PD-ACH-711

DEVELOPMENT WORKSHOP
Building community capacity
Développement de la capacité

P.O. Box 1834 · Guelph · Ontario
CANADA · N1H 7A1
tel: +1(519)763-3978 fax: 821-3438
email: devworks@web.ca
site: www.devworks.org

Final Report

ALLEVIATING POVERTY THROUGH SUSTAINABLE LIVELIHOODS: HUAMBO MICROFINANCE PROGRAMME

Award #: 654-G-00-01-00066-00

Submitted to

Education for Development and Democracy Initiative
United States Agency for International Development

by

Development Workshop

September 2005

BEST AVAILABLE COPY

Angola office: CP 3360 Rua Rei Katyavala 113 · Luanda · Angola · tel: +244(2) 44 83 66 / 71 / 77 · fax: 44 94 94 · www.dw.angonet.org · email: dwang@angonet.org
Europe office: Boite Postale 13 82110 Lauzerte France · tel: +33 563 958 234 · fax: +33 563 958 242 · site: www.dwf.org · email: dwf@dwf.org

Table of Contents

List of Tables

Acronyms

ABIMICA	Associacao Beneficiarois de Microcredito de Angola (Association of Microcredit Beneficiaries of Angola)
ADRA	Accao Desenvolvemento Rural Angolana (Action for Angola Rural Development)
ADPCI	Accao o Desenvolvemento Pesquisa e Cooperacao International (Action for Development Research and Cooperation International)
ASSC	Accao de Solidariedade e Saude Communitario (Action for Solidarity and Community Health)
BIAT	Basic Impact Assessment Tool
CARE	(UK International) a Humanitarian Organization-global NGO for Relief, Refugee and for Poverty Reduction and Development
CEIT	Client Exit Interview Tool
CSMLK	Centro de Solidaridade Martin Luther King (Martin Luther King Solidarity Center)
DW	Development Workshop
EDDI	Education for Development and Democracy Initiative
GAPC	Grupo de Apoio dos Povos Carrentes (Group for Helping the Poor)
LP	Loan Performer (Management Information Software)
MTT	Means Testing Tool
PAR	Portfolio at Risk
RASME	Angola Microfinance/Micro-enterprise Network
SG	Solidarity Group
SGGF	Solidarity Group Guarantee Fund
SNV	Netherlands Development Organization
USAID	United States Agency for International Development

1 Project Summary Sheet

Project Title:	Alleviating Poverty through Sustainable Livelihoods: Huambo Microfinance Programme		
DW Project Reference:	ANG-B02		
Award No.:	654-G-00-01-00066-00		
Funding Agency:	USAID-EDDI		
Project Start Date:	September 15, 2001	**End Date:**	June 30, 2005
Budget (in US$):	Original Grant	US$145,000	
	Additional funds from grant modifications	US$200,000 + 100,000	
	Total Funding	US$445,000	
Reporting Period:	Final Report (to June 30, 2005)		
Expenditures to date:	US$445,278.82	**Grants received to date:**	US$384,046.02*
Grantee Details:			
Organization Name:	Development Workshop		
Contact Officer in Angola:	Rolando Villanueva		
Telephone:	+244 (222) 448-366/371/377		
Fax:	+244 (222) 449-494		
E-mail:	Technical.adviser.slp.dwang@angonet.org		
Contact Officer in Canada:	Glenn Paje		
Telephone:	(519) 763-3978		
Fax:	(519) 821-3438		
E-mail:	devworks@web.ca		
Project Objective	To provide community-based strategies to enhance the economic and social livelihoods of the rural poor, especially women, in the context of poverty alleviation		
Beneficiaries	335 new households and 471 existing clients = 806 households from the poorest of the economically-active operators in the informal sector of the local economy		

*As of the submission of this report, the project still has to receive reimbursements in the amount of US$60,953.82 from the USAID/Pretoria office.

2 Executive Summary

The goal of this project was to increase income-generation capacity and self-esteem of the economically-active poor population, especially women, involved in the informal sector of the Angolan economy. Providing small loans without collateral, at reasonable rates of interest, and coupled with training on business skills was seen as a viable and sustainable poverty-reduction strategy.

The project commenced in September 15, 2001 originally intending to reach 806 households in Huambo City within two years. However, the positive results obtained before the project end-date indicated operational viability and so the project was extended to August 31, 2004 and then again to June 30, 2005. As of the end of June 2005, the project was able to effectively reach over 2,000 households, which translates to a membership base of 2,016 belonging to 99 Solidarity groups.

In a little more than three years, the project was able to disburse a total accumulated loan value of over US$1.3 Million. This is more than 13 times the value of the project Capital Loan Fund of US$100, 000. Although the average loan amount of around US$200 is relatively small by Western standards, the benefits that solidarity members derived from the loans were quite substantial and would continue to impact on their lives in significant ways.

The overwhelming majority (about 75%) of the project beneficiaries were women. It is also surprising that women occupied 286 (about 62%) of the solidarity group leadership positions, because in Angolan society, the males have traditionally occupied positions of influence, power, and decision-making. Perhaps this is one solid indication that the project has provided a real avenue for the empowerment of women.

After the project completion date, the DW Microfinance Unit has continued to manage and provide oversight to the solidarity group activities. The solidarity groups were kept intact and the revolving capital loan fund will continue to be used to provide loans to deserving clients. Because the capital loan fund does not get depleted in the process, the capital loan fund will continue to generate benefits well into the future and the potential to derive future benefits from the original amount provided by USAID will be limited only by the project staff management skills and policy directions set forth by the DW Microfinance Programme. In this respect, this project has made a significant contribution towards attaining the critical volume of business and amount of capital needed to establish an independent, self-sustaining microfinance institution. At project completion date, the process of transforming the project into an independent microfinance institution has started and the new institution shall eventually be known as **KixiCredito**.

3 Project Description

3.1 Project Context

Because of the war and the consequent stagnation of the economy and the resulting high unemployment rates, the majority of the economically-active poor in Angola has relied on the informal sector (unregulated, very small scale businesses) for their subsistence. Here they engage in very small enterprises such as providing services, producing or selling basic food items, fish, charcoal, and wood to survive. Without a credit history or traditional forms of collateral, these Angolans have little access to financial services and are forced to borrow from family and friends, or often from moneylenders who charge exorbitant interest rates. Conventional financial institutions are not set up to accommodate the needs of those who operate micro enterprises. Research in microfinance has shown that the <u>primary constraint that micro-enterprises face in financing their businesses is access to services, not the price of services</u>. Clients are willing to pay – the poor can and are willing to pay the costs of the microfinance services.

Microfinance (loans, savings for very small enterprises) creates financial empowerment opportunities, decreases the vulnerability of the poor to crises and market fluctuations, and assists them to emerge from chronic poverty. As individuals are empowered, their self-esteem is increased, helping them to tackle greater challenges.

Support aimed at improving livelihoods for those in the informal sector benefits the poor – the women in particular, who constitute an estimated 60 % of those who depend on the sector for their income. As women benefit, so does the overall socio-economic well-being of a large part of the population because women play pivotal roles in helping their households [and their communities] survive the ravages of war. They have a greater share of responsibility managing the household, i.e., providing food, health and education to the young ones in the family. Helping women achieve economic stability also counters prostitution and other survival activities that jeopardize women's health in an environment where HIV-AIDS is increasingly prevalent.

Based on the above, Development Workshop (DW), in partnership with USAID-EDDI, proposed and implemented this project. DW is a non-profit organization with more than 20 years of work experience in Angola; DW is a leader in the country's newly emerging microfinance industry, with trained staff and programs in the cities of Luanda and Huambo. This project was part of the initiative to create self-sustaining development programs in Africa.

3.2 Project Goal and Objectives

The goal of this project was to increase income-generation capacity and self-esteem of the economically-active poor population, especially women, involved in the informal sector of the economy. The specific objectives were as follows:

- To provide access to financial services such as loans and savings to the economically-active poor operators in the informal economy who otherwise cannot access conventional banking services;

- To facilitate access to non-financial services such as business training and social intermediation services.

3.3 Target Beneficiaries

The project aimed to initially reach a total of 806 households; it sought to assist those from the poorest of the economically-active that work in the informal sector of Huambo City, the provincial capital of Huambo province in southern Angola. It must be noted that Huambo province has seen some of the worst fighting during the war and hence, has sustained heaviest damage to both infrastructure and institutions.

Women were especially targeted as beneficiaries since they represented more than 60 % of the informal market operators. The project tried to assist beneficiaries without creating dependency. To qualify for the program, the individuals had to meet the following means-test criteria:

- Able to meet basic needs;

- Cannot obtain credit from formal financial institutions to expand business due to lack of traditional forms of collateral;

- With visible source(s) of income or relies on a micro-enterprise as the primary source of income and employment where no other alternatives are available;

- Produces goods and/or services in makeshift premises or is engaged in small scale trading or retail activities

3.4 Methodology

To reach the intended beneficiaries, the program used the Solidarity Group lending methodology. This is based on creating groups whose members co-guarantee the loans of the other members; thus solidarity and mutual trust among the group members are the key ingredients. Individually, group members can be involved in different kinds of micro-business. The group develops a feeling of collective ownership that starts during the self-selection process, continues during the training on solidarity group formation and strengthens during the DW-microfinance programme orientation process. Mutual trust and social cohesion are nurtured and grow out of shared experiences, e.g., living in the same community, being part of the same business sector or working in the same informal market. The method has been successfully employed elsewhere in Angola and in other developing countries.

3.4.1 Solidarity Group Formation & Orientation

Prospective clients were made aware of the program through informational sessions in areas considered to be the target clients' communities or markets. Interested clients who met the means-test criteria formed groups over the course of a 4-week period. One day, 2-hour orientation sessions, were provided by the DW staff. The 4-week revision is intended to reduce clients transaction costs, it was previously a 10-week period.

During orientation, prospective clients became familiar with the main principles of microfinance including: the program policies such as loan terms and cost of a loan; how to select group leaders, including the group credit committee; importance of savings; how to appraise each other's businesses. The main attributes of the project which were highlighted during solidarity group formation and orientation were:

- The economically-active poor population, especially women, are eligible for membership

- Groups are comprised of 10-30 members (average of 20)

- Members co-guarantee all loans and therefore do not require collateral

- The group self-selects its members

- Members elect group leaders and officers and meet weekly

- Leaders oversee sub-groups of five to seven members each

- Groups set their own internal policies and voluntarily establish emergency funds

- After being trained in the orientation phase, the Groups are responsible for their own financial management

- Forced savings are collected, and these are intended as a guarantee which covers 10% of the amount of the loan the group intends to take

- Groups pursue social, economic, and spiritual g[illegible] organized through weekly meetings

3.4.2 Solidarity Group Loans

Loan conditions were as follows:

- Loan amount – initially, up to US$150 per group member; a 40% incremental increase with each succeeding loan up to a maximum of US$294
- Loan period – 16 weeks (4 months)
- Capital and interest repayment – weekly
- Interest rate – 10% on the initial loan amount (flat) in US$, or 32.5% nominal annual rate
- Processing fee – 2% payable before the loan is disbursed
- Bank fee - 1% payable before the loan is disbursed
- Forced savings – 10% of the loan amount, payable before the loan is disbursed
- Interest rate paid for forced savings – 0%
- Penalties – 1% charge when a loan is 3 days late

By the 4th week of a new Solidarity Group's orientation, each member was expected to have deposited at least 10% of the amount they are anticipating to borrow. These deposits form the Solidarity Group Guarantee Fund (SGGF). Clients made the payments in small amounts over the 4-week period as opposed to paying one lump sum. Asking clients to deposit funds before they are given loans helps to ensure that clients have legitimate businesses, and therefore have the means to repay the loans. This also teaches members the value of savings.

It should be noted that while the interest rate charged appears to be high, the rate is well within the local, prevailing microfinance market and in line with industry best practices which maintain that the rates should be enough to cover all operating, financial and loan-loss provision expenses, as well as the cost of capital for expansion.

The number of loans that were made in the second loan cycle depended on the repayment track record and the absorption capacity of the businesses. For example, if 100% repayment was realized and all clients' businesses can absorb a second loan, then all the first-time borrowers will graduate to the second cycle. The experience of this project is consistent with other DW microfinance projects, i.e., in Huambo, 98% of clients qualified for second and third loan cycles.

3.4.3 Monitoring

Monitoring the progress of activities for this project was carried out at two different levels:

3.4.3.1 A. Project Level

A number of tools were used to monitor various aspects of program operations as recommended by best practices in the industry:

1. Means Testing Tool (MTT): The MTT was used as a selection tool to ensure that the program was targeting the desired clientele – the economically-active poor. All participating clients were means-tested on two levels, i.e., at the social level (the individual and the household) and at the economic level (the clients' business and operating environment). The means-test data collected were analysed periodically and steps were taken if client selection diverged from the target clientele.

2. The Loan Performer (LP): The LP is a deposit and loan-tracking management information system designed to verify the clients' balances instantly, input operations data directly and automatically update account balances. The LP has five sub-systems – the client registration, shares, savings, loan tracking and accounting modules. These five are integrated into one application. The LP incorporates planning data from an external spreadsheet and monitors the progress by printing monthly monitoring reports that compare achievements with targets. The Indicators commonly requested are repayment rates, aging analysis, portfolio at risk, Field Assistant performance, income statements and balance sheet, and operational and financial efficiency.

3. Client Exit Interview Tool (CEIT): The CEIT was used whenever clients dropped out from the program. The objective is to capture why the client has dropped out so that steps can be taken, where possible, to improve the delivery of services.

4. Departmental team meetings: Each department and branch held weekly meetings with their respective teams to obtain feedback from each team member. For the branches, in particular, it was important to have feedback from the field operations to be able to adequately deal with delinquent loans. These meetings also provided the branches with the opportunity to cross-check the information from the LP with their own data.

5. Quarterly Visits: The Program Manager and/or Program Coordinator visited the branches quarterly to lend support, to obtain feedback on branch operations, and to provide technical advice to ensure the quality of service.

6. Management Meetings: The microfinance program held monthly management meetings that were attended by the branch supervisors. These meetings were designed as a support and information-sharing mechanism and provided a venue for devising strategies to address important issues.

3.4.3.2 B. Institutional Level

The USAID-EDDI monitored project progress through narrative and financial reports, and personal briefings provided by DW staff and the DW Programme Manager to the USAID Luanda Programme Officer.

4 Project Implementation

Overall management of the project was vested in the Program Coordinator who was supported by a microfinance Technical Advisor; both were based in Luanda.

In Huambo, a branch supervisor exercised oversight on the activities of a bookkeeper, an administrative assistant and five field assistants. The branch supervisor was trained in the microfinance supervisory course and on how to use the Loan Performer, a loan-administration software. The field assistants played an important role in identifying potential clients, conducted the orientation programs, and provided follow up and monitoring of groups. Each field assistant normally had oversight of 10 to 20 solidarity groups.

The main project activities included:

- ***Client Selection:*** Selection of prospective clients was done through means testing. All prospective clients had to go through this selection process to ensure that the program was targeting the desired clientele.

- ***Client Training:*** Each prospective client went through a 4-week orientation and training program. This orientation course served a number of purposes that included leadership development, and nurturing mutual trust and solidarity. It is a period where the prospective clients and the DW microfinance program staff established rapport and generated an understanding of each other's obligations.

- ***Loan Disbursement***: Loans were disbursed soon after the orientation period according to the roll out plan

- ***Monitoring:*** The Field Assistants monitored the weekly repayments and Solidarity Group meetings. In addition, the Program Coordinator and Technical Advisor conducted quarterly monitoring visits.

- ***Upgrading the MIS:*** To optimize the performance of, and benefit from customized applications of the Loan Performer (the loan administration and management information system software), the project embarked on what turned out to be a long and costly process of reconfiguring the software. The technical assistance of experts had to be sourced from Uganda. Over a 2.5-month period spread out from April 2004 to April 2005, these specialists worked on debugging the system, capturing and merging data, reconfiguring and optimizing the applications. The software is now performing to expectations and the project staff have received training on the use of the optimized version of the software. Upgrading the MIS was considered as part of the critical activities leading to the transformation of the project into an independent microfinance institution.

  It is expected that one more system check will be required in the near future.

- ***Transformation to KixiCredito:*** DW began to seriously consider the idea of transforming the microfinance programme into an independent microfinance institution as early as 2003. One of the most compelling arguments in favor of this move is that an independent microfinance institution will be able to provide to the client beneficiaries a much wider range of financial products, at better levels of service, on a sustainable basis. Other options were considered and eventually, a business plan to serve as a road map to the transformation process was prepared in 2004. DW began an intensive capacity building program beginning with the DW Angola Executive Director who attended the Microfinance Training Course in Boulder, Colorado in July 2004. Saturday classes adopting CGAP training courses, which had been translated into Portuguese, were started in mid-2004 to build up internal capacity of supervisors. Key staff attended special courses to complete the first annual Microenterprise and Development Certificate run by the Southern New Hampshire University in South Africa.

  In January 2005, the initial concrete steps were taken to transform the DW microfinance programme into an independent, self-sustaining microfinance institution. Currently, the transition phase is focused on building internal capacity, revising operational systems, generating additional funds for the capital loan fund, expanding client outreach, researching and developing new products, and opening new branch offices.

- **_Working with RASME:_** The project actively supported and participated in the activities of RASME, the Angola Microfinance/Micro-enterprise Network. The following were the main activities supported by the project:

    a) *Round Table Discussion on the draft Microfinance legislation* – In November 2004, DW participated in a Round Table discussion on the microfinance legislation drafted by the Angolan Congress. Savings mobilization, licensing, regulations for the microfinance sector, and the other implications of this draft legislation were discussed by the panel of members made up of representatives from CARE, SNV, ABIMICA (Associacao Beneficiarois de Microcredito de Angola), ADPCI (Accao o Desenvolvemento Pesquisa e Cooperacao International), ASSC (Accao de Solidariedade e Saude Communitario), CSMLK (Centro de Solidaridade Martin Luther King), GAPC (Grupo de Apoio dos Povos Correntes), Banco Sol, ADDRA and DW. The project representative was elected a member of the technical working group on the draft law. The latest word from the Central Bank of Angola is that the draft legislation will become law very soon.

    b) *First National Forum on Microfinance in Angola* – DW and RASME were part of the organizing committee of the First National Forum on Microfinance in Angola held last November 18, 2004 as part of the celebration of the International Year of Microfinance. Other members of the committee were the Banco National de Angola, Ministerio da Familia e Promocao da Muller, and the UNDP-Angola Enterprise Programme.

    c) *Exchange visits to Namibia* – In December 2004 and April 2005, the project participated in one-week exchange visits to Namibia coordinated by RASME. These study tours were designed to provide exposure to the microenterprise sector of Namibia during visits to the Windhoek government agencies concerned with housing and enterprise development, the Joint Consultative Council of Namibia, Namibia Housing Action Group, and the Shack Dwellers Federation of Namibia, among others. One project staff represented DW on each of these visits (Veronica Jose, the Operations Assistant/Advocacy Officer and Maria Adelaide Cuta, the project Senior Credit Officer, respectively) and they have brought back valuable information and insights on methodologies of village banking and housing microfinance. Other participants in these study tours were staff from CARE, SNV, the RASME savings group, and a number of micro-entrepreneur members of RASME.

d) *Trade Fair* – In January 2005, the project participated in a trade fair held in Luanda. An information booth was put up and information materials were provided. Three microfinance clients from the project also participated and helped disseminate information about the project while 36 other microentrepreneurs participated. This initiative was coordinated by the project Advocacy Offficer, Paula Alves and the project Operations Assistant/Advocacy Officer, Veronica Jose.

5 Results

5.1 Outreach

Initially, the project expected to reach 806 households, but as of the end of June 2005, the project was able to surpass the new target and had served a total of 2,016 clients belonging to 99 solidarity groups, at an average of 20 members per group (Table 1).

The gains achieved in terms of outreach demonstrates that the project was able to sustain the client base for a longer period compared to a mere one-shot injection of first-cycle loans. These are strong indications that for beneficiaries, obtaining a micro loan is a viable survival strategy in the current Angolan economy. On the part of development project donors and implementers, these results indicate that the solidarity group lending methodology can be a sustainable way of providing capital and operating funds to the majority who find themselves excluded from the traditional banking and financial institutions.

5.2 Repayment Rate

A satisfactory average repayment rate of 96% was maintained from the start of the project. This strong repayment record can be taken as an indicator that microfinance is a service that meets the needs of the target clientele. It is a livelihood strategy well accepted by the targeted market, with a strong potential for project sustainability. On the other hand, this performance can also be attributed to the efforts and dedication of the project staff, as well as to the design of the project implementation methodology.

5.3 Arrears Rate

The project maintained a relatively low arrears rate, and the portfolio at risk (PAR, more than 30 days) as of June 30, 2005 was around 11%. There were some cases of delayed payments but the obligations were satisfactorily paid within the loan period, and fully paid on the due date. Within the project period, there was no single case of accounts written-off.

Table 1. Key indicators of project performance as of 30 June 2005

		Dec-02	Dec-03	Mar-04	June-04	Sep-04	Dec-04	Mar-05	June-05
1	Total Number of Groups Formed (cumulative)	20	34	35	41	48	52	77	99
	1A.Groups formed in the period	20	0	1	6	7	4	25	22
2	Total No. of Group Members	523	757	731	791	980	1,007	1,202	2,016
3	Total No. of Female Members	449	614	598	638	764	811	940	1,512
	3A. Female Leaders	65	101	104	121	149	152	198	286
4	Number of Dropouts	57	29	21	32	42	72	36	49
5	Total Loan Releases (cumulative)	78,120	361,396	426,411	503,584	642,112	857,289	1,012,696	1,365,232
6	Loan Releases for the Period	78,120	86,187	65,015	77,173	138,528	215,177	155,407	352,536
7	Outstanding Loan Portfolio	567	71,555	66,396	77,376	107,512	177,965	170,956	329,575
8	Total Interest & Fee Income (cumulative)	10,177	42,682	50,749	62,015	77,463	100,839	127,124	166,566
9	Interest & Fee Income for the Period	10,177	11,247	8,067	11,266	15,488	23,376	26,285	39,442
	9A. Interest Income for the Period	7,817	9,523	6,812	9,823	12,567	19,073	23,177	29,102
	9B. Service Fee Income for the Period	2,361	1,724	1,255	1,443	2,881	4,303	3,108	10,340
10	Total Savings Generated	13,914	16,932	19,493	22,827	26,905	32,294	36,103	39,887
	13A. "*Fundo de Garantia*" for the Period(net)	13,770	3,018	2,365	3,251	4,078	5,295	3,694	3,685
	13B. "*Fundo de Grupo*" for the Period (net)	144	133	196	83	112	94	115	99
11	Principal Due for the Period	78,120	77,028	70,014	82,098	94,395	146,691	177,536	238,155
12	Principal Collected for the Period	77,876	72,750	67,374	80,595	91,447	132,723	162,394	228,340
13	Repayment rate: 12/11	100%	94%	96%	98%	97%	91%	92%	96%
14	Client Retention Rate	90%	96%	97%	96%	96%	93%	97%	98%
15	Yield	56%	17%	12%	16%	16%	15%	15%	16%
16	Operating Self-Sufficiency	24%	60%	47%	36%	21%	45%	63%	85%

Data for December 2002 are cumulative figures from date of project inception (September 2001)

5.4 Client Retention Rate

Over the project period, Client Retention Rate was maintained at 95%. Clients who dropped out of the programme generally had repayment problems and failed to comply with group rules and procedures. Mainly, the repayment problem was caused by the slowing down of their businesses compounded by an irregularity in tending to their vending activities.

5.5 Empowerment of Women

Overall, the female solidarity group members outnumbered the males by a ratio of 3:1 as shown in Table 2. These figures are partly the result of the deliberate effort on the part of the project staff to recruit women into the program to address the problem of the growing number of women-headed households who find it increasingly difficult to provide for the needs of their children. It is expected that women recruited into the program will gain valuable business and other survival skills, which will ultimately benefit the children in their household.

Table 2. Composition of solidarity groups by gender

Number of Solidarity Groups	Gender		Total
	Female	Male	
99 Groups	1,512	504	2,016
Percentage	**75%**	**25%**	**100%**

It is surprising that the formal leadership positions were also heavily skewed in favor of the females (Table 3) because in Angolan society, the males have traditionally held positions of power, decision-making, and influence. In this project, women held 286 or 62% of the Solidarity Group leadership positions. It is interesting to note that for the key leadership positions of President and Treasurer, there is a bigger gap between males and females (the females outnumbered the males by a ratio or 2:1 and 3:1 respectively) compared to the positions of Vice-President and Secretary where the gaps were much narrower. These data suggest that membership in the solidarity groups can be a real avenue of empowerment for women. It is expected that the economic benefits that flow from successful business enterprises will provide the female–members with further opportunities for independent and informed decision-making.

Table 3. Leadership composition of solidarity groups by gender

Formal Leadership Position	Female	Male	Total
President	66	33	99
Vice-President	58	41	99
Treasurer	74	25	99
Secretary	58	41	99
Total	**286**	**175**	**461**
Percentage	**62%**	**38%**	**100%**

5.6 Loan Disbursement

For the 3-year period beginning September 2001 to June 2005, the project was able to loan out an accumulated amount of over US$1.3 Million (Table 1).

The data also show that the total capital loan fund provided by the USAID-EDDI in the amount of US$100,000 has been loaned out more than 13 times over the life of the project and it is estimated to have generated more than double the economic benefits. Because the capital loan fund does not get depleted in the process, the capital loan fund will continue to generate benefits well into the future, and the potential to derive future benefits from the original amount will be limited only by the project staff management skills and policy directions set forth by the DW Microfinance Programme. In this respect, this project has made a significant contribution towards attaining the critical volume of business and amount of capital needed to establish an independent, self-sustaining microfinance institution. At project completion date, the process of transforming the project into an independent microfinance institution has started and the new institution shall eventually be known as **KixiCredito**.

5.7 Other Indicators of Success

Assessing the impacts of a project of this nature is not a simple and straightforward exercise and many of the expected changes or effects do not occur in the short term. The DW Project Monitoring Unit is scheduled to make an impact assessment next year and this project will be included in that study.

Anecdotal evidence gathered so far point to the positive outcomes from this project. For instance, one of the field visit reports indicated that the project is very helpful to the clients and the community. The most obvious and immediate effects were that solidarity group members benefited from being able to regularly buy the family's basic food and clothing needs. Most of the women even claim that they are happier now and feel they have more control over, and have more independence in budgeting household funds, unlike before when they were always "at the mercy of their husbands".

One interview revealed that involvement in the project has enabled participants to increase their stocks – one lady member claimed that she was now able to sell more than five (5) cases of soft drinks per day compared to the usual one case before she joined the program. Another member claimed that he was now able to sell seven (7) sacks of used clothes per day compared to the one (1) sack he used to sell before joining the program.

Certainly, this project has shown that the solidarity group members have gained new, and productive social and economic ties with other members of the community. Under the special environment provided by the solidarity groups and the nurturing care and guidance of the DW project staff, these relationships have borne early fruit in the form of outstanding repayment rates of 96 to100%, 90 to 98% client retention rate, and zero delinquency over the life of the project.

Ermelinda displays her goods to a customer

Ermelinda Ester used to borrow money from a friend at the exorbitant rate of 50% per month because there were no other alternatives – she is a widow and she had to borrow money to sustain the needs of her five very young children. After a member of a solidarity group told her about the low interest rate and the repayment period of 4 months in the DW Microfinance project, she made further inquiries and joined the program in August 2003. Her first loan of US$150 was released in September 25, 2003 and she used this to buy more goods to sell. With income generated by the additional business, she was able to provide for better meals for her children. After five months, she was able to repay the initial loan and qualify for a second, bigger loan of US$210. This allowed her to further increase the volume of business, and with the proceeds, she was able to buy a television set. In the near future, she plans to buy a motorcycle so that three of her children who are of age can go to school without having to walk long distances.

Anastacia continues selling her goods even while at home

Like Ermelinda, ***Anastacia Kachimo***'s day begins at 5:30 a.m. – she cleans the house, prepares her nine kids for school, then leaves for the market to sell her wares. Although her husband has regular employment as a nurse, she decided to start her own business to help with household and school expenses of her children. Like Ermelinda, she was introduced to this project by a friend who was already a member of a solidarity group. She did not like paying a 50% interest rate at the end of the month on funds borrowed from others, so she joined the project where she is now a 2nd loan-cycle borrower. She has used the capital to buy more goods and the increased volume of

BEST AVAILABLE COPY

business has allowed her to support the schooling of her children. "*The additional income has helped me a lot...I now have a very good relationship with my husband because I help him with the household expenses*", she says. She plans to continue building her business and aspires to earn enough to finish building her house and buy a small all-purpose truck.

6 Sustainability/Exit Strategy

At project completion date, the management and oversight of the solidarity group activities were turned over to the staff of the DW Microfinance Programme who will continue providing microfinance services to the existing clients. The solidarity groups were kept intact and the revolving capital loan fund will continue to be used to provide loans to deserving clients.

Initial steps have been taken to transform the DW Microfinance Programme into an independent, self-sustaining microfinance institution that will continue to serve the needs of the Angolan poor. Viewed from this perspective, it can be said that the initial investments of USAID-EDDI in this project will continue to provide benefits long after the project has ended.

7 Lessons Learned

This project has again demonstrated that the Solidarity Group Lending Methodology, together with the standard implementation procedures that the DW Microfinance Programme has put in place, produce outstanding results. The orientation and training process to motivate and build the right attitudes among the beneficiaries are important building blocks that helped lay a solid foundation for the loan and repayment activities.

It must also be pointed out that hard work, dedication and commitment of the project staff have equally contributed to the results obtained – exemplary repayment and client retention rates were attained notwithstanding the fact that the project was understaffed. Thus, motivation and capacity building of the human resource component of the project must be given equal attention and continuing support. In planning for projects such as this, it is often assumed that the skilled and capable human resource component is readily available and thus, the need to provide for the continuing support and avenues for growth for the project staff is often overlooked.

8 Financial Summary

Table 4 below shows that the project spent US$278.82 more than the approved budget, however, no additional funds will be requested from USAID.

Due to the unexpected demand for microfinance services, the project had to hire three (3) additional field staff and they had to be trained, and provided with the necessary equipment. These resulted to significant overexpenditures in the Personnel, Training and Equipment line items. To offset these overexpenditures, the project generated forced savings from the other line items (Other Direct Cost).

As of the submission of this report, the project still has to receive reimbursements in the amount of US$60,953.82 from the USAID/Pretoria office.

Table 4. Project expenditures as of June 30, 2005
(all figures are in US$ and rounded to the nearest dollar)

Line Item	Approved Budget (a)	CTD Expenditures through to June 30, 2005 (b)	Variance (Approved Budget minus CTD Expenditures) (a-b)
Personnel	158,431.00	182,258.69	(23,827.69)
Training	56,400.00	62,389.42	(5,989.42)
Equipment	9,900.00	16,994.53	(7,094.53)
Other Direct Cost	120,269.00	83,631.18	36,637.82
Loan Fund	100,000.00	100,005.00	(5.00)
TOTAL	**445,000.00**	**445,278.82**	**-278.82**