population.

The impact of these social programs is manifested in the following ways:

- “ Local Village associations have shown willingness to work with social development NGOs to bring basic infrastructure improvements to villages and to help women to take participate in learning and counseling programs.
- “ Women have been mobilized to taken charge of the household in the absence of the men who have emigrated, and play a greater role in the development of the village.
- “ Locally established schools, or village centers build group cohesion.

### **Evolution of the Integrated Programs Approach**

Microcredit providers like Zakoura and AMOS, as their program methodologies and delivery models evolved, have recognized that their clients had other basic social needs, such as clean water, health, and education that had to be addressed. Moreover, they recognized that the impact of their microcredit programs at the client and village level would be greatly enhanced if social and economic needs could be met simultaneously. In addressing social needs, a greater level of solidarity among the clients would be built, and this has served as a key factor in further strengthening the solidarity of the lending group (See Figures 1 and 2).

Recently, social development organizations, such as AMSED, NEF, Tichka, and IIIGH have also come to realize that their program beneficiaries need more assistance with creating income-generating opportunities beyond subsistence level. This has led these NGOs to look towards expanding the breadth of their existing programs to include microfinance activities.

Thus, one can see a convergence of social and economic program delivery in the rural environment that seems to suggest that program beneficiaries can be better served, and that the overall results achieved may have a more significant impact through an integrated approach of rural development activities.

### **A Pilot Rural Microfinance Program**

Given the nature of the constraints and the implications of these constraints on a microfinance program, it is important that a rural model for microfinance delivery in the S-M-D be developed in a slow and methodical way. An appropriate period should be allowed to test the viability of the model for the region and to make any necessary refinements to the approach.

Thus, we recommend that a pilot program be introduced in two distinct regions of the S-M-D to reflect the diversity of climatic conditions, population density, and commercial activities. In addition, the wider scope of the pilot would help to validate the potential for extending the rural microfinance program on a broader basis in the S-M-D.

The two pilot areas have been chosen based on the potential for a greater number of villages with higher density among the targeted villages and more varied economic activities.

### *Program Components*

The *microfinance* pilot programs would use solidarity group lending methodology to provide men and women with small loans for up to 6 months, with a usage fee (interest) set to cover program costs (see Recommendation section for more details). The terms and conditions of the product would be similar to those offered by current programs in Morocco, with the loan size potentially smaller to reflect borrowing needs of rural clients. In addition, the pilot programs should offer *training on business skills and methods* to assist clients, particularly women, in improving product quality, strengthening business management skills, and developing selling skills.

An *enterprise development* component would be used to attract young men to the program by helping to create self-employment opportunities in productive vocations that don't already exist within many of the villages. These vocations include carpentry, plumbing, metalwork, shoemaking, and furniture repairs. However, it is an activity that would require additional resources and thus should be implemented in a future phase of the program.

In parallel with the microfinance program there should be *social programs* offered that address critical social needs such as health, literacy classes for women, and basic education for children. Together, the social and economic activities have a more beneficial development impact than if offered separately (See Figure 3).

However, it is important that the targeted population is sensitized to the fact that their participation in the microfinance program requires a personal obligation and commitment that is different and separate from the benefits received in the social programs. Thus, it is crucial that the microfinance component and the social program component be managed by two distinct organizational entities, with each component being administered by a different staff person.

### *Program Implementation Approach*

The pilot programs would initially (up to 6 months) concentrate on areas within 20 kilometers of a peri-urban center for the following reasons:

- " There is greater potential to attract men to the program, as they tend to migrate from the remote villages towards the peri-urban areas.
- " Peri-urban areas tend to have a higher density in the surrounding villages and a broader range of economic activities due to more active commercial environment.
- " In targeting the surrounding villages, women will be a key priority group and this reinforces the importance of providing parallel social programs.

Thus, in the initial period, the gender composition of clients would more likely reflect a majority of men. As the pilot programs achieve a critical mass of borrowers, it could then be gradually expanded into those areas that maybe somewhat less dense beyond the 20 kilometers perimeter. In this expansion phase, it is likely that the beneficiaries would be primarily women (See Figure 4).

### *Potential Impact*

The program is expected to generate additional income for clients and related households. In addition, through the provision of parallel social services and business training, women are expected to be more empowered to have an increasing ability to make financial decisions about to their principal economic activity as well as other household needs. The integrated programs approach used for the pilot program is also expected to strengthen the existing local association structure and solidarity at the village level.

## **Selection of Implementing Partners**

### *Criteria for Implementing Partners*

This pilot program should be undertaken by Moroccan organizations having a strong commitment to working with the disadvantaged rural population, an established institutional capacity in microfinance with some affiliation to social development activities, and who have some relevant experience with the appropriate methodology and systems for the rural environment.

Given the amount of funding available for this rural finance program, working with a partner who has an existing institutional capacity is a crucial element in the pilot program's success. Historically in the field of microfinance, a substantial amount of funding has been put into institution building (e.g. ACCION's work with BancoSol in Bolivia, HIID's involvement with Bank Rakyat Indonesia). IFC's current model for sponsoring the development of privately-owned microfinance banks recognizes the high financial costs of such institutional capacity building and sets aside a separate amount of grant funding specifically for such a purpose so that the institution would not be burdened with these start-up expenses.

The pilot program would not be set up as a separate program, but would be included as an extension of an institution's existing national portfolio. This would allow the implementer to offset the higher costs and risks of serving the rural S-M-D region with its existing successful programs. In addition, given the potential partner's existing management infrastructure, the incremental cost of undertaking such a geographical expansion would be minimized. Thus, the overall cost recovery rate of the pilot program would be incorporated into the overall institution's cost structure, rather than be evaluated in isolation.

### *Implications for USAID*

This approach allows USAID to derive the following benefits:

- " Smaller investment in institutional capacity building is required so that more of the funding is available for loans.
- " More timely disbursement of funds to target groups.
- " Simpler framework for evaluating program impact after the pilot period.
- " If successful, pilot can be expanded with little additional investment.

Until now, there has been reluctance by donors as well as by existing microfinance institutions to offer microfinance services in the rural S-M-D. Through this pilot rural microfinance program, USAID assumes the lead role in attempting to provide an economic development program specifically targeted to the needs of the rural poor in the S-M-D.

The USAID presence in this regard adds a critical support factor in the near term both for funding for loan capital and funding for institutional capacity building. By working with an existing institution, such as Zakoura, USAID is able to allocate a larger percentage of funding for direct program use, primarily building a loan portfolio. As Zakoura has already passed through much of the early institutional strengthening phase, there is a shorter time to getting the program underway and loans out to the target group. There is also a greater possibility that an expansion of the pilot activity would also continue to benefit from the institutional synergies.

Also equally important is the fact that USAID is also showing renewed support for a successful local program, AMSED, by contributing to the development of its new microfinance affiliate, INMAA. INMAA is now in the process of registering as a microfinance organization and putting together its structures and systems. USAID funding would demonstrate an ongoing commitment to capacity building for the microfinance sector. By supporting INMAA's institutional strengthening and capacity building in the pilot program, USAID is working towards developing a more permanent financial infrastructure to provide microfinance in the rural S-M-D that will last beyond the pilot years and will be adequately poised for growth.

### *Selection Process*

In selecting the potential partner(s) for implementing the pilot rural microfinance program in the S-M-D, the consultants conducted an institutional assessment based on our meeting at each organization's headquarters, interviews with the organization's clients, and field visits to selected sites (See Appendix C). In addition, the matrices in Tables 1 and 2 summarize our observations and conclusions drawn on our research. A more detailed discussion of each institution is included in the Institutional Assessments section of this report.

Figure 1: Urban and Peri Urban Model for Program Delivery in Morocco

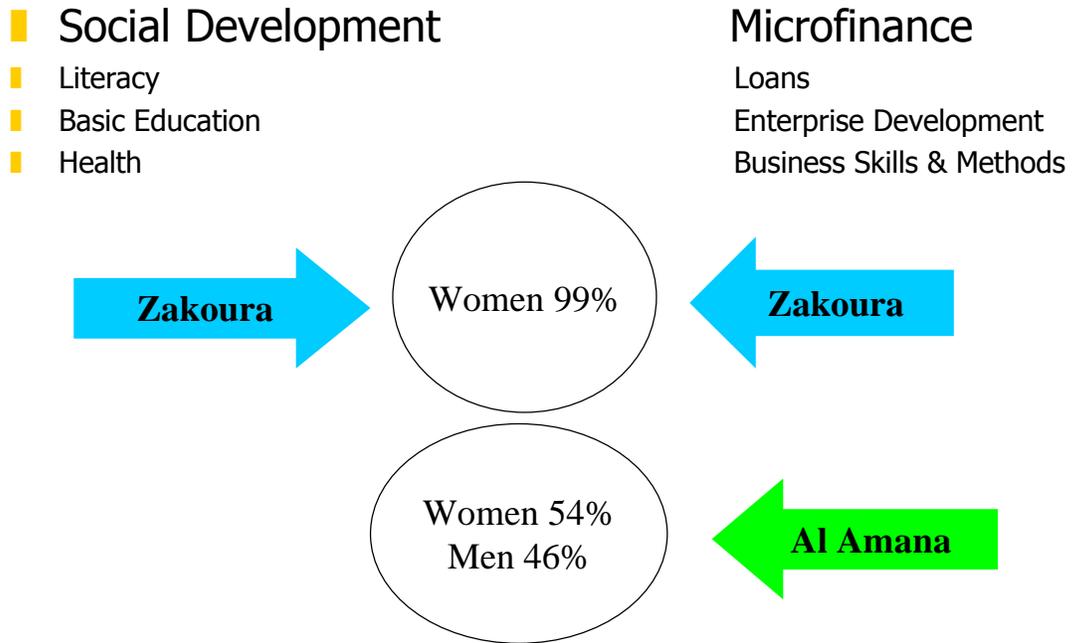


Figure 2: Rural Model for Program Delivery in Morocco

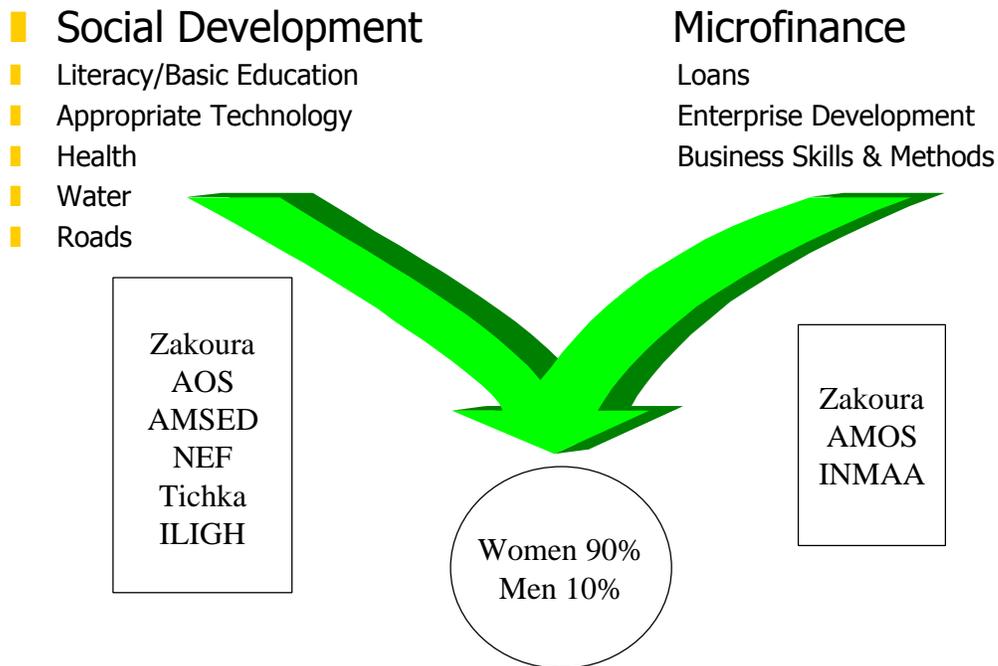


Figure 3: Rural Integrated Approach

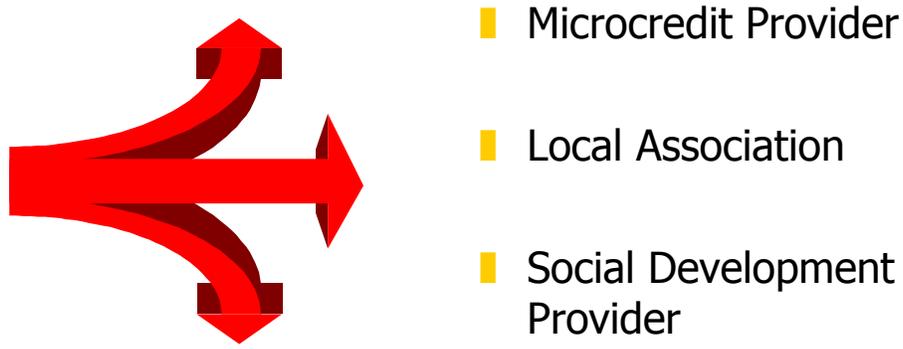
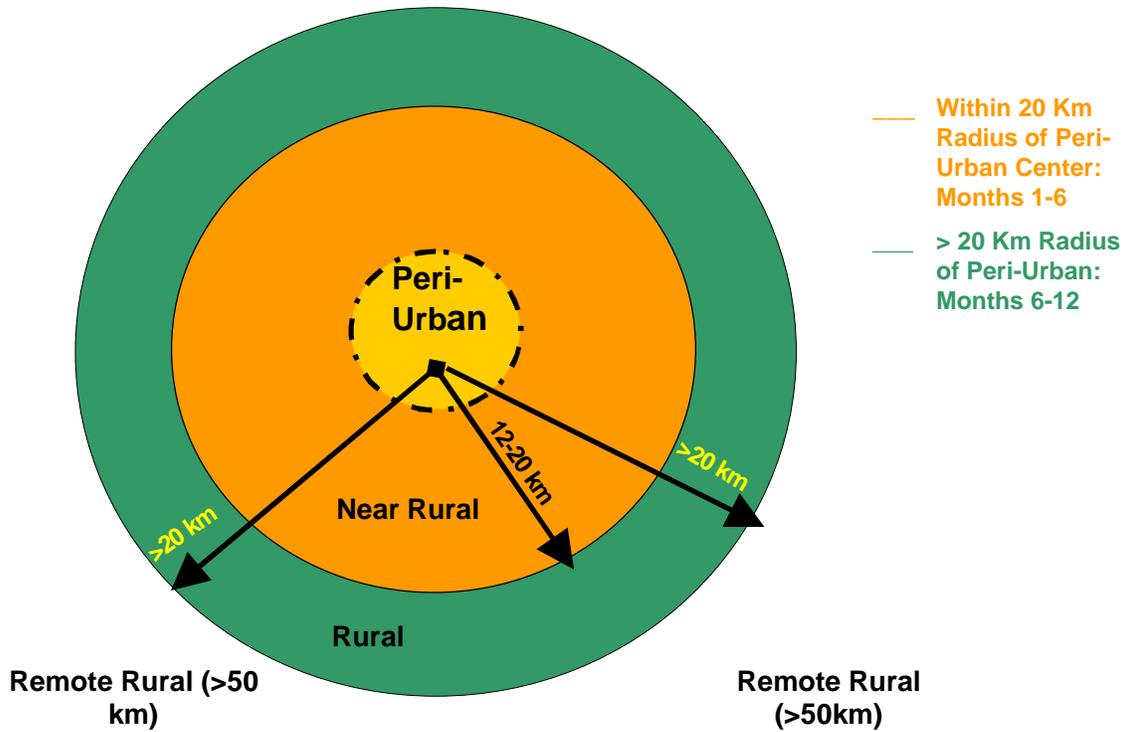


Figure 4: Rural Microfinance: Program Expansion Model



**Table 1. NGOs in Morocco Interviewed by DAI**

<b>Organization</b>	<b>Rural Vision and Mission</b>	<b>Social Programs Approach</b>	<b>Work through Local Associations</b>	<b>Existing Capacity in Microfinance</b>
Al Amana	no	No	no	<b>yes</b>
AMOS Oeud Srou	yes	Yes	yes	<b>yes</b>
AMSED INMAA	yes	yes	yes	<b>no</b>
ILIGH	yes	yes	yes	<b>no</b>
NEF	yes	yes	yes	<b>no</b>
Tichka	yes	yes	yes	<b>no</b>
Zakoura	yes	yes	yes	<b>yes</b>

**Al Amana:** Moroccan NGO active in urban microfinance delivery on a national scale.

**AMOS:** Moroccan NGO based in Kebab and active in social programs and Microfinance in that area (Khenifra).

**AMSED/INMAA:** Moroccan NGO active in social programs on a national scale through AMSED. INMAA is being established to be active in microfinance on a national scale.

**ILIGH:** Moroccan NGO active with social programs in the region of Agadir.

**Near East Foundation (NEF):** International NGO active in social programs primarily in the region of Ouarzazate (S-M-D).

**Tichka:** Moroccan NGO active with social programs in the region of Ouarzazate (S-M-D).

**Zakoura:** Moroccan NGO active in social programs and microfinance on a national scale.

**Table 2. Leading Microfinance Practitioners in Morocco**

<b>Organization</b>	<b>Management Structure</b>	<b>Vision and/or Commitment to Rural Microfinance</b>	<b>Institutional readiness for Rural Microfinance</b>	<b>Financial Capacity and potential for sustainability</b>
Al Amana	High	Low	Med	Med-High
Zakoura	Med-High	Med	Med-High	Med-High
Oued Srou	Low-Med	Med	Med	Low-Med
INMAA/AMSED	Med	Med	Med	Low

Note: INMAA is in the process of formation as a new entity, formerly AMSED

### **Management Structure**

High: Adequate governance and sound organizational structure.

Medium: Acceptable governance and organizational structure though some improvements are needed.

Low: Weaker governance and organizational dynamics.

### **Vision/Commitment to Rural Finance**

High: Vision for microfinance includes commitment to rural program expansion.

Medium: Program is primarily urban-based but is open to considering rural programs.

Low: Low levels of interest in rural delivery of microfinance.

### **Institutional readiness**

High: Highly successful with existing microfinance models in the urban or peri-urban environment with some experience in the rural areas.

Medium: Moderate success in existing microfinance program delivery but primarily in urban-based areas.

Low: low to marginal success with existing program delivery.

### **Financial capacity and potential for sustainability**

High: operational and financial sustainability is a high priority and within reach in less than two years, demonstrated ability to attract donor funding and alternative sources of loan capital funding.

Medium: operational and financial sustainability is a goal but may not be achievable within the next two years, reasonably good access to donor and other sources of capital.

Low: operational and financial sustainability is an issue, attracting capital to support programs is difficult.

## **RECOMMENDED RURAL MICROLENDING MODEL SOUS-MASSA-DRÂA (S-M-D)**

DAI has concluded that there are two Moroccan organizations that have the highest potential as partners for assuming the key roles to implement a pilot microfinance program sponsored by USAID targeted to the rural areas of the S-M-D (See Tables 1 and 2).

We believe that Zakoura would be more suited for a larger pilot activity covering the areas south of Agadir in and around Massa and down to and including the areas in around Sidi Ifni. A smaller pilot activity would be undertaken by INMAA in the region north of Ouarzazate in villages initially within a 20 kilometers radius.<sup>3</sup>

Please refer to the detailed discussions of both organizations in Part Two – Institutional Assessments.

### **The suggested pilot programs would have the following goals and objectives:**

- " Targets the population residing outside of the main and secondary urban cities in the S-M-D as the primary client group for access to credit.
- " Recognizes and addresses the special constraints of the rural environment given the geographically dispersed population, culture and religion, restricted access to villages, demographic profile, impact of male emigration to cities and abroad, and the paucity of commercial activity in and between the villages of the S-M-D.
- " Creates a workable institutional model that can be successfully replicated in other areas in the S-M-D after completion of a pilot phase with a reasonable level of incremental financial resources from sponsors.
- " Achieves maximum client outreach to the targeted clients in a cost effective and timely manner; and has a primary objective to achieve operational and financial sustainability within the timeframe outlined in the new microfinance law.
- " Emphasizes an integrated programs approach to addressing both social and economic needs of the rural areas that are difficult to address independent of the other.

### **Cost Implications of the Pilot Program**

The projections presented in the following pages illustrate that the majority of the funding needed for the larger pilot activity would be allocated towards the loan capital, since Zakoura

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<sup>3</sup> In conversation with the consultants, representatives of Zakoura and INMAA have confirmed their interest and commitment in serving the rural population of the S-M-D region. They recognize the importance of following an integrated programs approach and agree with the undertaking of a pilot program to test the approach.

has a well-established institutional capacity. For INMAA, having a start-up status, there is a need to fund some institutional development costs.

In the future, it is likely that all these organizations will have to begin accessing additional loan capital at the market rate of interest rate. This would be higher than the imputed costs currently in these organizations' business plans. However, assuming that their portfolio performance and their level of growth continues, this additional capital cost should not be a significant hindering factor to their overall sustainability.

## **Impact Assessment**

A meaningful way to measure impact is to determine whether your target client base is better-off as a result of receiving the services you have provided. In order to measure this, there has to be an effective way to quantify the change in economic standards or income level. This is commonly done by administering client surveys to assess the following:

- Change in the level of household revenue.
- Change in how revenues are used (e.g. the loan enables clients to use revenue on their family rather than on buying inputs).
- Change in number of women active in commercial activities.
- Client retention—the percent of clients who remain in the group after the first loan cycle, reason(s) for dropout.

The AIMS Impact Toolkit presents two methodologies for conducting an impact assessment—cross-sectional and longitudinal. The cross-sectional approach involves interviewing a random sample of current clients (short-term clients, longer-term clients, and new clients) at a point in time, while the longitudinal approach uses a control group of non-clients as a point of comparison and looks at change over time. The cross-sectional approach would require at least 100 interviews and would cost \$4,000-7,000. The longitudinal approach would require at least 800 interviews and would cost \$12,000-21,000.

These methods would make more sense for a permanent institution who has been in operation for more than one year. However, it would not be recommended for assessing the impact of the pilot program. A more appropriate small-scale process could be used based on the quarterly reporting and progress reports submitted by the implementers.

Each quarter, the implementers will submit a status report that will include data on outreach and portfolio quality, showing their progress in meeting the targeted level of clients and disbursed loans. In addition, there should be a financial report on actual expenses to budgeted expenses, with explanations on variances.

After 6 months, the scope of these reports should be expanded to include a qualitative discussion of client impact, addressing such issues as client retention and dropout, revenue changes, and changes in client productive activities. In addition, the quarterly report should address issues relating to notables successes, constraints faced, and ongoing objectives. The report should also detail any significant program implementation problems and outline any need for additional technical assistance to address the problems.

We are recommending that USAID conduct an evaluation of the pilot program given the small program scope. Alternatively, this task can be contracted to an outside reviewer. Assuming that USAID will undertake this task, the Program Development Specialist overseeing the pilot program should convene a review committee to conduct a qualitative assessment of the results that have been achieved. This evaluation team would not meet until after the reports for the second and third quarters have been received. The team may also ask for an additional program evaluation reports through month 10 to be submitted by the implement. With this information, the objective would be to determine:

- ***Satisfactory results***—program has achieved an acceptable level of performance in meeting operational and financial targets; client satisfaction is at a good level; and there are positive impact indicators.

***Action:*** Continue to support the microfinance program in year 2. This support should be primarily additional loan capital. However, USAID should be open to assisting reasonable technical assistance request.

- ***Less than satisfactory results***—program has failed to achieve an acceptable level of loans and client as targeted; financial results may be on budget; client satisfaction is acceptable; but there are uneven impact indicators.

***Action:*** Determine if it is necessary to revise program objectives. Assess whether corrective measures are possible, what the cost implications would be, and whether these measures will improve results to a level consistent with expectations within a reasonable time. USAID may consider additional funding which would most likely include a larger percentage allocated to capacity building.

- ***Unsatisfactory results***—program is significantly below program operational and financial targets; client satisfaction is low; and there are no positive impact indicators.

***Action:*** Assess whether corrective measures are possible, what the cost implications would be, and whether these measures will improve results to a level consistent with expectations within a reasonable time. USAID may decide to withdraw additional support to continue the pilot program beyond year 1.

## **Performance Monitoring**

Performance monitoring of the pilot program should be conducted on a quarterly basis by the USAID Program Development Specialist. The objective of the monitoring process is to track program implementation progress, to identify areas of success and areas of weakness. The Program Development Specialist would also make recommendations in conjunction with the implementing partner to adopt an appropriate action plan for addressing deficient areas.

A satisfactory level of performance may be measured as follows:

- Client outreach at 80 percent of target in each quarter.
- Repayment rate of at least 90 percent.
- Management cost is kept at budget.
- Client retention of at least 90 percent (i.e. 90 percent of clients will renew their loans), a proxy indicator for client satisfaction.
- Other factors that will need to be considered will include: number of loans to women, change in the level and types of activities conducted by women, and use of loan proceeds.

**LARGE PILOT MODEL FOR  
MICROFINANCE PROGRAM TARGETED TO  
THE RURAL AREAS IN THE REGION SOUTH OF AGADIR**

**Implementer: Zakoura Foundation**

The pilot will be based on the rural model already developed and tested by Zakoura. Key factors supporting the selection of the Zakoura Foundation are:

- " The commitment to and interest in the expanding the delivery of microcredit to rural areas.
- " The already established institutional capacity and proven success in developing workable microcredit models.
- " The recognition by Zakoura of the special constraints of the rural environment and the importance of employing an integrated programs approach.

**Potential collaborators for parallel social program delivery:** Zakoura, ILIGH, and local associations.

**Region: Villages in and Around Massa, Tiznit, and Sidi Ifni**

- " Massa is about 64 kilometers south of Agadir. It is very populated and has the appearance of a small town. There is only one main street, active commerce, water, electricity, doctors and police. There are numerous villages that surround it on both sides of the main highway.
- " Further south about 100 kilometers from Agadir is Tiznit, which is a small and very active city. Passing through Tiznit, one observes many villages off the main highway as you continue south.
- " About 41 kilometers south of Tiznit is Mirleft, which could be called a small town or large village. It is peri-urban in character as it has water, electricity and a small level of active commerce. As little as a kilometer outside of the Mirleft one is already in the countryside and there are numerous villages along the road to the next town, Sidi Ifni.
- " Sidi Ifni is a small port town about 75 kilometers from Tiznit (175 kilometers from Agadir). It is relatively urban in character but the approach to the town has many villages in the countryside.

**Target Market Characteristics:**

- " High level of emigration of adult males
- " Poor water conditions
- " High level of poverty
- " Mostly women and children in the more remote villages
- " Villages are close to a larger town or larger village.
- " Activities: agriculture, raising sheep, bees, and small levels of commerce and trading.

**Key Pilot Program Assumptions:<sup>4</sup>**

**Total funding needed in Year 1 is \$560,360.**

<b>Funding Requirements for Microcredit pilot: (\$ 518,060)</b>
<b>Pilot period:</b> 12 months
<b>Credit Methodology:</b> Solidarity group
<b>Loan Distribution Process and Control Systems:</b> See Institutional Assessment for Zakoura for details
<b>Program loan targets:</b> 3,000 clients by the end of year 1
<b>Average loan:</b> 1,500 dirhams
<b>Number of Credit agents:</b> 10
<b>Loans for Credit Officer:</b> 300
<b>Villages per Credit Officer:</b> 6
<b>Eligibility:</b> Women and Men
<b>Pilot Products and Activities:</b> Loans, Business Skills and Methods Training, Enterprise Development (in year 2 only).

<b>Funding Requirements for Parallel programs: (\$42,300)</b>
<b>Parallel social programs:</b> Literacy, Basic Education, family planning, health and hygiene.
<b>Social Program targets:</b> 450 women in Literacy classes; 360 children in basic education, and 432 sessions on health, family planning and hygiene issues.

**Phase One: Timing to 180 days**

Zakoura would be required to submit an implementation plan that includes a detailed program budget that conforms to USAID specifications.

USAID funds initial start up activities up to 50 percent of program budget. \$241,130

loan fund	\$180,000
admin/operations	39,980
social programs	21,150

<sup>4</sup> The following data was calculated by the consultants based on Zakoura's current cost structure and on their preliminary assessment of the minimum level of clients needed to justify program expansion. A detailed spreadsheet is provided below.

**Months 1& 2**

- " Zakoura conducts market penetration analysis to select appropriate villages and density areas for pilot.
- " Staff selection and hiring
- " Office space for 2 offices is acquired
- " Training and formation of credit officers
- " On the ground program promotion and group formation in the villages (client sensitization; training on methodology, responsibilities, and credit application process)
- " Rental of local village space for credit officers and non-financial training activities; and parallel social classes.

**Month 3**

- " First loan cycles are started (10 officers x 20 loans = 200 loans). Projection is to have 1200 loans by the end of month 6.
- " Begin Business skills and methods training
- " Start parallel social programs

**Months 4-5**

- " Quarterly report due to USAID by end of month 4
- " Loan cycle continue. Goal is 30 loans per agent per month.

**Month 6**

- " Group formation and funding of loans and training continues.

USAID funds the balance of the pilot program year. \$ 319,230

loan fund	\$270,000
admin/operations	28,080
social programs	21,150

**Phase Two: Second 180 days****Month 7**

- " Group formation and funding of loans and training continues. Goal is to have an additional 1800 loans over months 7-12.
- " Quarterly report due to USAID by end of month 7

**Month 8-10**

- " Group formation and funding of loans and training continues.
- " Quarterly report due to USAID by end of month 10.

**Month 11**

- " Pilot Evaluation by USAID.
- " Zakoura to submit a budget and business plan for year 2 of program which should include target growth rate, expansion sites, and funding level needed.
- " Decision taken by USAID to fund program for a second year.

**Month 12**

- " Preparation of pilot year end reports.
- " Year end report due to USAID by end of month 13.

**Table 3: Estimated Budget for Large Pilot Rural Activity—Zakoura Foundation**  
(in dirham)

<b>OPERATIONAL BUDGET (2 offices)</b>	<b>Year 1</b>		<b>Year 2 Incremental Cost</b>		<b>Year 2</b>
	<b>Assume 10 agents, 2 branches, 3000 loans</b>		<b>Assume additional 5 agents, 1500 loans</b>		<b>Assume 15 agents, 2 branches, 4500 loans</b>
<b>Start-up expenses (one time only)</b>					
Branch office set up (@4,500 each)	9,000		0		0
Photocopier	9,000		0		0
Furniture	7,000		0		0
Deposit for office rent	4,000		0		0
<b>Administrative expenses (recurrent)</b>					
Motorcycles (@9,000/each)	90,000		45,000		45,000
Office rent (1,000 dh/month x 2 offices)	24,000		0		24,000
Credit agent salary (3000/month)	360,000		180,000		540,000
Branch office coordinators (50% of 5,000/month)	60,000		0		60,000
Transportation costs—credit agent (@ 500/month per agent)	60,000		30,000		90,000
Transportation costs—branch coordinator (@1000/month)	24,000		0		24,000
Office supplies	24,000		0		24,000
Utilities	4,800		0		4,800
Postage	4,800		0		4,800
<b>TOTAL OPERATIONAL BUDGET</b>	<b>680,600</b>	<b>12.15%</b>	<b>210,000</b>	<b>6.17%</b>	<b>816,600</b>
<b>LOAN CAPITAL NEEDED</b>	<b>4,500,000</b>	<b>80.31%</b>	<b>3,000,000</b>	<b>88.17%</b>	<b>7,500,000</b>
<b>SOCIAL PROGRAMS</b>	<b>423,000</b>	<b>7.55%</b>	<b>192,500</b>	<b>5.66%</b>	<b>573,500</b>
Non formal education (1)	330,000		165,000		453,000
Alphabetization	57,000		9,500		66,500
Health education	36,000		18,000		54,000
<b>TOTAL FUNDS NEEDED</b>	<b>5,603,600</b>	<b>100.00%</b>	<b>3,402,500</b>	<b>100.00%</b>	<b>9,006,100</b>
<b>ADDITIONAL FUNDING REQUIRED</b>					<b>2,795,500</b>
<b>ANTICIPATED REVENUE</b>					
<i>Assumption: year 1: 3000 loans @1,000 dh + 3000 loans @1,500 dh x 12%; year 2: 1500 loans @1000dh + 1500 loans @1500 dh + 3000 @1750 dh + 3000 @1750dh</i>	900,000				1,710,000
Less expenses	1,103,600		210,000		1,390,100
Net gain/loss	-203,600				319,900
<b>Net gain/loss (excluding social programs)</b>	<b>219,400</b>				<b>893,400</b>
<b>Cost recovery</b>					<b>102%</b>
<b>Imputed cost of capital for growth (10%)</b>					<b>279,550</b>

(1) First-year cost includes one time only expense of Dh 42,000 for materials development.

**SMALL PILOT MODEL FOR  
MICROFINANCE PROGRAM TARGETED TO  
THE RURAL AREAS IN THE REGION OF OUARZAZATE**

**Implementer: INMAA**

INMAA is being recommended due to its historical connection through AMSED with other successful rural microfinance programs such as Oued Srou. In addition, the organization's founders and directors have stated that they are committed to serving those areas that have not been reached by existing providers. As part of the AMSED family, INMAA benefits from:

- " The extensive network of regional and local associations.
- " AMSED's already established institutional capacity and proven success with social and economic development activities in the rural areas.
- " The recognition by AMSED and INMAA of the special constraints of the rural environment and the importance of employing an integrated programs approach.

**Potential collaborators for parallel social program delivery:** AMSED, Tichka and local associations

**Region:** Imzoughen, Amerzegane and other villages within an 18 kilometers radius of Ouarzazate.

It is estimated that there are about 37,000 inhabitants in the 40 villages in network covered by Tichka.

**Target Market Characteristics:**

- " Small-scale agriculture is the main activity among the men and is primarily for daily provisions.
- " There is not a very active commercial activity within or between the villages.
- " Most of the women engage in the same principal activity, making carpets or raising sheep.
- " The access to the villages is by dirt roads that are poorly maintained and the roads can be cut-off if there are floods due to heavy rains.
- " The success of the agricultural activity is dependent on the level of runoff from snow and the amount of occasional rains.
- " The current drought has created very difficult conditions for drinking water and for irrigating the fields.

**Key Pilot Program Assumptions:<sup>5</sup>**

**Total funding needed in Year 1 is \$ 162,800.**

<b>Funding Requirements for Microcredit pilot: (\$ 142,800)</b>
<b>Pilot period:</b> 12 months
<b>Credit Methodology:</b> Solidarity group
<b>Loan Distribution Process and Control System:</b> Based on AMOS methodology; see Institutional Assessment for AMOS for details.
<b>Program loan targets:</b> 700 clients by the end of year 1
<b>Average loan:</b> 1,200 dirhams
<b>Number of Credit agents:</b> 4
<b>Loans for Credit Officer:</b> 175
<b>Villages per Credit Officer:</b> 10
<b>Eligibility:</b> Women and Men
<b>Pilot Products and Activities:</b> Loans, Business Skills and Methods Training

<b>Funding Requirements for Parallel programs: (\$20,000)</b>
<b>Parallel social programs:</b> Literacy, Basic Education, family planning, health and hygiene.
<b>Social Program targets:</b> 225 women in Literacy classes, 180 children in basic education and 200 sessions on health, family planning and hygiene issues.

**Phase One: Timing to 180 days**

INMAA would be required to submit an implementation plan that includes a detailed program budget that conforms to USAID specifications.

USAID funds initial start up activities up to 50 percent of program budget. \$74,600

loan fund	\$32,160
admin/operations	31,900
social programs	10,000

**Months 1& 2**

- " INMAA conducts market penetration analysis to select appropriate villages and density areas for pilot.
- " Staff selection and hiring.
- " Office space for 1 office is acquired.
- " Training and formation of credit officers.
- " On the ground program promotion and group formation in the villages.
- " Rental of local village space for credit officers and non-financial training activities; and parallel social classes.

<sup>5</sup> The following data was calculated by the consultants based on a business plan provided by INMAA. A detailed spreadsheet is provided below.

**Month 3**

- " First loan cycles are started (4 officers x 11 loans = 44 loans). Projection is to have 268 loans by the end of month 6.
- " Begin Business skills and methods training.
- " Start parallel programs.

**Months 4-5**

- " Quarterly report due to USAID by end of month 4.
- " Loan cycle continue. Goal is 15 loans per agent per months 4-6.

**Month 6**

- " Group formation and funding of loans and training continues.

USAID funds the balance of the pilot program year. \$88,740

loan funds	\$51,840
admin/operations	26,900
social programs	10,000

**Phase Two: Second 180 days****Month 7**

- " Quarterly report due to USAID by end of month 7.
- " Group formation and funding of loans and training continues. Goal is 18 loans per month per agent through month 12.

**Month 8-10**

- " Group formation and funding of loans and training continues.
- " Quarterly report due to USAID by end of month 10.

**Month 11**

- " Pilot Evaluation by USAID.
- " INMAA to submit a budget and business plan for year 2 of program which should include target growth rate, expansion sites, and funding level needed.
- " Decision taken by USAID to fund program for a second year.

**Month 12**

- " Preparation of pilot year end reports.
- " Year end report due to USAID by end of month 13.

**Table 4. Estimated Budget for Small Pilot Rural Activity—INMAA/AMSED**  
(in dirham)

<b>OPERATIONAL BUDGET (2 offices)</b>	<b>Year 1</b>	<b>Year 2 Incremental</b>		<b>Year 2</b>		<b>Year 3 Incremental</b>		<b>Year 3</b>	
	<b>Assume 4 agents, 1 office, 700 loans</b>	<b>Assume additional 4 agents, and 700 loans</b>		<b>Assume 8 agents, 1 office, and 1400 loans</b>		<b>Assume additional 4 agents, and 800 loans</b>		<b>Assume 12 agents, 1 office, and 2200 loans</b>	
<b>Start-up expenses (one time only)</b>									
Branch office start-up expenses	36,000	0		0		0		0	
Materials preparation	10,000	0		0		0		0	
Deposit for office rent	4,000	0		0		0		0	
<b>Administrative expenses (recurrent)</b>									
Motorcycles (@9,000/each)	36,000	36,000		36,000		36,000		36,000	
Office rent (1,000 dh/month)	12,000	0		12,000		0		12,000	
Credit agent salary (2500/month)	120,000	120,000		240,000		120,000		360,000	
Credit Supervisor (3000/month)	72,000	0		72,000		0		72,000	
Director of credit (10,000/month @50% year 1)	60,000	0		60,000		0		60,000	
Accountant (7000/month @ 50%)	42,000	0		42,000		0		42,000	
Administration coordinator (3000/month @ 50%)	18,000	0		18,000		0		18,000	
Transportation costs	20,000	20,000		40,000		20,000		60,000	
Office supplies	12,000	0		12,000		0		12,000	
Utilities & Postage	18,000	0		18,000		0		18,000	
Social charges	78,000	25,000		103,000		25,000		128,000	
Audit	50,000	0		0		0		50,000	
<b>TOTAL OPERATIONAL BUDGET</b>	<b>588,000</b>	<b>36%</b>	<b>201,000</b>	<b>15%</b>	<b>653,000</b>	<b>32%</b>	<b>201,000</b>	<b>12%</b>	<b>818,000</b>
<b>LOAN CAPITAL NEEDED</b>	<b>840,000</b>	<b>52%</b>	<b>980,000</b>	<b>71%</b>	<b>980,000</b>	<b>48%</b>	<b>1,240,000</b>	<b>76%</b>	<b>1,240,000</b>
<b>SOCIAL PROGRAMS</b>	<b>200,000</b>	<b>12%</b>	<b>200,000</b>	<b>14%</b>	<b>400,000</b>	<b>20%</b>	<b>200,000</b>	<b>12%</b>	<b>600,000</b>
<b>TOTAL FUNDS NEEDED</b>	<b>1,628,000</b>	<b>100%</b>	<b>1,381,000</b>	<b>100%</b>	<b>1,969,000</b>	<b>100%</b>	<b>1,641,000</b>	<b>100%</b>	<b>2,658,000</b>
<b>ADDITIONAL FUNDING REQUIRED</b>					<b>1,749,000</b>				<b>1,915,000</b>
<b>ANTICIPATED REVENUE</b>									
<i>Assumption: year 1: 700 loans @1,000 dh + 700 loans @1,200 dh x 12%; year 2: 700 loans @1000dh + 700 loans @1200 dh + 700 @1400 dh + 700 @1400dh</i>	184,800			420,000				715,200	
Less expenses	788,000			1,380,000				1,418,000	
Net gain/loss	-603,200			-960,000				-702,800	
<b>Net gain/loss (excluding social programs)</b>	<b>-403,200</b>			<b>-233,000</b>				<b>-102,800</b>	
<b>COST RECOVERY</b>				<b>27%</b>				<b>44%</b>	
<b>Imputed cost of additional funds for growth (10%)</b>					<b>174,900</b>				<b>191,500</b>



## PART TWO

### INSTITUTIONAL ASSESSMENTS

#### ASSOCIATION AL-AMANA LOCATION: HEADQUARTERED IN RABAT

#### **Consultants' summary observations:**

Al Amana has been very successful in implementing an urban-based program on a national scale. It has built a strong program using the group solidarity model and targeting men and women. Key to its success has been its commitment to training and development of its staff, in particular the credit officers.

Al Amana continues to have a strong commitment and focus on the urban and to some extent the peri-urban market. The current program model is more suited to the urban environment and there has been no significant experiment with expansion to rural areas. Though we believe that there is an adequate operational structure, as well as a sound institutional capacity, we do not believe Al Amana would be the suitable partner for a program targeted to rural clients.

#### **Program Goals and Objectives**

**Overview:** Created in 1997. The mission of Al-Amana is to promote micro-enterprises, especially but not exclusively, by making loans to traders, craftspeople, and other small businesses. Al-Amana provides access to credit for all men and women micro-entrepreneurs who are excluded from commercial banks and traditional bank institutions.

The organization offers three types of financial products:

- 1) Credit Saison—14 week loans of 2,500 dh (\$250) maximum, intended for people who have opportunity to invest the money and make a quick profit;
- 2) Salaf express—6 month loans of 3,000 dirhams maximum (\$300), usually recommended for new customers;
- 3) Hirafi Jadid—eight month loans of 7,000 dh (\$700) maximum, designed with less frequent payments and longer grace period to meet the needs of clients who want to invest in purchasing equipment.

Al-Amana is currently developing BDS products, specifically business skills/financial management training through video. The organization hopes that by training clients to be better entrepreneurs would make them better financial managers, and hence better clients for Al-Amana's financial services. The BDS will be priced according to market price, and offered as an optional product rather than in parallel to the credit.

**Goals:** Al-Amana aims to achieve full sustainability by the end of 2000.

<b>Funding Sources:</b>	100 percent USAID-funded
<b>Sector:</b>	urban
<b>Client Activities:</b>	47 percent trade, 12 percent services, 41 percent handicrafts
<b>Scale:</b>	over 20,000 active clients with revenue exceeding \$1million in 1999.
<b>Geographic:</b>	36 branch offices in 18 cities, with 10-11 additional offices planned in the future-Fes, Meknes, Essarouia, Marrakech, Ouarzazate, Oujda, Berkane, Tetouan, Tanger, Ksa El Kebir, Kenitra, Casablanca, Rabat-Sale, Beni Mellal, Settat, Inezgane, Agadir, Taroudant
<b>Gender:</b>	54 percent women

**Program Methodology:** Al-Amana uses the Grameen Bank Solidarity Group lending methodology, with groups of 5 members.

**Management Structure:** Al-Amana has opted to centralize their operations, which lowers costs of branch offices and allows the organization to expand faster and in a more cost effective way. While recognizing the importance of structure and systematization, the organization likes to leave room for flexibility so that adjustments can be made as necessary.

#### **Program Promotional Strategies:**

Promotion is conducted by credit agents using three methods:

- " Door to door advertising.
- " Flyer with map to the nearest branch office.
- " Banners in street.

#### **Program Eligibility requirements**

- " The borrower should own an independent enterprise for at least 1 year.
- " Either the enterprise or the household must have a fixed location.
- " The borrower cannot be a salaried employee.
- " No family members can be part of the solidarity group.
- " Borrowers have to be more than 18 years of age.

#### **Program credit screening and loan distribution process:**

Loan disbursement is made after the following steps have been taken:

- " Borrowers attend a 45 minute training session in office, which includes a 5 minute orientation video.
- " After the borrower forms the solidarity group, an Al-Amana credit agent visits each client to analyze his/her financial status and helps the client complete a balance sheet for the enterprise and household. The agent spends 30 minutes with each client.
- " The solidarity group attends a training session together to learn about the solidarity lending method and the requirements of the group.

- " A second randomly chosen credit agent is sent to test the solidarity group on the training they received. This test also serves to ensure that there are no "ghost clients."

#### **Program Control Systems:**

- " A controller conducts periodic random visits to the branch offices (antennas) as well as to group meetings.
- " Al-Amana and Zakoura share information on bad clients as well as existing clients, to ensure that a client does not receive loans from more than one institution.

#### **Program Credit Education Process:**

- " There is no required credit training as a requirement for obtaining a loan.
- " Al-Amana is adding a BDS component to train borrowers on how to invest and manage their money, as well as basic accounting and other business skills. The BDS product will be offered as a demand-led service to be paid for by the client.

**Collaborating Institutions:** none

**Program Impact on Rural Development:** Al-Amana has an urban focus.

#### **Program Strengths**

- " **Staff**—Al Amana strongly believes in having high quality in its staff and invests accordingly in recruitment, selection and training of staff. Bonuses are distributed each quarter based on two criteria: (a) Antenna yield—problems and (b) Portfolio size—problems. The organization will be moving towards portfolio profitability as a criteria for bonuses in the future. Staff turnover has been low, with only 5 people being either fired or whose contract was discontinued in the past 3 years.
- " **Flexible procedures**—Al Amana strongly believes in learning by doing and being pro active in making changes. All procedures that were established at the beginning of the program have evolved, and institutional structures were revised to enhance productivity.
- " Good MIS.

#### **Program Weaknesses**

- " Administrative system is good but struggles to catch up with institutional growth.
- " Organizational changes occurring too rapidly – need to better control and manage growth.

#### **Strategic Objectives**

- " To reach full sustainability by early 2001.
- " Developing BDS as a new product for clients.

#### **Progress Towards achieving Strategic Objectives**

- " At end of 1999, program covered 79 percent of its operating costs and 62 percent of total costs, assuming a 10 percent cost of capital. Without including the cost of VITA's technical assistance, Al-Amana recovered 66 percent of total costs. The organization is predicting an 80 percent success rate of achieving the sustainability objective.
- " BDS training video currently under development.

### **Constraints/Threats to achieving Strategic Objectives**

- " Access to loan fund capital—the organization cites the need to find a banking partner. Al-Amana recently received its first non-USAID funding of \$150,000 from Agence du Nord. It is also looking into funding from the Foundation Hassan II, which has a total endowment of \$10 million.
- " Need to determine what is the right amount of expansion for the organization

### **Key lessons learned**

- " Keep focusing on doing what you do best.
- " Client focus insures loan repayment.
- " Invest in staff training and development.
- " Standardized products.
- " Be industrial.
- " Centralize administration (branch office covers costs in 8 months).

### **Policy Issues**

Al-Amana does not consider the new Microfinance law to be restrictive. The legislation treats MFIs as regulated non profit companies. While there may be a ceiling on interest rate imposed (ceiling has to be approved by the Ministry of Finance), there are ways to attach fees to circumvent this requirement.

**FOUNDATION ZAKOURA**  
**LOCATION: HEADQUARTERED IN CASABLANCA**

**Consultants' summary observations:**

Zakoura has achieved moderate success with microcredit activities in the last two years after a rather slow beginning. The Foundation has evolved from a singular focused microcredit program to one that incorporates the delivery of both social and economic development activities to low income people. It works in the urban, peri-urban and rural areas, though it has focused primarily with women for the microcredit program. However, Zakoura has worked on a small scale with men in a program for enterprise development. Key to Zakoura's success has been its integrated programs approach.

Zakoura is currently experimenting with a model for rural program delivery in three locations in order to extend the scope of its coverage in the rural environment. Though it remains committed to women, we are told that it is likely that the microcredit program would also be broadened to include men. We believe that Zakoura has an adequate governance and management structure, as well good institutional capacity. Zakoura's willingness to test rural program delivery and its strategy to expand to rural clients supports them as a suitable potential partner for a program targeted to rural clients.

**Program Goals and Objectives**

Overview: Created in 1975. The organization functions as a not-for-profit financial institution employing modern economic dynamics and ideologies appropriate to the alleviation of unemployment. Important to its success is the ability to build a broad base of support around this concept.

This program was begun by its founders due to what they perceived as a lack of meaningful formal support by the public and private sectors for MSEs. The founders sought to create a tool for aiding the poor, urban and rural based, particularly those without access to aid from any other sources. Efforts are now focused on increasing penetration of the rural areas

The foundation operates primarily with the group solidarity methodology and targets women, exclusively, as beneficiaries.

The organization promotes the following "Values":

- " Solidarity;
- " Respect for the individual;
- " Equality of the sexes;
- " Commitment to quality in all aspects of daily life;
- " Disdain for Corruption.

The Foundation has developed a three component program called DID, Developpement Integrale de Douars (Integrated Village Development):

- " Microcredit program;
- " Non formal youth education program;
- " Women Literacy program.

**Goals:**

- " To provide financial services to poor women who have an idea for a small productive activity and who have the know-how to make it work.
- " To provide training in the principals of business management and sound business practices.
- " To foster concern to the problems of illiteracy among women and children, family planning, general hygiene, health and environmental issues.

**Funding Sources:**

- " The Foundation has a funding base of approximately Dirham 15,600,000 (\$1,560,000 million), of which 75 percent are loan funds provided by banks and other sources. These funds do not carry any interest rate at present.

**Sectoral focus:** 25 percent urban; 26 percent peri urban; 49 percent rural

**Program Scale:**

- " Potential client base of 500,000.
- " Zakoura has reached 55,000 loans since its inception.
- " There is also a small venture support program for rural MSEs. Currently, the foundation supports 120 new enterprises with training, materials and market development.

**Geographic:**

- " 15 regions and 60 districts.
- " Tanger, Tetouan, Al Hoceima, Kenitra, Casablanca, Khemisset, Fes, Doukkala, Essaouira, Benguerir, Agadir, Marrakech.

**Gender:** Primarily women, microcredit program is 100 percent women

**Management Structure:**

- " There is a Pilot Committee of seven members of the Board who provide expertise in various disciplines on pro bono basis. This committee undertakes periodic reviews of the Foundations operations.
- " The Management is lead by a President and the Director General. There are three principal operating areas each headed by a Director: Finance, Credit, and MIS.

**Program Promotional Strategies:** Door to door by field agents who live in the region and know the people well.

**Program Eligibility Requirements:**

- " Rural and peri-urban women in microcredit, men for enterprise development.
- " Poor, monthly revenue for a household of five is less than Dirham 1,500 per month.
- " Must have an idea for a productive enterprise and possess know how to implement the idea.
- " Must be able to form a peer group of five.
- " Respect for the "Values" of the Foundation Zakoura.

**Program Credit Screening and Loan Distribution Process:**

- " Meeting is held to present how Zakoura works;
- " Attendees are sent away to form into groups;
- " Field agents conduct inquiry on the feasibility of the projects and Verifies domicile/business locale;
- " Organizes candidates into cluster of 8 groups composed of 40, five per group;
- " Sets up file for loan operations: two groups of 20;
- " Confirmation of group quality by a second field agent;
- " Order given to block funds and prepare disbursements;
- " Credit given to Head of group who distributes the loans; and
- " Client does not already have access to other sources of credit.

**Program Control Systems:**

- " Rent a local space so that Field agent is in close contact with the borrowers.
- " Field Agents know their areas well.
- " Auditor is sent out periodically to verify groups and monitor agents. Daily control on the repayments by field operations.
- " Weekly control on loan disbursements and repayments by head office.
- " Regular internal and external evaluation of procedures and controls.

**Collaborating Institutions:** The Foundation's microcredit program works closely with other Foundation programs and has worked with local associations in the rural areas.

**Program Impact on Rural Development**

- " Revenue generating capacity of rural borrower is at least at the same level given that urban borrower normally has a single productive activity whereas the rural client has more than one activity.
- " Divorced, widowed and abandoned women found to be more driven and more likely to be a good client. Have a greater need to succeed.

### **Program Strengths**

- " Program's flexibility-adapts rapidly to constraints.
- " Fluidity of information-Field agents are in the field and have intimate knowledge of the environment and clients.
- " Staff's respect for policies and procedures.
- " Organizational consensus, vertically and horizontally, for goals and objectives.
- " Program policies and procedures are efficient.
- " Regular internal and external evaluations of the program and its operations.

### **Program Weaknesses**

- " Objectives were too broad at the inception of the program.
- " Initial hiring and selection of field agents was too hurried.

### **Strategic Objectives**

- " Modest and controlled growth.
- " Greater penetration into the rural areas with integrated programs approach.
- " Wants to have greater impact on improving the quality of life of poor people.
- " Develop a model suitable for the less dense rural areas.

### **Progress Towards achieving Strategic Objectives**

- " Has always met quantitative objectives.
- " Has benefited from unwavering support of a broad based group of political and financial supporters.

### **Constraints/Threats to achieving Strategic Objectives**

- " Getting funds to support growth.
- " Inability to pay staff at a high enough scale.
- " Need to improve administrative processes.
- " Need to develop a fund for a pilot program to support the development of cooperatives in order to attain larger program groups that can benefit from greater scale.

**Progress towards achieving financial sustainability**

- " Not there yet, must be able to gain access to additional low costs funding in the future.

**Key lessons learned**

- " Program must be run as a business and not an aid agency.
- " Link microfinance to other programs.

**Key factors promoting program success**

- " Strong operating procedures and high level of respect from the staff for the procedures.
- " No one person is indispensable, back up procedures and cross training are very necessary.

**Policy Issues**

- " New law will imposes full coverage of costs in five years and the elimination of tax exemptions.

**ASSOCIATION OUED-SROU (AOS)**  
**ASSOCIATION DE MICROFINANCE OUED-SROU (AMOS)**  
**Location: Khenifra, Moyen Atlas**

**Consultants' summary observations:**

AOS/AMOS conducts a small but well run local, rural based program. It has built a strong program using a village banking/group solidarity model that targets women.

The current program model is adaptable to a larger market but the expansion has been limited due to lack of human and financial resources. AOS/AMOS are committed to the region of Khenifra and would not be a suitable partner for a program targeted to rural clients in S-M-D. Though it is likely that they would be open to sharing experiences and providing learning and training cooperation.

**Program Goals and Objectives**

Overview: AOS was one of the first microfinance programs in Morocco. Founded in 1992, AOS' mission is to support local community development, with a target group of children, women, the handicapped, traditional artisans, and local organizations, as beneficiaries. The organization's activities fall into the following categories: health, education, alphabetization, income-generation, and microcredit.

In February 2000, as a result of the new microfinance law 18/97, the Association de Microfinance Oued-Srou (AMOS) was established to continue the work of AOS, with the objective of developing the microfinance sector as a mechanism to support and promote income generation activities of poor households.

**Goals:** The goals of AMOS are to provide a mix of financial services using a group and community-based technical approach.

The microcredit program has been in operation since May 1993 and follows an approach guided by the following principles:

- " Credit for active women.
- " Stepped lending to solidarity groups.
- " Mobile bank with streamlined administrative requirements.
- " Obligatory savings pooled within the structure of a village bank.
- " Parallel services in training and technical support.

**Funding Sources:**

- AMSED grant of 1,283, 483 dh, which comprises 76 percent of total funds.

- SIDI loan of 400,000 dh at a discounted rate of 5 percent, which comprises 24 percent of total funds.

**Sectoral:** 10 rural communes, 203 solidarity groups, 33 village banks  
**Gender:** 100 percent women

### **Program Methodology:**

- “ AMOS follows the village banking methodology. A solidarity group of 4-7 persons is formed, with one person who is designated as the “responsible” or group leader. In each locality, several solidarity groups are joined together to form a banque communautaire or village bank.
- “ There is no collateral required; it is the solidarity group that provides the guarantee for the loan. Loan principal is paid as a balloon payment at the end of the cycle, while interest payments are paid monthly. Savings are also collected monthly.
- “ AMOS uses a stepped lending approach extending to seven cycles, with the loan amount increasing by a set amount after each cycle. The client can choose not to increase the loan size in subsequent cycles but the level of increase is set and cannot be changed.

### **Management Structure:**

- “ There is a small and dedicated management team supported by a very active Board of Directors.
- “ There are currently 5 credit agents and 1 cashier. AOS tries to keep the administration simple by not requiring a lot of paperwork.

**Program Eligibility requirements:** women only

### **Program credit screening and loan distribution process:**

- “ The credit agent organizes an orientation meeting with the group to explain the objective of the program, the procedures of the loan process, and the concepts behind village banking.
- “ The credit agent helps each client fill out an application form, describing the household activities, changes in incomes, potential crises that hit the household, and the nature, size, and type of the enterprise.
- “ Once the application is completed, the credit agent in the central office reviews and approves the document. A confirmation of debt form (reconnaisances de dette) is prepared, which the client has to sign before receiving the loan.

### **Program Control Systems:**

- “ Field agents conduct monitoring tours. The monitoring schedule is completed every Monday, with a review meeting on Saturday to present the results of the field visit. Each field agent visits the sites 2-3 times a month to provide orientation, train, and monitor the client groups.
- “ Each village bank has to keep record of the savings in a notebook provided by AMOS

- " All members of the group have to sign a form confirming that they have formed a group in order to receive a loan.
- " In a village bank, the members of the management committee who collect the savings cannot be the same as those depositing the money.

### **Program Impact on Rural Development**

- " Microcredit by itself did not appear to have a significant impact on the level of income generated by the clients or facilitated the clients' access to formal finance. This is due to the following factors: remoteness of the clients' location; lack of variety in the types of activities; and low level of economic activity in that locality.
- " The provision of microcredit has helped to mobilize the women and empower them economically as well as socially by giving them more self-confidence and self-worth.
- " The women clients became more vocal in terms of their needs and were more willing to improve themselves by demanding and participating in other AOS programs such as health, alphabetization, and scolarization of their children.
- " A microcredit program, when integrated with other social services, seems to have a more profound impact on the well being of a poor household.

### **Program Strengths:**

- " Trust and confidence of partners in the organization's programs.
- " A well-trained operational team on the ground who is young and dynamic and who is familiar with the local social context.
- " The ability of clients to adhere to the requirements of the program.
- " A board of directors with a vested interest in the microfinance sector.

### **Program Weaknesses:**

- " Logistical constraints that hamper access to clients – these constraints are tied to the local climate (drought), lack of means of transport, and lack of roads.
- " Lack of access to information and documentation on microenterprise practices due to remoteness from national centers (Rabat and Casablanca).

### **Strategic Objectives**

- " Provide basic financial services to 3,500 active and stable clients by 2004, 90 percent of whom are women.
- " Develop and promote a viable associative institution of microfinance operationally and financially.
- " Expand activities to other rural or semi-rural areas where demand for financial services and opportunities for income generation activities exist.

**Progress Towards achieving Strategic Objectives**

- " AOS is currently 125 percent operationally sustainable, and 122 percent financially sustainable, with revenue of 114 dh per loan.
- " Financial sustainability can be achieved only if the organization can continue to receive capital at 0 percent or at a discounted cost similar to those funds received from SIDI.

**ASSOCIATION MAROCAINE DE SOLIDARITE ET DE DEVELOPPEMENT (AMSED)  
INSTITUT MAROCAINE D'APPUI A LA MICROENTERPRISE (INMAA)  
LOCATION: RABAT (HEADQUARTERS)**

**Consultants' summary observations:**

AMSED has been very active in social development activities on a national scale and has also historically supported the delivery of microcredit in association with local partners. Due to the new law which dictates that NGOs must conduct microfinance activities via an entity specific to that objective, AMSED has taken the logical step to supporting the creation of its own microfinance association, INMAA. This will allow AMSED to continue to leverage its broad network of partners in a coordinated effort to provide essential support for both social and economic development activities.

INMAA's creation is timely and seeks to fill a void among the current group of practitioners in the Moroccan market for expanding access to credit to rural areas. The proposed management team of INMAA has worked previously with other AMSED partners in developing microcredit programs, specifically the program now in place in Oeud Srou.

INMAA has among its stated objectives the intent to target the rural areas, particularly those that have not yet been reached by existing programs. It is set to formalize the organizational registration and has completed a five years strategic plan for microcredit program delivery. These factors lead us to believe that INMAA may be a possible candidate for a pilot program for rural microcredit delivery.

**Program Goals and Objectives**

Overview: Created in 1993, AMSED is a not-for-profit, Moroccan Association involved in humanitarian activities in the areas of social economic development, principally in three areas: Health/Environment, Micro-Enterprise Credit and Development, Literacy and Primary Education.

Its activities are conducted in cooperation with more than 50 partners including government agencies, international donors, and community groups. AMSED targets activities primarily to aiding poor women both in the rural and urban areas, and priority is given to: development associations, village groups, professional groups, and local community groups.

Historically AMSED has been one of the few associations in Morocco involved in Microfinance. It began its first program in 1993 with the goal to reduce the economic vulnerability of microenterprises by providing increased access to credit for additional investment and/or working capital purposes. AMSED provided small loans in amounts from 500-4,000 dirhams that were reimbursed over short periods in tandem with regular savings.

In order to continue to support activities for microfinance and to conform to the provisions of the new Microfinance Regulations, AMSED has undertaken to spin off the microcredit program into a newly constituted association, INMAA. This new organization remains in the formative stages but is expected to be operational in the near term.

### **Goals of AMSED**

- " To provide support for improving the quality of life for the poor.
- " To contribute to capacity building and institutional strengthening of local associations.
- " To mobilize the local support for meeting primary needs.
- " To satisfy management training and staff development needs of associations.
- " To develop the capacity of associations to plan, implement and manage projects.

### **Funding Sources:**

- " International donors include: UNDP, the World Bank, OIT, CRS, USAID, Catholic Medical Mission Board, Intermon (Spain), Foundation CODESPA (Spain), and the Embassies of France, Holland and Canada.

### **Program Strengths**

- " Reputation brings the support of others.
- " Strong network of partners, international and local.
- " Ability to encourage people to work together.

### **Program Weaknesses**

- Program reach is limited to flow of funds provided by donors.

### **Key lessons learned**

- " A successful program needs to have a good product.
- " The confidence of partners is essential to ongoing program development.
- " Continued training and development of staff is critical for maintaining efficient operations.
- " It is necessary to separate the management and staffing for social development programs and microfinance activities.

### **Key factors promoting program success**

- " Knowing how to mobilize people to participate in their own development.

*The following information is based on the proposed microfinance activities to be undertaken by INMAA*

**Goals:**

- " To assure continuation of the philosophy for microfinance originally adopted by AMSED.
- " To continue the effort of fighting poverty with a priority on women, and to deliver assistance where there is a need.
- " To expand the program's activities to the national level with a focus on the rural areas based on the enormous need and a good chance of success.
- " To collaborate with other associations employing the group solidarity and village banking methodologies for extending loans over short periods.
- " To extend assistance to other sectors (such as cooperatives) to include technical assistance, non financial services and training in governance and management.
- " To reach financial sustainability within five years.

**Other Strategic Options under consideration:**

- " To contribute to the development of small businesses by promoting the creation of production oriented activities that employ more workers.
- " To cooperate with other associations that can provide technical assistance and appropriate technology training to micro and small businesses.

**Proposed Program Methodology for INMAA**

- " Rural and urban based programs.
- " Targeted to women using group solidarity and village banking methodologies.
- " Projected to reach 5,000 clients by year 5.

**Management Structure:**

- " INMAA will have a new Board of Directors who will provide strategic direction and oversight of management's implementation of the business and financial objectives established by the Board.

**Program Promotional Strategies:**

- " The program will benefit from the good reputation of AMSED. There is ease of access to many communities because of the large network of associations who partner with AMSED programs throughout Morocco.

**Program Eligibility requirements:** The program targets primarily poor women engaged in a productive activity but will also be open to men.

**Program Control Systems:** INMAA is familiar with AMSED systems and approaches to program development.

**Program Credit Education Process:** Adequate training and development of staff and potential clients will be programmed.

**Collaborating Institutions:**

- " There are approximately 200 associations and networks who work with AMSED. INMAA also plans to work with new associations and other diverse partners in order to extend its outreach.

**Policy Issues:** New law

**NEAR EAST FOUNDATION (NEF)**  
**LOCATION: OUARZAZATE, MOROCCO**

**Consultant's summary observations:**

NEF's activities are firmly grounded in the social development context. Through its work in rural areas, NEF has recognized a need to integrate its social programs, primarily aimed at women and girls, with economic programs to alleviate poverty. NEF has recently considered very seriously the intent to bring a microcredit program to its beneficiaries.

While NEF plays an important development role in the rural environment and has earned the respect and confidence of village residents and local authorities, we do not believe that NEF has the requisite institutional readiness to implement a microcredit program. However, it is important to underscore that NEF can play a meaningful role as a partner for assuring an integrated approach to social and economic programs in the rural areas.

To provide NEF with the necessary capacity building and institutional strengthening to build a program with meaningful outreach targets and to achieve sustainability would require a significant investment in money and time. Therefore, we do not see them as an ideal candidate for implementing a rural program in the S-M-D.

**Program Goals and Objectives**

Overview: NEF is a private nonprofit development agency, headquartered in New York, whose goal is to help people help themselves. It has programs in about 9 countries in the Middle East and in Africa.

Working in the region of Ouarzazate in Morocco, NEF cooperates with as many as 49 development associations covering activities in 36 villages.

The Morocco program works with the poor to form new associations and to organize collectively to find solutions to improving the difficult conditions of their daily lives. There are several programs specifically targeted to improving the conditions of women in the areas of health, hygiene, family planning/childbirth and literacy.

NEF has been successful in promoting activities that reduce the time spent by women and girls to no more than six hours daily for the collection of firewood and water. NEF introduced appropriate technology changes in many villages such as fuel-efficient cook stoves, to gain more free time for women and girls to participate in literacy programs and to engage in income producing activities such as raising chickens, cultivating bees, and tending kitchen gardens. NEF has also provided guidance at the village level to bring potable water into villages and has sponsored the production of equipment for village wells.

**Goals:**

- " To establish a reputation for quality, apolitical work.
- " To partner with others to develop comprehensive solutions to underlying problems.

**Funding Sources:** For its existing global programs NEF has a broad base of financial support from individual and institutional donors

**Sectoral:** NEF is working in the rural or remote areas with its existing programs.

**Scale:** NEF has worked with more than 49 local associations in 36 villages

**Geographic:** NEF has focused its activities primarily in the region of Ouarzazate, which is among the poorest of Morocco.

**Gender:** Most activities and programs are targeted to women though there are specific programs that involve men as well as the collective villages.

### **Management Structure:**

NEF is an International NGO, which is governed by a Board of Directors based in New York. The Office in Ouarzazate is under the direction of an expatriate manager with a staff of about twenty persons.

**Program Promotional Strategies:** NEF uses direct contact at the village level to organize focus groups, training classes and field tests to promote and develop programs.

**Program Eligibility requirements:** Programs are based on need and often require a level of participation from the village or women in order to implement them.

**Collaborating Institutions:** NEF is working closely in cooperation with many international donors and various ministries of the Moroccan government.

### **Program Impact on Rural Development**

- " Better hygiene and health from improved access to clean water in many villages.
- " More women have learned to read as time has been reduced in conducting menial tasks.
- " More young girls have been given access to primary education.
- " Women have learned to be involved in decisions that effect their development.

### **Program Strengths**

- " Collaboration with government ministries has been at a high level.
- " Ability to mobilize women to take charge of their own development.

### **Program Weaknesses**

- " Not enough program funds to do more.

### **Key lessons learned**

- " Must maintain good relations at community level and with key ministries.
- " It is important to have a meaningful level of participation among the villages and women in implementing programs.

### **Key factors promoting program success**

- " Dedicated and well trained staff.

### **Policy Issues**

The new microfinance law would require the formation of a separate association to implement a microfinance program.

### **Program Expansion to include Microfinance**

- " To help women supplement income for the family unit.
- " To assist women to take charge of their own development.
- " To help women to work together in order to have build confidence in their own abilities

**Sectoral:** NEF is working in the rural or remote areas with its existing programs and will maintain this focus.

**Scale:** NEF currently works with about 13 villages in the commune of Quissilate. There are approximately 16,000 inhabitants per the 1994 census. It is estimated that there are about 3,000 adult women.

Preliminary planning estimates that a program could achieve over five years: 3200 active clients, 4,000 loans disbursed.

**Geographic:** The pilot program would target rural or remote areas where there are small villages extending as far as 140 kilometers from Ouarzazate.

### **Institutional readiness to deliver microfinance is an issue:**

#### **Management structure**

- " NEF would need to create a separate organizational structure for the microcredit program.
- " NEF would be open to collaborate with another program in order to achieve synergies and to minimize time loss due to lack of institutional readiness.

- " The Director and several staff members have taken the initiative to visit existing programs in Morocco (Oeud Srou) and in Mali.

### **Program Promotion and Client Outreach**

- " NEF through its existing programs has well-established access to village groups and womens' associations.
- " NEF has already started to conduct small focus groups to sensitize women on the subject of microcredit.
- " NEF has also sponsored the leaders of womens' groups from two villages to travel to Khenifra to visit the Oeud Srou program.

### **Access to funding**

A planned microfinance pilot project has received a \$6,000 grant from UNICEF.

**TICHKA ASSOCIATION**  
**LOCATION: BASED IN OUARZAZATE**

**Consultants' summary observations:**

Tichka's activities are firmly grounded in the social development context, primarily aimed at village development, and the development of women and girls. Through its work in rural areas, Tichka has also recognized the need to integrate social programs with economic programs to alleviate poverty.

While Tichka now plays an important development role in the rural environment and has earned the respect and confidence of village residents and local authorities, the association is better placed to continue in this role. We do not believe that Tichka has the requisite institutional readiness to implement a microcredit program. However, it is important to underscore that Tichka can play a meaningful role as a partner for assuring an integrated approach to social and economic programs in the rural areas.

To provide Tichka with the necessary capacity building and institutional strengthening to build a program with meaningful outreach targets and to achieve sustainability, would require a significant investment in money and time. Therefore, we do not see them as an ideal candidate for implementing a rural program in the S-M-D.

**Program Goals and Objectives**

Overview: Tichka Association was created in 1992 by a group of volunteers from Ouarzazate. At the beginning, the organization carried out small projects in girl's primary education. Over time, as the organization added more and more activities, a permanent secretariat infrastructure was established to facilitate project implementation. All of Tichka's projects revolve around the themes of water and health.

In education, Tichka assists in the construction and renovation of primary schools, and provides education on sanitation and hygiene to students, mothers, and associations. Tichka has also created a Welcoming Center/Boarding House to enable young girls from rural areas to pursue secondary education. In water, Tichka ensures the provision of potable water through the construction of wells and reservoirs. The Association also conducts research and seminars on various topics related to women in development, association building, and environment.

**Goals:**

- " Direct project implementation to improve the standards of living of disenfranchised populations through health, education, and socio-economic interventions.
- " Capacity-building of local associations by developing, training, and co-implement social and humanitarian projects with selected partners.

**Funding Sources:**

International donors such as the European Commission, Spanish government, AMSED, and various foreign embassies. Local communities also contribute their labor to the projects, estimated to be as much as 50 percent of total cost of a project. Current capital base is 2 million dh (\$200,000).

**Sectoral:** rural

**Scale:** over 30 villages, with a target population of over 17,000 beneficiaries.

**Geographic:** rural areas of Ouarzazate and Zagora

**Gender:** 100 percent women and young girls

**Organizational Structure:** The organization is divided into three arms: a general assembly, a board of directors, and the operational structure. There are five full time permanent staff, one American expatriate and 4 local Moroccans. In addition, Tichka relies on a large group of volunteers to implement their project.

**Collaborating Institutions:** Tichka works with three groups of partners to implement their projects:

- " Local public organizations—provincial organizations, local cooperatives, and local government ministries of education, health, and agriculture
- " Non-governmental organizations—CRS, AMSED, ENDA Mahgred, OXFAM Quebec, etc.
- " Community organizations—beneficiaries, parent student associations, village associations, etc.

**Program Impact on Rural Development**

- " Construction of wells and reservoirs provided potable water to 10 villages with a total population of 13,000.
- " Twenty-two girls stayed at the Welcoming Center/Boarding House.
- " Reaches population that is neglected by development projects.

**Program Strengths**

- " Projects are implemented according to the needs of the local community.
- " Good relationship with government departments and offices.
- " Supportive partners and donors which lends credibility to the association.
- " Sensitizing of population.
- " Permanent structure at the secretariat level and at the community level.

- " Couple research with action—doesn't just go into the community to study and leave but follows through with a concrete project.

### **Program Weaknesses**

- " The organization works on project implementation mode so needs a more permanent funding structure.

### **Program Expansion to include Microfinance**

- " Microcredit is considered a way to help this population generate some income.
- " At present, Tichka perceives a demand from the population for microcredit; the local population also seems to be more informed about the concepts of microfinance.

### **Institutional readiness to deliver microfinance is an issue**

- " Tichka has not developed a business plan outlining their strategy and objectives in microcredit.
- " They plan to target 3 communes but have not selected the exact sites in which to work and did not appear to have done the necessary market research and client focus groups to determine demand for credit, client awareness about microcredit methodology, and client's capacity to repay loans.

## **ILIGH**

### **LOCATION: AGADIR, MOROCCO**

#### **Consultants' summary observations:**

ILIGH's activities are also firmly grounded in the social development context, primarily aimed at village development, and the development of women and girls. Through its work in rural areas around Agadir, ILIGH has recognized also that to alleviate poverty, there is a need to complement the social programs with some economic programs for giving people access to credit.

ILIGH through its work with local associations has a key role in coordinating some of the development activities in the rural environment. It has noted that access to remote villages is only gained through involving the village in a meaningful way with managing the project. This leads us to believe that an organization such as ILIGH needs to have some complimentary role to play with integrated program delivery in rural areas.

We do not believe that ILIGH has the requisite institutional readiness to implement a microcredit program. Here again, it is preferable to support an association that has already achieved an acceptable level of institutional development specific to microfinance program delivery. Therefore, we do not see them as an ideal candidate for implementing a rural program in the S-M-D.

#### **Program Goals and Objectives**

Overview: ILIGH is a Moroccan NGO, created in 1986, that is actively involved in development activities for the rural areas. It acts as an intermediary between national and international organizations to bring financial assistance to support the realization of rural community initiatives. ILIGH has worked primarily with projects in the south of Morocco, especially in areas not covered by social services. It has had experience with projects in the areas of health, culture, sports and the environment.

#### **Goals:**

- " To mobilize resources, human and economic, for the betterment of daily living conditions of the poor, especially for improved water and electricity, health and hygiene, and literacy and education.
- " To mobilize communities to participate in their own development.
- " To bring microcredit activities to partner communities.
- " To help the poor in their own environment.
- " To contribute to enterprise development in the rural sector.
- " To build new projects that are revenue earners for the region.
- " To support the economic development of the mountainous areas, the poorest groups.
- " To improve the basic infrastructure of the villages (water and electricity).

**Funding Sources:** ILIGH has been able to coordinate funding on a project by project basis from international and local donors.

**Sectoral:** ILIGH is working in the rural or remote areas with its existing programs.

**Geographic:**

**Region of Idaoutanane:**

- " The region is very remote, very poor.
- " 80 percent are illiterate.
- " Weak association development.
- " Women are not socially oriented.

**Region of Chtouka:**

- " Association movement is somewhat organized.
- " Very poor or no infrastructure in the villages.
- " High migration to the cities.
- " Women are not socially oriented.
- " Part one: Massa, Bifaa, Sidi bibi, Assafa Inchaden, degree of poverty is lower.
- " Part two: Biougra, Ait aamira Assafa: degree of poverty is moderately higher.
- " Part three: Imi Mkourne, Ait Milk sidi Boushab Ait Mzal, degree of poverty is high.

**Region of Ait Baha:**

- " Association movement is marginally organized.
- " Poverty is high.
- " Very poor or no infrastructure in the villages.
- " High migration to the cities.
- " Women are not socially oriented.

**Gender:** Programs are targeted to women and girls, though there are specific programs that are aimed at benefiting the villages as a whole.

**Management Structure:** ILIGH to date has not had a permanent structure and has operated with the support staff on a voluntary basis. It is now in the process of setting up a more permanent structure. ILIGH now has two employees.

**Program Promotional Strategies:** ILIGH works at the village level through close cooperation with village associations.

**Program Eligibility requirements:** Programs are based on need and often require a level of participation from the village or women in order to implement them.

**Collaborating Institutions:** ILIGH has worked in cooperation with AMSED, private individuals and various ministries of the Moroccan government.

**Program Impact on Rural Development**

- " Better hygiene and health from improved access to clean water in some villages.
- " More young girls have been given access to primary education.

**Program Strengths:** Getting the poor involved with managing activities for their own development.

**Program Weaknesses:** There is not a long established organizational structure.

**Key lessons learned:** Must maintain good relations at community level and with key ministries.

**Policy Issues:** The new microfinance law would require the formation of a separate association to implement a microfinance program.

**Institutional readiness to deliver microfinance is an issue:**

- " Only Two employees.
- " Does not have adequate operational budget.
- " No experience in microcredit or program management.

**Rationale behind idea for a microfinance activity**

- " Most active men are not in the villages as they have gone abroad or to the cities to work so there is a need to help women supplement income for the family unit.
- " To assist women to take charge of their own development.

**Constraints:**

- " The active adult males have left the villages.
- " Only women, the elderly and children remain in the villages.
- " Literacy levels among women and girls remains low.

**APPENDIX A**  
**LIST OF ORGANIZATIONS INTERVIEWED**



## LIST OF ORGANIZATIONS INTERVIEWED

Organization	Contacts
<b>Al-Amana</b>	<b>Rabat (Headquarters):</b> Paul Rippey (Chief of Party, VITA); Fouad Benjelloun (Program Development Coordinator)
	<b>Ouarzazate:</b> Mohamed Oubaha (Credit Officer)
	<b>Agadir (La Teima):</b> Jorti Othmane (Coordinator); Hassan Essoul (Credit Officer); Jamila Aitdsgheir (Credit Officer)
<b>Association de Microfinance Oued Srou (AMOS)</b>	<b>Sidi El-Kebab, Khenifra:</b> Charafi (Director); Mohammed Charafi (Board Vice President); Linda Hanna (Intern); Marika El Nasghoun (Board Vice President); Rachid El Alsoui Ismaili (Board secretary); L'Houssain Aziz (Board Treasurer)
<b>Association Marocaine de Solidarité et de Développement (AMSED)/ Institut Marocaine d'Appui à la Microentreprise (INMAA)</b>	<b>Rabat:</b> Malak Benchekroun (Director of AMSED); Mustapha Ouchramou (Responsible for the project INMAA); Karim Bribr (Officer of INMAA); Outmani Abderrahmane (Board Member of INMAA); Bachar Badiaa (Microcredit coordinator); Mr. Erromzni (Board member); Mr. Bouazza (Board member)
<b>ILIGH Association</b>	<b>Agadir:</b> Daali Ahmed (Director); Hassan Kourri (Board Member); Lahgen Zauri (Chairman of the Board)
<b>Near East Foundation (NEF)</b>	<b>Ouarzazate:</b> Polly Dunford (Director); Abdelkhalk Aaudam (General Coordinator); Hafida Agouzi (Coordinator); Heather Rose Armour (Graduate Intern)
<b>Tichka Foundation</b>	<b>Ouarzazate:</b> Mohamed Amai (Board Member); Latifa Almou (Coordinator); Mohamed Janah (Board Member)
<b>Zakoura Foundation</b>	<b>Casablanca (headquarters):</b> Aziz Benmazzouz (Director)
	<b>Kenitra:</b> Rhniat Hassan (Kenitra Branch Representative); Kaaba Mohamed (Credit Agent); Mesbah Milouda (Literacy Coordinator)
	<b>Agadir (La Teima):</b> Aziz Haddad (Director of Credit); Rachida Chagraoui (Credit Officer); Amimi Essaadia (Credit Officer); Hassan Aetelhabal (Credit Officer)

**APPENDIX B**

**MICROFINANCE INSTITUTIONS PORTFOLIO PROFILE**



## MICROFINANCE INSTITUTIONS PORTFOLIO PROFILE

(As of December 31, 1999)

	<b>Al-Amana</b>	<b>Zakoura Foundation</b>	<b>AMOS</b>
<b>Loans Disbursed</b>			
• <b>Since inception</b>	• Dirham 100,000,000 (US \$10,000,000)	• Dirham 75,400,000 (US \$7,540,000)	• Dirham 1,546,000 (US \$150,000)
• <b>1999</b>	• Dirham 30,000,000 (US \$3,000,000)	• Dirham 43,186,500 (US \$4,318,650)	• Dirham 1,347,250 (US \$130,000)
<b>Number of Offices</b>	36	15	3
<b>Number of Active Clients</b>	20,315 (24,490 as of March 2000)	16,055	1,100
<b>Active Clients per Agent</b>	147	243	250
<b>Loan Amounts</b>	US \$50-\$700	US \$50-\$500	US \$75-\$300
<b>Payment Terms</b>	Weekly reimbursements	Weekly	monthly interest payments, principal paid as balloon payment at end of cycle
<b>Interest Rates</b>	2% per month (38-39% annual effective rate on average)	2% flat per month (27% annual)	2.5% per month
<b>Additional Fees</b>	2% disbursement fee deducted from total loan amount	3% loan origination	Dirham 2.5 application fee
<b>Sectoral Allocation</b>	47% trade; 12% services; 41% handicrafts	62% commerce 19% textile; 7% agriculture; 8% handicrafts; 4% other	40% handicrafts; 50% agriculture (animal husbandry); 10% small trade
<b>Allocation by Type</b>	50% Working capital 50% Fixed Assets	--	--
<b>Average Term</b>	Working capital 6 months; Fixed assets 9 months	6 or 9 months	4 months in cycles 1-3; 6 months in cycles 4-7
<b>Average Loan Size</b>	1478 Dh (US \$147) at end of 1999.	1,350 Dh (US \$135)	1,250 Dh (US \$125)
<b>Loans by Gender</b>	54% Female, 46% Male	100% Female	100% Female
<b>Recovery Rate</b>	99.7% repayment, 0.25% loss	99.4%	97.5%
<b>Arrears (Past Due)</b>	120 out of 20,315 overdue at end of 1999, 0.59% of total loans outstanding. This is	0.6% <sup>6</sup>	2.5%

<sup>6</sup> Late stage is when first payment is overdue. Portfolio at risk is loan amount outstanding for which there is an amount in arrears. Default in 1999: 100,000 Dh. Provision in 1999: 600,000 Dh.

	compared to 1.74% at end of 1998.		
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**APPENDIX C**  
**FIELD VISIT REPORT**



**FIELD VISIT REPORT****Near East Foundation (NEF) – Ouarzazate Sites**

Date:	March 30, 2000
Near East Foundation:	Polly Dunford, Abdelkhalk Aandan, Heather Rose Armour
DAI :	Lloyd A. Freeman, Nhu-An Tran
USAID:	Jamal Dadi
Villages:	Tagdoute, Amazzer

Tagdoute is located about 88 kilometers from Ouarzazate, by road about 1 hour and 15 minutes. Taznacht is the next closest urban commune, about 20 kilometers from Tagdoute by road. There are six villages around Tagdoute with a population of about 1200, of which 900 are women and children. The number of women in Tagdoute was not given but is thought to be small. Few men and teenage boys were seen during the time of the consultants' visit. The consultants met with a group of 8 women; most of the women had already gone out to the fields. The president of the women's association had been sent to Khenifra to visit Oeud Srou to learn about microfinance.

Amazzer is located a further 40 kilometers from Tagdoute, or 128 kilometers from Ouarzazate. The village has about 400 inhabitants, mostly women and children and school age boys. The consultants met with about 25 women in this village. These women were particularly spirited and excited about our presence. One of these women also had been sent by NEF to Oeud Srou to learn about microfinance.

NEF has worked with the village associations to bring clean running water into the villages. In addition, NEF has helped the women in both villages to organize a local association to enable NEF to set up a literacy program for women and girls, and a small school for basic education classes for girls. There are also classes and training in family planning, and activities such as group sewing of rugs to earn income for the village association in order to support their future community development programs.

The men of both villages, noticeably absent, were said to be either working in Ouarzazate, other large Moroccan cities, overseas, or tending to local work, mainly agriculture. Money earned is sent home periodically to the women. We were told that many of the women do not have money to last from week to week. The income generating activities of women in these villages are making carpets, raising sheep, sewing, and gardening.

Most of the women engage in some sort of small activity to earn money for the household. Though these are productive in nature, the conduct of these activities is more oriented to subsistence and less characteristic of an active commercial or entrepreneurial activity. Some families also have date trees and almonds that bring in seasonal income.

Several factors contribute to the absence of a spirit of enterprise among the women:

- In the Berber culture, men are the heads of households and the primary decision-makers, including decisions about finances of the household.
- Women are less mobile and can rarely travel outside of the village, unless divorced or widowed.
- Women have had no role in rural commercial activity since it has been the men who earn income, and go to the open-markets to buy the inputs for the women's economic activity, and provisions for the family.
- Most women, until recently, cannot read or write which further impede their ability to conduct business transactions.
- There is little commercial activity within the village. The open markets are held on set days of the week, rather than on a daily basis.

During the visit, the consultants talked with the women of both villages about the concept of borrowing. Some of them have borrowed among themselves or received yarn on credit from a trader in the open-market. But there is an apprehension that paying a charge for the money is contrary to their religion. For this reason, when discussing microcredit with the women, NEF has avoided referring to interest rates and refers instead to a utilization charge.

There is an interest among the women in the villages for the pilot microcredit project that NEF has planned to launch, at least among the 33 women we were able to meet.

**There are some concerns to be noted:**

- The men control the money and if a loan is granted, it will be the men who buy the inputs and who will go to the market to sell the product. In addition, the men must agree that his wife can take a loan. In the case of widowed or divorced women, this is less of an issue.
- Most of the women engage in the same principal activity, making carpets. This activity also has a long production cycle. Given that the women would not have money until the rugs are sold, it is uncertain whether there are enough other activities in the household that can generate money to pay the charges and amortize the loan in installments.
- The women are not very commercial in character and many do not know how to sell.

<b>Tichka – Ouarzazate Sites</b>	
Date:	March 31, 2000
Tichka:	Mohamed Amai Latifa Almou Mohamed Janah
DAI :	Lloyd A. Freeman
USAID:	Jamal Dadi
Villages:	Imzoughen, Amerzegane and other villages within an 18 kilometers radius of Ouarzazate. The major open market near the villages.

The purpose of the itinerary was to provide the consultants with an idea of the demographics of the villages involved with Tichka programs. We wanted to assess the potential for microfinance based on the number of potential clients, level of commerce or entrepreneurial activities in and between the villages, and the geographical proximity and ease of access to the villages. It is estimated that there are about 37,000 inhabitants in the 40-village network covered by Tichka.

Tichka has worked with the village associations much in the same way as NEF. It has sponsored the development of village associations to undertake the implementation of programs for improving the quality of life in the villages. Tichka has promoted programs for improved conditions for water and health, literacy and non-formal education for children, primarily girls. Much of the success achieved is due to an ability to encourage solidarity at the village level, knowing the people well, and attaching a high priority to meeting the needs of the people.

We stopped in two villages and had an opportunity to talk with the inhabitants. In Imzoughen we met with about 15 men and 8 women. In Amerzegane at the village school, there were 40 men and 15 women from various villages in the area. At the open market, we talked with two women who were trading among the many men and young boys.

Generally, the men present were either older or very young. It is also the case in these villages that many adult men are absent and are either working in Ouarzazate, other large cities, or overseas. Those that remain are primarily engaged in small scale agricultural production or some type of small trading, usually outside of the villages. We were told that electricians, plumbers, or carpenters are called in from Ouarzazate as needed. The

women in these villages are not involved in active commerce, though they do some income generating activities, primarily making rugs and raising sheep.

We are unable to draw conclusions as to the level of commerce or entrepreneurial spirit among the men or the women. We did learn that some have borrowed from other families in the village, and some of the men had previously taken agricultural credits from Credit Agricole. The younger men showed an interest in getting help to learn vocational trades, such as carpentry, plumbing and woodworking, to earn a living.

From our discussions we observed that:

- Men are the heads of households and the decision-makers in the family.
- Women are rarely outside of the village and have no role in the rural commercial activity as it is the men who earn income, and who, for the most part, go to the open-markets to buy and sell goods.
- Earning enough money for the household is always a concern.
- There is little commercial activity within the village.

When discussing microcredit with the men and women, there was a general lack of knowledge about the concept. There were many questions, which suggest that there might be some interest among those present. It is apparent that more information sessions are necessary. The questions asked indicated that there was some concern of having to repay on a fixed schedule. Most people believed that we were speaking of providing money to start a new activity. The two women traders in the market expressed a light interest in having access to small credits (about 250-500 Dirham).

**There are some concerns to be noted:**

- Small-scale agriculture is the main activity among the men and is primarily for daily provisions rather than commercialization.
- There is not a very active commercial activity within or between the villages.
- Most of the women engage in the same principal activity, making carpets or raising sheep.
- The access to the villages is by dirt roads that are poorly maintained and the roads can be cut-off if there are floods due to heavy rains.
- The success of the agricultural activity is dependent on the level of runoff from snow and the amount of occasional rains. The current drought has created very difficult conditions for drinking water and for irrigating the fields.

**Al Amana Branch Office, Ouarzazate**

Date:	March 31, 2000
Al Amana:	Mohamed Oubaha, Credit Officer
DAI :	Lloyd A. Freeman
USAID:	Jamal Dadi

The Al Amana Branch in Ouarzazate has been operational since December 1999. It is staffed with two credit officers, both of whom are new employees. The credit officers had received training at other Al Amana offices prior to being placed in the branch.

The Ouarzazate office works with clients using the same urban model used in other Al Amana offices. It also has the same three credit products and requires that customers live within a 25 minutes walk of the office. Its coverage touches about two-thirds of the city.

There are currently 115 loans to 23 groups composed of five people per group. About 35% of the borrowers are women. Each credit officer is expected to start one new group per week.

The credit agent commented that many of the women come from villages as they have moved to town after marriage. These women are more commercially active than their rural counterparts and have greater diversity in the types of activities. The activities also include trading (grocery shops, spices and herbs, clothes), tailoring, and embroidery. Activities among the men include services (barbers, tailors, shoemakers), trading, snack shops, carpenters, and plumbers.

**Some constraints faced:**

- The women are timid and few have the right to leave the house without permission of the men.

**Lessons Learned in the development stage of this office:**

- Women are quicker to adapt to the idea of group solidarity given previous experience with village-based rotating credit and savings clubs.
- Men are generally more afraid of credit and have difficulty with the group solidarity concept due to a slowness in building trust among each other.
- Try to have a diversity in the activities among the women in the groups.

**Al Amana Branch Office – La Teima, Agadir**

Date:	April 3, 2000
Al Amana:	Jorti Othmane, Coordinator; Hassan Essoul, Credit Officer; Jamila Aitdsgheir, Credit Officer
DAI :	Lloyd A. Freeman
USAID:	Brad Wallach, Jamal Dadi

The Al Amana Branch in La Teima has been operational since August 1999. It is staffed with two credit officers, one of which was hired in March 2000. The credit officers had received training at other Al Amana offices prior to being placed in the branch.

The La Teima office also works with the same urban model used in other Al Amana offices. It also has the same three credit products and requires that customers live within a 25 minutes walk of the office.

There are currently 125 loans to 25 groups composed of five people per group. There are two groups primarily composed of women (8), making up 7% of the total clients. There are 15 groups in the preparation stage

The activities of the women include trading, tailoring (holiday and marriage clothes), and beauty shops. There is less traditional activity such as making rugs. Activities among the men include services (barbers, tailors, shoemakers), trading, snack shops, mechanics, and electricians.

**Some constraints faced:**

- The Berber men do not like the idea of taking credit.

**Lessons learned in the development stage of this office:**

- It is a must to have a male credit officer to work with the men and a female to work with the women.

**Reasons expansion to rural area was not done:**

- The urban model is difficult to apply due to lack of density in the villages and greater distances from the main office.
- The credit officer that had been identified was not willing to take the job.

**ILIGH Sites – Asserssef and Chatouka**

Date:	April 4, 2000
ILIGH:	Daali Ahmed
DAI:	Lloyd A. Freeman
USAID:	Brad Wallach, Jamal Dadi

Villages: Aourir and other villages in the region of Asserssef (about 16,000 people in the commune) and also villages near Chatouka, within 60 kilometers of Agadir.

The purpose of the itinerary was to provide the consultants and USAID with an idea of the demographics of the villages involved with ILIGH programs. We wanted to assess the potential for microfinance based on the number of potential clients, level of commerce or entrepreneurial activities in and between the villages, and the geographical proximity and ease of access to the villages.

ILIGH has promoted programs for improved conditions for water and health, literacy and non-formal education for children, primarily girls. Much of the success achieved is due to an ability to encourage solidarity at the village level, knowing the people well and attaching a high priority to meeting the needs of the people. ILIGH noted that this can only be done with the very active participation of a village association. Otherwise it is difficult to gain access to these villages.

The first village Aourir is about 11 kilometers north of Agadir. It is estimated to have about 5,000 inhabitants or roughly 500 households. Most are fishermen, some of whom work through companies and earn based on a percentage of the catch, while others are independent. There are no cooperatives. Most of the women are illiterate but some are enrolled in a literacy program. Given the proximity of this village to Agadir and its size and level of business activities and infrastructure, it is more peri-urban than rural.

We also stopped outside of a second village about 15 kilometers further towards Immouzzar. This village is set at the base of the hills and has no infrastructure, meaning no water and electricity. We were told by members of Al Manar, the local association who accompanied us, that in the village there are mostly women, children and the elderly. The men have emigrated to urban locations or abroad to find work. There is a low level of agricultural activity, primarily for survival. Other income generating activities include raising sheep and trading in oil from argan trees. Women in this village have very little mobility outside of the village.

Going south of Agadir, just beyond Chtouka, we made a small tour around the locality to observe the village density in that area. Access to most of these villages was not possible

due to the rain and the bad conditions of the roads. Our guide from ILIGH commented that most of these villages are also populated primarily by women, children and the elderly, as the men have emigrated to find work. Many of the villages are without infrastructure (no water or electricity), though there are some houses in various stages of construction, probably from funds earned by the men.

From our discussions we observed that:

- Earning enough money for the household is always a concern.
- Women are rarely outside of the village.
- Women, except those who are widowed, divorced, or abandoned, play a minor role in the rural commercial activity outside of the village.

**There are some concerns to be noted:**

- There is no active commercial activity within or between the villages, and the open-market (souq) is held only once a week.
- Most of the women spend their time collecting wood and water and some are raising sheep.
- The access to many of the villages is by dirt roads that are poorly maintained.

**Zakoura Branch Office and Site – La Teima, Agadir**

Date:	April 5, 2000
Zakoura:	Aziz Haddad, Director of Credit Rachida Chagraoui, Credit Officer Amimi Essaadia, Credit Officer Hassan Aetelhabal, Credit Officer
DAI :	Lloyd A. Freeman

The Zakoura Branch in La Teima has been operational almost 18 months. It is staffed with two credit officers, Rachida has been employed for 18 months and Amimi about 14 months. The women work with the urban program. Office rent is 950 dirhams per month.

Four months ago, a male credit officer, Hassan, has been hired to work in the rural areas. Costs of motor bike (two places) for Hassan is 8,700 dirhams (Dh), helmet (2) at 160 Dh, and insurance is 772 Dh per year. Hassan now has 40 clients in two villages within 14 kilometers of La Teima.

For the urban program, the La Teima office employs Zakoura's standard integrated program approach. In the office, there are programs in literacy for women and non-formal education for girls. These activities are under the management of a different staff.

The urban portfolio handled by the two credit officers is at a level of about 520 clients/loans. Rachida has 240 clients and Amimi has 180 clients, all women. The loans start at a level of 1000 dirhams, with a maximum of 5,000 dirhams.

The consultant questioned Hassan and Rachida regarding the criteria for program eligibility. The response given was prompt and direct: must live in a zone within a certain limit from the office, over 18 years of age, already active in the activity, does not have other employment, but will accept a woman who has a good idea for an activity and has the skills to do it.

The women are formed into groups of five and then concentrated into "centers," eight groups of five (40). The centers meet once a week for up to two hours to make repayments and for training. The consultant was told that training covers basic commercial techniques, market dynamics, and business management topics.

The consultant attended a meeting of one of the centers managed by Rachida. Following the collection of money, Rachida held a discussion on competition. She wanted the women to understand the concept of business competitors and how that can influence the selling price in the market. The consultant also took a walking tour with Rachida to visit

several of her clients in town. They included two women who are shopkeepers, a small grocer and the other is a tailor. There was also a woman who raised sheep on her roof. All were very happy with the program and looked forward to their next loan.

**Observations on the urban program:**

- Credit Officers find that the women have a commercial sense though many have only started to read.
- Women are conducting diverse activities: commerce, services, artisanal, raising sheep, rugs.
- Women making rugs know they also need to have other small items on the side that can be sold more rapidly.

## **THE RURAL PILOT PROGRAM**

Zakoura is piloting a rural expansion program in three areas: La Teima, Doukala, and Tiflet. The objective is to work within a radius of 14 kilometers in this pilot phase. The target is to reach 6 villages (douars) per credit officer as it is estimated that the maximum number of women clients in each village is 40. The program seeks to combine access to credit with training and enterprise development. The pilot also remains consistent with the integrated approach and works in tandem with the other programs in literacy and non-formal education

**Some constraints faced by the La Teima pilot project:**

- Distance from the central office and bad roads to the villages.
- The women in the villages often do not have proper identity cards or papers.
- The low number of potential clients in each village (lack of density).
- Women remain less mobile, as it is still the men who will go the markets to buy and sell.

**Lessons learned in the development stage of this pilot:**

- Zakoura recognizes the fact that the women must take charge of the household in the absence of the men who have emigrated.
- Activities of women (sewing, rugs, raising sheep) can vary by region.
- Women find ways (selling eggs, herbs, spices, small rugs, and handicrafts) to assure that they have the money to repay weekly.
- It is important to have access to the village and the confidence of the people; this can be obtained through the integrated approach.
- Need to work out of the existing local school or association center to take advantage of the already established connection and solidarity.
- Developing commerce in the villages may help to slow the flow of people from the rural area to the urban slums.

## **SITE VISIT TO RURAL VILLAGE**

The consultant visited one of the villages in the pilot program. Hamadet is about 11 kilometers from La Teima. Access to the village is by a rugged dirt road, but it is passable. The village has some basic infrastructure, as there is water and electricity. There are about 500 households or 3000 inhabitants. While there is a presence of men, some have emigrated. Commerce is conducted in this village as the consultant observed carpenters, shoemakers, small grocers, and other trades. This village appears to be more developed than the majority of the others visited. The short distance to La Teima is a positive factor in this case.

We visited the school where there are other programs in progress. This is where the credit officer meets his clients. In this village he has 20 women and there are another twenty in a second village.

The consultant visited the homes of women who have loans. Two are raising sheep, both had purchased some females and they now have small ones also. Food is provided from neighboring fields. A third visit was made to a small grocery. The woman said her parents provided the space but it is her shop. She seemed very proud. She sold rice, potatoes, candy, etc. She says she has no problem to meet her payments. When asked to name the members of group, the credit agent confirmed that she gave the names correctly.

**ILIGH Sites – Massa, Tiznit, Mirleft and Sidi Ifni**

Date:	April 6, 2000
ILIGH:	Daali Ahmed
DAI:	Lloyd A. Freeman
Route:	South of Agadir to Massa (64km) continue south to Tiznit (100 km), continue south to Mirleft (140km) to Sidi Ifni (175 km).

The purpose of the itinerary was to provide the consultant with an idea of the demographics of the villages south of Agadir in the Massa. ILIGH has established contacts in the Cabila of Ait Barrane.

Here again the goal was to assess the potential for microfinance based on the number of potential clients, level of commerce or entrepreneurial activities in and between the villages, and the geographical proximity and ease of access to the villages.

ILIGH has previously worked with the Association of Ait Barrane on programs for better roads, water, health, and literacy. The local association has undertaken other programs with the assistance of the embassies of Japan and Canada for the creation of cooperatives to exploit Argan oil and to export Cactus plants. CRS has also worked in some of these villages to improve the production of honey.

As noted in other areas, much of the improvements and the work done in the villages have been without assistance from the government. The consultant was told that much of what has been achieved is due to the efforts of the local associations and solidarity at the village level. It is apparently difficult to enter the villages without the support of the local associations.

Some common characteristics of the villages in this commune are:

- High level of emigrants; emigrants have supported the development of the commune
- Poor water conditions and high level of poverty
- There are mostly women and children in the more remote villages
- Villages are close to a larger town or larger village.
- Main activities are agriculture, raising sheep, bee keeping, with small levels of commerce and trading.

Massa is about 64 kilometers south of Agadir. It is very populated and has the appearance of a small town. There is only one main street, active commerce, water, electricity,

doctors and police. There are numerous surrounding villages on both sides of the main highway.

Further south about 100 kilometers from Agadir is Tiznit, which is a small and very active city. Passing through Tiznit and continuing south, one observes many villages off the main highway.

About 41 kilometers south of Tiznit is Mirleft, which could be called a small town or large village. It is peri-urban in character as it has water, electricity and a small level of active commerce. As little as a kilometer outside of the Mirleft one is already in the countryside and there are numerous villages along the road to the next town, Sidi Ifni.

Sidi Ifni is a small port town about 75 kilometers from Tiznit (175 kilometers from Agadir). It is relatively urban in character but the approach to the town has many villages in the countryside. The headquarters of the Association of Ait Barrane is in Sidi Ifni. The consultant was unable to meet with the Association as the office was closed due to a holiday.

<b>Zakoura – Kenitra Site</b>	
Date:	April 11, 2000
ZAKOURA:	Rhniat Hassan, Kenitra Branch Representative Kaaba Mohamed, Credit Agent Mesbah Milouda, Literacy Coordinator
DAI:	Lloyd A. Freeman Nhu-An Tran
Village:	Oued Srem in Kenitra

The purpose of this Zakoura site in Kenitra was to compare how the organization's methodology is applied in a rural setting outside of the Souss Massa Draa region. Zakoura's Kenitra branch office has been in operation since the end of 1996 (open 3 months after the Casablanca office), and currently has 2,190 active loans in 9 sites, 6 of which are rural. The repayment is reported to be at 100%.

Oued Srem is located 15 kms from the town of Kenitra, via a paved and well-maintained intercity road. The village is accessible via public bus and communal taxis (4 dh per person). Zakoura estimates that there are 10,000 households in the village.

Zakoura encountered some initial problems with the men of the village at the launch of project because the program was targeted exclusively towards women, but with the appropriate sensitization, the organization was able to make the program a success.

There are currently 320 active loans in the village and 2 centers, each center comprising of 8 solidarity groups. Each center, consisting of a basic concrete room with a roof, cement floor, chalkboard, and a large mattress, is rented at 250 dh/month. Each solidarity group (5 members) appoints a group leader who is responsible for collecting the payments and goes to the center to submit the reimbursement. Each center also has a leader who ensures that all the groups are present. Most of the women in this site are on their 5<sup>th</sup> loans with Zakoura. Main activities include vegetable cultivation, retail of clothing, selling spices, animal rearing (chickens and cows), and embroidery. Few women make rugs.

90% women in the microcredit program have benefited from the alphabetization program, several have learned to read only after 5-6 months. In the future, Zakoura plans to introduce family planning in an effort to lower birth rate in that area.

The groups meet weekly for alphabetization class, to make their repayment, and to receive business skills training from the credit agent. About 30-40 women show up at each meeting, absence is usually due to travel to the market (souq) or work in the field.

Each weekly meeting lasts for two hours. First the women go through the alphabetization class, then the credit agent collects the payments and provides training on basic business skills. Zakoura follows a pre-set list of topics. The subject covered during the consultants' visit was how to calculate business expenses to help the women to better plan and price their products.

Each credit agent conducts three monitoring trips during the period of a loan:

1. in the 1<sup>st</sup> week after disbursement
2. in the 10<sup>th</sup> week
3. in the 20<sup>th</sup> week to assess whether the client is interested in a new loan

Future products under consideration by Zakoura:

- housing finance, 10,000dh, to fund one room at a time
- well construction

The consultants visited three clients of Zakoura microcredit program, two of whom are in vegetable cultivation and the other is in dressmaking.

*Vegetable cultivation* – both clients were able to cultivate more land with a loan from Zakoura. Products grown include mint leaves, carrots, radishes, lettuce. Each earns on the average 200 dh for each square meter. Each product takes from 1 month (if there's a lot of rain) to 2 months to cultivate. The women have their own well to irrigate the field; one has a gas motor for pumping water. Clients get help primarily from their children for the cultivation and usually goes with their husband to the market to sell the vegetables.

*Dressmaking* – the client used part of 2,000 dh loan to buy a sewing machine and the rest to buy the primary materials (thread, fabric, etc.). She makes women's caftan, pajamas, aprons, and handkerchiefs. For handkerchiefs and scarves, she can make about 30 a week. She currently sells to those within the village based solely on word of mouth. She is happy with the loan but has no plans yet to open her own shop since she is not ready to take on the additional expense of renting a location.

### **Factors contributing to success of program**

- Appropriate density and existence of diverse economic opportunities.
- Availability of irrigable and cultivable land.
- Existence of good infrastructure – easy accessible roads and availability of transport to urban center, electricity and water in each household.
- Women are growing basic crops for daily consumption that has limited seasonality in terms of demand by customers, the land can be recultivated easily within a short turnaround time so income is relatively stable.
- Women and men seem to have relatively equal control over resource allocation and over the commercialization of the products.

**APPENDIX D**  
**DAI WORKPLAN**



## **DAI WORKPLAN**

### **Study on potential approaches to sustainable Community-based rural lending in S-M-D**

**Morocco**

**March 23-April 22, 2000**

## **OBJECTIVE**

- Identify potential approaches to sustainable community based rural lending in the S-M-D and recommend program options to USAID (Rabat).
- Potential outputs of a successful rural model would include:
  - Development of professionally run, commercially viable financial program that can cover costs of operations within the current legal framework and reach an acceptable level of outreach.
  - Implementation of cost effective and efficient credit and distribution methodologies appropriate for the delivery of financial services in rural areas.
  - Enhancement of rural intermediation as evidenced by improved access to credit leading to increased savings.
  - Improved rural productivity as a result of the creation and/or strengthening of a significant number of rural enterprises and the development of new markets for the products produced.
  - Increased rural incomes from strengthened microenterprises conducting a broad range of farm and non farm activities.
  - Higher levels of employment in rural farm and non-farm activities.
  - Development of suitable Business Development Programs for group and individual training in general management skills and business improvement techniques.

## **STUDY METHODOLOGY**

Two DAI Researchers will:

- Identify and select a sample of existing microfinance programs for survey and evaluation.
- Conduct institutional assessment interviews of selected microfinance programs to determine progress in meeting strategic and operational goals, and to evaluate levels attained in terms of outreach and financial sustainability.

- Visit clients of existing programs to ascertain level of clients' satisfaction with credit product and/or non-credit services.
- Measure the level of impact (Loans made, Amount lent, Jobs created, Jobs sustained, Beneficiaries, Additional wages and profits, Loans outstanding) of the existing programs on rural areas.
- Estimate the potential size of the target rural market and evaluate the market potential for a sustainable rural based program.
- Survey representative sample of potential rural client group to ascertain what products and services are needed and what is the potential to pay for these products and services.
- Determine the specific characteristics (loan size, tenor, interest rate and group solidarity methodology) of credit product most appropriate to the rural sector.
- Assess the cost implications and potential of leveraging the institutional framework of an existing program to expand the delivery of microfinance to the S-M-D.
- Propose, if applicable, an appropriate model for a new microfinance program targeted to the S-M-D that can have an acceptable level of outreach and reach financial sustainability within the timeframe set out in the law.

## **SCHEDULE**

### **WEEK 1, MARCH 23-MARCH 30**

Lloyd Freeman  
Nhu-An Tran

- March 23. Rabat. Visit to Al Amana Headquarters, Meeting with Paul Rippey , VITA, Chief of Party, and Fouad Benjelloun, Credit Manager.
- March 24. Casablanca. Visit to Foundation Zakoura. Meeting with Aziz Benmaazouz, Director.
- March 27. Khenifra. Visit to Oued Srou Association (AOS) and program sites. Meet with Mr. Charrafi, Director and Staff, and clients.
- March 28. Rabat. Visit to AMSED Headquarters. Meet with Ms. Malak Benchekroun; and staff of the INMAA Association.
- March 29. Ouarzazate. Visit to the Near East Foundation. Meet with Ms. Polly Dunford, Director.
- March 29. Ouarzazate. Visit to Tichka Association. Meet with Mr. Aandam Mohamed, Director.
- March 30. Ouarzazate. Visit Near East sites.

## **WEEK TWO, MARCH 31- APRIL 6**

Lloyd A. Freeman

- March 31. Ouarzazate. Visit Tichka sites .
- March 31. Ouarzazate. Visit Al Amana branch.
- April 1. Ouarzazate. Visit Tichka sites.
- April 3. Agadir. Visit Al Alman branch. Meet Jorti Othmane, Coordinator and field agents.
- April 3. Agadir. Visit Iligh Association.
- April 3. Agadir. Meet with the Wali of Agadir.
- April 4. Agadir. Visit Iligh sites.
- April 5. Agadir. Visit Zakoura branch and rural site in La Teima.
- April 6. Agadir. Visit Iligh sites in Massa, Mirleft, and Sidi Ifni.

## **WEEK THREE, APRIL 7-12**

Lloyd Freeman  
Nhu-An Tran

- April 10. Rabat. Review first round of data and draw preliminary conclusions.
- April 11. Kenitra. Visit Zakoura rural sites.
- April 12. Rabat. Meeting with INMAA.

## **WEEK FOUR, APRIL 13-21**

Lloyd Freeman  
Nhu-An Tran

- April 13-18. Rabat. Finalize conclusions and recommendations and draft report.

- April 18. Rabat. Present Draft to USAID.
- April 20. Rabat. Conduct Debriefing with USAID.

**APPENDIX E**  
**DEFINITION OF TERMS**



## DEFINITION OF TERMS

*Rural*: located at least 30 kilometers from an urban center; mostly but not exclusively agriculture-based.

*Remote*: located at least 50 kilometers from an urban center; not easily accessible by road; minimal level of commerce; few choices of economic activities.

*Peri-Urban*: located within 14 kilometers of an urban center; easily accessible by road; contains significant level of commerce and wide variety of activities.

*Integrated approach*: refers to microfinance programs that offer social services such as alphabetization, children education, and health education, in parallel with microcredit. Under such an approach, the social programs are funded, managed, and implemented separately from the microfinance component. In addition, participation in the social programs is not a condition or prerequisite for receiving credit.

*APPROPRIATE TECHNOLOGY*: REFERS TO THE INTRODUCTION OF TIME-SAVING TOOLS AND EQUIPMENT SUCH AS ENERGY SAVING COOKING STOVES, WATER PUMPS, ETC. THAT ALLOW THE BENEFICIARIES TO SPEND MORE TIME ON INCOME GENERATING ACTIVITIES.

*Enterprise development*: entails a set of *non-financial services* provided to a microenterprise or a subsector of enterprises to help them grow. These services include facilitating market access for firms' goods and services, assistance to improve product quality and standards, and appropriate technology to improve productivity. Enterprise development also refers to the creation of self-employment opportunities in sectors and/or services that do not currently exist in the market.

*Microfinance*: the provision of working capital or other types of *financial products* that are provided to a microentrepreneur or a household to fund its productive activity(ies). These types of loans tend to be small in size, short duration (no more than 6 months), with frequent repayments (weekly) at a fixed interest rate. Instead of collateral, a group lending methodology is used as a guarantee for repayment.

*SOCIAL SERVICES*: SERVICES THAT HELP IMPROVE A COMMUNITY'S STANDARD OF LIVING AND EMPOWER DISENFRANCHISED GROUPS. THESE SERVICES INCLUDE ALPHABETIZATION, GIRL'S EDUCATION, HEALTH EDUCATION, FAMILY PLANNING, POTABLE WATER.

*Institutional readiness*: refers to the structures and systems that an organization has in place to effectively implement a microfinance program. These elements include a management and governance structure, an operational MIS, appropriate internal controls, proven credit methodology, and proper staff training and incentives.

**APPENDIX F**  
**SAMPLE RFA**



## SAMPLE RFA

**The United States Agency for International Development (USAID) is seeking applications from Moroccan microfinance institutions (MFIs) interested in implementing a rural microfinance pilot lending program in the Souss-Massa-Dra region. USAID is looking to support institutions whose own programs are consistent with USAID's strategic objective to develop a viable approach and potential model for expanding the delivery of microfinance activities to the rural areas of the S-M-D.**

**Subject to the availability of funds, USAID intends to provide up to \$\_\_\_ thousands in total USAID funding. USAID's support will not exceed 1 year.**

USAID intends to enter into a cooperative agreement with organizations that have the skills, institutional capacity, and experience necessary to implement such an activity within the parameters outlined below.

### Selection Criteria

**The technical applications will be evaluated in accordance with the Technical Evaluation Criteria described below. Thereafter, the cost application of all applicants submitting a technically acceptable application will be opened and costs will be evaluated for general reasonableness, allowability, and allocability. To the extent that they are necessary, negotiations will then be conducted with all applicants whose application has a reasonable chance of being selected for award. Awards will be made to responsible applicants whose applications offer the greatest value, cost and other factors considered. USAID reserves the right to determine the level of funding for any grant awarded.**

#### I. TECHNICAL EVALUATION CRITERIA

Technical Applications will be evaluated according to the following criteria. The relative importance of each criterion is indicated by the points allocated to each (100 points maximum possible total).

##### A. Commitment to Microfinance Delivery in Rural Areas and Financial Sustainability 25 points

*Organizational commitment to the “best practice” principles of microfinance is an absolutely essential condition for the provision of sustainable financial services for significant numbers of rural clients. Qualifying MFIs shall demonstrate:*

- Mission and vision incorporates a commitment to serve the rural areas.
- Commitment to full financial sustainability within 5 years according to the new microfinance law:
  1. A willingness to charge appropriate market interest rates and fees which generate income sufficient to cover all direct operational and financial costs.

2. Adequate policies and procedures to establish and maintain efficient operations.
  3. Development of appropriate credit product and delivery methodology for rural clients in the S-M-D.
- Commitment to institutional strengthening (e.g. computerized accounting and MIS, communications, adequate and sufficient office space, safekeeping, etc.) for effective delivery of financial services.
  - Commitment to continual staff training and development.

**B. Credit Policies and Procedures**

**20 points**

**Qualifying MFIs shall demonstrate that: (1) it has adequate credit policies and procedures in place appropriate to the rural lending environment; or (2) it has a strategy in place to develop the necessary policies and procedures (note: such policies and procedures must be in place prior to actually receiving funding under this program).**

**C. Capital Adequacy**

**5 points**

The MFI shall have adequate capital base sufficient to absorb potential losses from its existing portfolio and/or incremental expansion.

**D. Management**

**25 points**

1. Qualifying applicants shall demonstrate adequate organizational structure and appropriate key MFI personnel (e.g. the Executive Director, the Credit Director, the Director of Finance/Administration).
2. Operational delivery systems should be suitable to a microfinance program in the rural areas, i.e. decentralized lending authority.
3. The qualifying MFI must demonstrate that it has (1) adequate portfolio management systems in place for existing activities; (2) appropriate accounting systems and acceptable accounting and financial reporting policies (both at the branch and at the consolidated level); or (3) a strategy in place to develop and install the necessary information systems.

Acceptable accounting and financial reporting policies shall include, but not be limited to:

- acceptable policies with respect to loan loss provisions and loan writeoffs;
- a system of determining clearly defined profit centers (e.g. branches) and a procedure which allocates headquarter's costs to the profit centers (e.g. branches);
- a clear differentiation of costs and income associated with financial services, as distinct from non-financial services (e.g. training), so that the viability of the different activities can be clearly assessed.

E. Operational Efficiency

15 points

Qualifying MFIs will demonstrate that they have clear plans on how to achieve “best practice” levels of operational efficiency within five years.

**F. INSTITUTIONAL FINANCIAL PLAN****10 POINTS**

Qualifying MFIs shall submit a financial plan for the pilot program. The key criteria to be evaluated include:

- interest rate/pricing policies for loan products
- full budget for one program year (loan capital and administrative costs)
- list of staff required and loan targets required to meet program objectives

**II. COST EVALUATION CRITERIA**

**The evaluation of the cost proposal shall involve a test for reasonableness of estimates to undertake the planned pilot activity. This will consist of a review of the cost portion of an applicant's proposal to determine if the overall costs proposed are realistic for the work to be performed, if the costs reflect an applicant's understanding of the requirements, and if the costs are consistent with the various elements of the technical proposal.**

The cost realism analyses is intended to meet the following three goals: (1) verify the applicant's understanding of the requirements; (2) assess the degree to which the cost proposal reflects the approaches in the technical proposal; and (3) assess the degree to which the costs included in the cost proposal accurately represents the work effort included in the technical proposal.

**APPENDIX G**  
**SCOPE OF WORK**

## SCOPE OF WORK

### A. TITLE

Assessment of potential approaches to rural micro-lending in the Sous-Massa-Daraa (S-M-D) region of Morocco.

### B. PURPOSE OF THE ASSESSMENT

**The purpose of this assessment is to identify potential approaches to sustainable community-based rural lending in the S-M-D and recommend program options for USAID/Rabat consideration.**

### C. BACKGROUND

Considerable progress has been made in the microfinance field over the past 15 years. However, the great majority of this progress has occurred in urban-based service delivery. Rural finance, which used to command the lion's share of attention in the development finance field, has been relatively neglected over these years. Urban success has distracted from the uncomfortable recognition that very little has been achieved in providing sustainable financial services to rural households and communities. Many who had grappled with rural finance problems left the field, or concentrated on urban finance issues.

The new microfinance law in Morocco requires that Microfinance Institutions attain full cost recovery after five years of existence. This requirement endorses emerging microcredit associations to operate in the urban areas where an unmet demand is omnipresent, and financial operations are much more profitable. Most of these institutions believe that serving rural clients would be more difficult, given the geographically dispersed population and irregular cash flows, compared to their urban counterparts. Yet, there are local associations which are already serving the rural population and which desire to expand their services to include microcredit.

Given the Mission's strategic focus on the S-M-D and the demographic characteristics of the region, it is evident that a rural microlending model must be developed in order to expand the coverage of future microcredit initiatives during the strategy period. The model should achieve the maximum outreach to the target clients (rural, women, and the poor) in the most cost-effective ways while achieving financial sustainability within a reasonable period of time.

## **D. METHODOLOGY**

The study will examine the performance of existing microenterprise finance programs involved in community-based rural lending in the S-M-D. It will assess the outreach (both men and women entrepreneurs) and financial sustainability of these programs. Based on this analysis and a review of development experiences in other geographic contexts, the study will define:

- The recurrent cost implications that would affect the sustainability of an association-based-approach;
- Modification to the financial products currently being offered in urban contexts as appropriate;
- Potential impacts;
- Geographic coverage under various scenarios

## **E. STATEMENT OF WORK**

To attain these results, the study will be carried out at both the client and the institutional level, and study team members will address the following elements during site visits:

### *The Client level:*

- How many potential rural microentrepreneurs are there in the S-M-D?
- What are their basic characteristics?
- What are their needs, preferences, and financial service alternatives?
- What types of clients want what specific services and products?
- Are clients willing to pay full cost for services?
- What specific service features do clients want (such as loan sizes, maturity, collateral requirements, grace periods, group guarantees, and liquidity of deposits)?
- What are the transaction costs borne by clients, both out of pocket and cost of time?
- **What are acceptable lengths of time between application and disbursement of loans?**
- Identify the potential sites for rural lending operations.

### *The institutional level:*

- Are the existing rural microfinance institutions self-sufficient?
- Are they profitable? (income vs. Expenses; return on equity.)
- What is their exposure to risk of default? (delinquency rates and non-performing assets).
- What liquidity risks would the institution face in terms of interruption of lending caused by lack of funds or an inability to meet demands for deposit withdrawals?

## **F. CONCLUSIONS AND RECOMMENDATIONS**

- Intermediaries.
- Magnitude of resources required.

- Sequence of actions.
- Performance monitoring and impact assessment.
- Linkage to CSP.

## **G. RELATIONSHIPS AND RESPONSIBILITIES**

The Office of Economic Growth (EG) will oversee the study. The team will work under the guidance of and report to a designated EG office representative.

## **H. TEAM COMPOSITION, QUALIFICATIONS, DUTIES**

The assessment requires two technical specialists with a broad range of significant experience relevant to rural microfinance.

**1. Financial Services Expert:** International specialist in rural microfinance and microcredit services. Field research experience demonstrated by appropriate publications or reports.

**2. Moroccan Social Scientist:** Extensive knowledge of Morocco's social structure, traditional economic organizations, traditional credit systems, Islamic doctrine regarding credit, fluency in Moroccan Arabic and Berber.

The international expert must have French and English language capabilities at minimum FSI 3/3 level and demonstrate excellent writing skills. He will be designated as the Team Leader. The Team Leader will manage preparation of the study workplan, assure that all tasks are adequately addressed, assemble and submit the final report in both French and English, and complete the abstract and narrative portions of the USAID study Summary Form. An additional 3 days of his/her time will be allocated to the work order.

## **I. PERIOD OF PERFORMANCE**

The study will be conducted in the S-M-D during the months of March-April 2000. A total number of 38 workdays are ordered under this PIO/T. The work days are divided as follows:

<u>Position</u>	Work-Days	Dates Requested
Financial Services Expert/Team Leader		22
Local Expert		12
Total Number of Workdays:		34
Travel Days:		4

Total Number of  
Workdays Ordered: 38

The study is expected to begin o/a March --, 2000 and be completed in Morocco o/a April --. The Team Leader will be given three additional days at his/her home office to complete editing of the English version of the report. Finally, two more weeks will be allocated for the contractor to translate the report into French, after the final report is finalized.

## **J. REPORTS AND DELIVERABLES**

- 1. Submission of Reports:** Draft and final reports will be submitted to the USAID microfinance specialist.
- 2. Draft Report:** The Team Leader will provide 5 copies of a draft assessment report with an executive summary in French no later than two working days prior to the final debriefing. USAID will review the draft report and provide the team, if necessary, with written comments for incorporation into the final report on the day of the final debriefing.
- 3. Final English Report:** To be submitted no later than 10 days after final debriefing.
- 4. French Report:** The French translation of the final report should be submitted no later than two weeks after the final debriefing.

### **5. Summary**

<u>Deliverable</u>	<u>Due Date</u>
<i>Work Plan and Schedule</i>	1 work-day after arrival in Morocco
<i>Draft Study Report</i>	2 work-days prior to De-briefing
<i>De-briefing with USAID</i>	1 work-days prior to departure from Morocco of the Team leader
<i>Final Study Report</i>	5 weeks after arrival of the expert in Morocco (15 copies)
<i>Diskette with Final</i>	5 weeks after arrival of the expert in Morocco
<b>FINAL FRENCH TRANSLATION</b>	<b>6 WEEKS AFTER ARRIVAL OF THE EXPERT IN MOROCCO (10 COPIES)</b>

The workplan will be critical in demonstrating the team's understanding and prioritization of the work to be accomplished, will consolidate tasks, describe the responsibilities of the local expert, and define in some detail the final product (the performance evaluation report).

The Draft Evaluation Report should include an executive summary of the key findings and recommendations which is translated into French for review by key Moroccan partners. The final report will clearly describe the recommended actions for USAID and the interested partner.

**The report should contain:**

a) an *Executive Summary*, (2-3 pages) containing a concise summary of the most critical elements of the study findings;

b) a *Table of Contents*;

c) the *Body*, not to exceed 25 pages, is expected to include:

- the purpose and principal issues addressed by the study (brief);
- the economic, political and social context of the activity (brief);
- team composition and study methodology (one page maximum);
- the Findings of the study team, based on the questions and areas of investigation detailed under (E.) Statement of Work;
- the Conclusions, in succinct language, drawn from the findings;
- the recommendations;

e) *Appendices*, to include a copy of this Scope of Work; a list of documents consulted as well as individuals and associations contacted; the study workplan/methodology; and, as appropriate, more detailed discussions of specific methodological or technical issues.

The body of the Final Study Report is to be translated into French by the contractor as part of this work order.

**ARTICLE XII - SPECIAL PROVISIONS**

A. Duty Post: Rabat, with site visits to Sous-Massa-Draa region(Agadir, Ouarzazate and Tafilalt regions), and others as appropriate.

B. Administrative and Logistical Support:

*Transportation*: All travel (international, local, up-country Morocco) is to be arranged and provided by the contractor on a cost-reimbursable basis. The contractor should plan on renting a vehicle as needed for the period of the evaluation.

*Office Support*: Telephone, fax, and e-mail transmissions are the direct responsibility of the contractor. Securing office space and office equipment services (including computer and photocopying) in Morocco is, likewise, the responsibility of the contractor. No USAID secretarial support will be available to the team. Access to USAID project reports and other information will be provided as considered necessary by MFA staff.

C. Work Week:

A six-day work week and work on holidays are authorized.