

AN EVALUATION
OF THE
LESOTHO CREDIT UNION DEVELOPMENT PROJECT
OPERATION PROGRAM GRANT (OPS) AMENDMENT
(632-0214)

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March 16, 1986

Recommendation	Responsible for action	Date Action To be completed
LCCUL should strengthen its procedure for the collection of loan interest and principal.	LCCUL	Immediate
Credit Unions which have adopted the model loan policies and procedures should be urged to put them into the effect	LCCUL	Immediate
LCCUL should respectfully request MISERIOR to expeditiously fund the remaining portion of the Credit Union building program	LCCUL/MGMT Advisor	7/1/86
LCCUL should develop and implement a strategy designed to induce Credit Unions to place more of their idle funds with Central Finance	LCCUL	8/1/86
Perhaps small and/or beginning Credit Unions should consider fewer committee members so that there is more accountability for getting assigned duties and tasks accomplished.	LCCUL	8/1/86
The Field Service Manager is a highly capable experienced supervisor; he should be delegated full authority and responsibility for hiring, training and supervising field supervisors and should be held accountable for their performance, with full authority to discharge those who do not perform up to acceptable standards.	LCCUL/MGMT Advisor	8/1/86

<p>Under the favourable climate of the new Lesotho Government with its neighbour, consider developing a new promotional approach to attract savings from the wages received by the Basotho miners while they are working in the R.S.A.</p>	<p>LCCUL/MGMT Advisor</p>	<p>8/1/86</p>
<p>The time schedule in loan collection procedure in the LCCUL credit policy should be shortened.</p>	<p>LCCUL/MGM</p>	<p>8/1/86</p>
<p>The progress of demonstration and pilot capital intensive agriculture projects should be closely monitored. Technical assistance and counselling should be provided when needed or requested by the participants.</p>	<p>LCCUL/MGM</p>	<p>9/1/86</p>
<p>Farmer participants in pilot specialized agriculture projects should be counselled in a way to allow them to make important decisions including but not limited to those involving the use of credit to finance the project.</p>	<p>LCCUL</p>	<p>9/1/86</p>
<p>LCCUL should establish a definitive credit monitoring function in the administration of capitalizing Credit Union loans from the LAPIS fund.</p>	<p>LCCUL/MGMT Advisor</p>	<p>9/1/86</p>
<p>Assist Credit Unions to establish definitive loan policies and procedures.</p>	<p>LCCUL/MGMT Advisor</p>	<p>9/1/86</p>
<p>Credit Union clerks and the Credit Union will possess the necessary skills for credit assessment, loan supervision and loan collection.</p>	<p>LCCUL/MGMT Advisor</p>	<p>9/1/86</p>
<p>Credit Unions must be willing to change their credit policies which limit loans to the amount of the members shares.</p>	<p>LCCUL/MGMT Advisor</p>	<p>9/1/86</p>

<p>Emphasis of credit appraisal by clerks and credit committees must be stressed. Each credit recipient must demonstrate full awareness of repayment responsibilities.</p>	<p>LCCUL/MGMT Advisor</p>	<p>9/1/86</p>
<p>LCCUL should initiate action to delete carrying of verified uncollectable loans as assets on the record of Credit Unions.</p>	<p>LCCUL/Board</p>	<p>10/1/86</p>
<p>LCCUL should initiate an effective system of account statements.</p>	<p>LCCUL</p>	<p>12/31/86</p>
<p>The working relationship between LCCUL and IEMS has historically been soundly based. LCCUL should put to use the many valuable services that are offered by IEMS.</p>	<p>LCCUL/MGMT Advisor</p>	<p>12/31/86</p>
<p>LCCUL should continue its strategy for the collection of dues by establishing an effective billing procedure.</p>	<p>LCCUL</p>	<p>Ongoing</p>
<p>LCCUL should continue to use Peace Corps Volunteers in specialized areas of expertise.</p>	<p>LCCUL/MGMT Advisor</p>	<p>Ongoing</p>
<p>Continued support and collaboration between GTZ and LCCUL is strongly recommended.</p>	<p>LCCUL/MGMT</p>	<p>Ongoing</p>
<p>Continued cooperation and assistance from LDTC is desirable and should be encouraged.</p>	<p>LCCUL/MGMT Advisor</p>	<p>Ongoing</p>
<p>LCCUL should continue close cooperation with the Ministry of Cooperatives, Rural Development, Youth and Women's Affairs (MCRDYWA) at the national and district levels.</p>	<p>LCCUL/MGMT Advisor</p>	<p>Ongoing</p>
<p>Continued training programs should be provided for Credit Union clerks to further improve their proficiency.</p>	<p>LCCUL</p>	<p>Ongoing</p>

LCCUL should continue to select interested, sincere and qualified borrower members and Credit Unions for demonstration projects for teaching the sound use of credit, improved farming practices and the introduction of new crops.

LCCUL

Ongoing

LCCUL should adopt a "go with the leaders" policy for implementation of the use of the Management by objectives planning guide.

LCCUL/MGMT
Advisors

Ongoing

The League's extensive training program needs to be reinforced with qualified training personnel, training aids and equipment from donor agencies and the G.O.L.

LCCUL/MGMT

Ongoing

LCCUL field officers should be required to monitor the efforts of the Credit Union's recently hired loan collectors.

LCCUL/MGMT

Ongoing

The direction of the management advisors efforts will need to be revised away from being a planner, developer, doer and directed more towards that of being a counsellor/teacher with more of the former responsibilities being delegated by LCCUL management and staff members.

LCCUL/MGMT

Ongoing

Only Credit Union clerks who are fully trained and qualified should be delegated authority to approve and disburse loans.

LCCUL/MGMT

Ongoing

LCCUL should continue its program for training farmers to effectively use production credit in more capital intensive agriculture such as high value crops.

LCCUL/MGMT
Advisor

Ongoing

Credit Unions should agree to maintain close liason with the League in the administration of its loan program.

LCCUL/MGMT
Advisor

Ongoing

EXECUTIVE SUMMARY.

The Lesotho Cooperative Credit Union League (LCCUL) is the largest, strongest and most active cooperative organization in Lesotho. Based on the thesis that Credit Unions can and do positively affect the lives and welfare of Lesotho's people, particularly in rural areas, the LCCUL Development Project Extension was designed to continue to improve and expand the institutional capacity of LCCUL and its member Credit Unions, as a result of an evaluation completed in September 1983, which recommended continued support. Accordingly USAID approved an additional grant for the furtherance of project objectives during the additional two-year period from March 1, 1984 to February 28, 1986.

During the two-year OPG extension period LCCUL was to re-direct its Credit Union development efforts into a carefully managed strategy designed to strengthen those Credit Unions which have demonstrated interest and which show capability and a potential to serve as appropriate institutions to provide a locally available and reasonable priced source of credit to the small farmers.

Intensive efforts were directed to the training of LCCUL staff, Credit Union members, committees, boards and employees.

Participation in the extensive training program was enthusiastically supported at all levels.

At least two-thirds of the specific quantitative and qualitative output objectives as specified in the project extension agreement were judged to have been satisfactorily achieved. Others were judged to be in a positive state of development. Little or no improvement was recorded in one quantitative and one strategic objective namely; loan delinquency was not reduced to 24 per cent or less; and to date plans developed to generate increase in resources have not been successful.

The Lesotho Agricultural Production and Institutional Support (LAPIS) Project (632-0221) is designed to move Lesotho from its present subsistence, semi-commercial low income agriculture system to one that is commercial, labour intensive and resource conserving. One component of the LAPIS Project, Credit Union development is designed to provide continued support to strengthen Credit Unions which have demonstrated potential to be viable financial institutions to provide readily available savings and credit facilities in rural areas. With continued technical assistance and overall training in credit administration and related services, the Credit Unions are expected to provide and administer increasing amounts of production credit on sound and constructive basis in a more capital intensive agriculture.

(ii)

While measurable progress has been made, continued efforts are required to make the LCCUL fully operational in terms of sound business practices and institutional capacity. It is recommended therefore that the LCCUL and the qualified Credit Unions be given favourable consideration for continuing the project and for the funding and participation in Output No:6 component of the LAPIS Project.

A. FINDINGS OF THE EVALUATION.

- 1) Overall administration and management of LCCUL has been improved and strengthened.
- 2) The LCCUL staff has itself undergone intensive training and have participated as trainers in an energetic training schedule for Credit Union members, committees, board of directors and employees.
- 3) The proficiency of paid full-time and part-time credit union employees has significantly improved.
- 4) The quality and timeliness of Credit Union reports has definitely improved.
- 5) LCCUL working relationships with IEMS, MCRD and MOA have been soundly based.
- 6) LCCUL has established a ₱50,000 line of Credit with the LADB.

- 7) In kind credit procedures to facilitate provision of input supplies to member borrowers have been established in 13 Credit Unions through Co-op Lesotho.
- 8) The field services manager hired by the League during the past year is a capable experienced supervisor; five of the six present field officers have the ability to effectively assist and supervise the Credit Unions.
- 9) Adequate levels of management were specifically directed to correct weaknesses and the achievement of related recommendation pointed out in the previous evaluation.
- 10) Less restrictive loan policies have been implemented in eleven (11) Credit Unions to provide agricultural production based on the members input needs, personal qualifications and repayment capacity.
- 11) LCCUL financial self sufficiency exceeded the 36 per cent objective during the project extension period.
- 12) The amount of members savings and the amount of loans outstanding to members exceeded the projected quantitative objectives; the increase in the members did not.
- 13) It would appear that one of the most effective techniques that can be employed for teaching and training in Lesotho are the "one on one" 4-step Job Introduction Training (JIT) and Job Relations Training (JRT) techniques developed in the U.S.A. during World War II.

14) Credit Unions in Lesotho can legally borrow funds upto 100 per cent of their unimpaired capital, this is perhaps a restriction to borrowing in smaller credit Unions in time of need for loans to members.

B. RECOMMENDATIONS:

- 1) LCCUL should continue its strategy for the collection of dues by establishing an effective billing procedure.
- 2) LCCUL should initiate an effective system of account statements.
- 3) LCCUL should strengthen its procedure for the collection of loan interest and principal.
- 4) LCCUL should develop and implement a strategy designed to induce Credit Unions to place more of their idle funds with Central Finance.
- 5) The working relationship between LCCUL and IEMS has historically been soundly based. LCCUL should put to use the many valuable services that are offered by IEMS.
- 6) LCCUL should continue to use Peace Corps Volunteers in specialized areas of expertise.
- 7) LCCUL should respectfully request MISERIOR to expeditiously fund the remaining portion of the Credit Union building program.

- 8) Continued support and collaboration between GTE and LCCUL is strongly recommended.
- 9) Continued cooperation and assistance from LDTC is desirable and should be encouraged.
- 10) LCCUL should continue close cooperation with the Ministry of Cooperative, Rural Development, Youth and Women's Affairs (MCRDYWA) at the national and district levels.
- 11) Continued training programs should be provided for Credit Union clerks to further improve their proficiency.
- 12) LCCUL should continue to select interested, sincere and qualified borrower members and Credit Unions for demonstration projects for teaching the sound use of credit, improved farming practices and the introduction of new crops.
- 13) Perhaps small/or beginning Credit Unions should consider fewer committee members so that there is more accountability for getting assigned duties and tasks accomplished.
- 14) The Field Service Manager is highly capable experienced supervisor; he should be delegated full authority and responsibility for hiring training and supervising field supervisors and should be held accountable for their performance with full authority to discharge those who do not perform up to acceptable standards.

- 15) Under the favourable climate of the new Basotho government with its neighbour, consider developing a new promotional approach to attract savings from the wages received by the Basotho miners while they are working in the R.S.A.
- 16) The time schedule in loan collection procedure in the LCCUL credit policy should be shortened.
- 17) LCCUL should adopt a "go with the leaders" policy for implementation of the use of the Management by objectives planning guide.
- 18) LCCUL should initiate action to delete carrying of verified uncollectable loans as assets on the records of Credit Unions.
- 19) The League's extensive training program needs to be reinforced with qualified training personnel, training aids and equipment from donor agencies and the G.O.L.
- 20) Credit Unions which have adopted the new loan collection policies and procedures should be urged to put them into effect.
- 21) LCCUL field officers should be required to monitor the efforts of the Credit Union's recently hired loan collectors.
- 22) The progress of demonstration and pilot capital intensive agriculture projects should be closely monitored for technical assistance and counselling whenever needed or requested by the participants.

- 23) The direction of the management advisors efforts will need to be revised away from being a planner, developer, doer and directed more towards that of being a counsellor/teacher with more of the former responsibilities being delegated by LCCUL management and staff members.
- 24) Neither the LCCUL nor the Credit Unions should attempt to establish themselves to provide non-financial services already being provided by some one else: i.e. extension service by MOA and donor agencies; farm production inputs by existing co-ops or other suppliers; marketing services by existing legitimate agencies etc.
- 25) Only Credit Union clerks who are fully trained and qualified should be delegated authority to approve and disburse loans.
- 26) Farmer participants in pilot specialized agriculture projects should be counselled in a way to allow them to make important decisions including but not limited to those involving the use of credit to finance the project.

INTRODUCTION

This paper presents the findings of an evaluation of the Credit Union Development project for the two year period from March 1, 1984 to February 28, 1986.

The evaluation was conducted between March 1, 1986 and March 28, 1986 by George LaChapelle and Larry Wisniewski, USAID consultants.

EVALUATION BACKGROUND

Lesotho's first credit unions were established in 1961. By 1963 rapid expansion of local credit unions led to the formation of LCCUL to provide support services to affiliates as well as to promote and expand the credit Union movement throughout the country.

In an effort to assist the LCCUL to increase its technical capability, and move closer towards self-sufficiency, AID provided assistance to LCCUL. Under the original three-year agreement, authorized in June 1980, the goal was to make savings, credit and related cooperative services available to an increasing number of families in Lesotho.

In August-September, 1983 the Project was evaluated. The evaluation concluded that basic project objectives were being satisfactorily achieved. Despite significant progress, however, the evaluation noted that, "institutional development required long-term commitments.

Although the foundation has been laid, continued efforts were required before LCCUL would be fully operational in terms of the application of sound business practices and financial self-sufficiency." The evaluation recommended continued support for credit union development. Accordingly, USAID approved a two-year extension from March 1, 1984 to February 28 1986.

During the two-year extension LCCUL was to redirect its credit union development efforts into a carefully managed strategy designed to strengthen those credit unions which have demonstrated interest and which show capability and a potential to serve as appropriate vehicles to provide a locally available and reasonable source of agriculture credit to the small farmer.

The project included eight strategical and seven quantitative objectives reflecting the League and Credit Union development by the end of this two-year extension. The objectives are as follows:

Strategical Objectives

a. Approximately 30 credit unions will be performing bookkeeping, reporting, savings and credit management and loan collections at an acceptable level of performance.

b. A selected group of credit union members will be trained in production, marketing, farm management and other tasks related to agricultural production activities.

c. Adequate levels of management will be specifically directed to the examination of weaknesses pointed out in the last evaluation and the achievement of related recommendations.

d. Seventy-five trained credit union board members will be capable of carrying out organizational direction and policymaking responsibilities.

e. Seven trained LCCUL field staff and one field services manager will be able to assist, through training and technical assistance, credit union development.

f. Special loan analysis, control and collection procedures for LCCUL central finance program will be established.

g. A comprehensive plan will be developed to generate substantial increases in credit union resources to be realized from expansion of its membership, from mine worker savings and other sources.

h. LCCUL financial self-sufficiency will have reached approximately 36%.

QUANTITATIVE OBJECTIVES

In addition to the major objectives outlined above, the following quantitative objectives were expected to have been achieved:

a. Membership will increase to 23,665, saving, to M1,780,000 loans to M1,300,000.

b. 360 credit union committees, members, officers and employees will have acquired adequate knowledge to manage credit unions effectively.

c. Decrease the percentage of delinquent credit union loans to 24% or less.

d. Less restrictive loan policies will be in effect in approximately 15 credit unions.

e. In-kind credit procedures to facilitate provision of input supplies, and marketing established in approximately 15 selected credit unions.

f. 30 paid clerks performing adequately.

g. 300 farmers trained to effectively use production credit in more capital intensive agriculture such as high value crops.

With respect to quantitative objective "g", "-farmer training to effectively use production credit..." the following is also noted as evaluation background.

The September, 1983 AID-funded assessment of agricultural credit in Lesotho concluded that the credit unions are the most likely source of readily available and reasonable capital to small farmers, and thus are an important vehicle through which agricultural credit can be made available to them.

The availability of such productive credit to small farmers is seen as a key element to the success of a new project which USAID has developed in collaboration with the the Ministry of Agriculture to stimulate agricultural production.

This evaluation, at the end of the two-year extension and prior to any implementation of the new project will assist the Mission in determining if the credit unions have/or can be moved to a more forthright position in support of small farmer production and what, if any, changes should be made in terms of the Mission's strategy with regard to credit and the LCCUL.

METHODOLOGY

Resource documents for the evaluation included the original 3 year US-AID/LCCUL project agreement approved in June, 1980, the Project Interim Evaluation Report for the period 7/80 to 1/82, the Project Evaluation Report for the period 1/82 to 8/83, and the Project Extension Agreement for the 2 years from March 1, 1984 through February 28, 1986. During the evaluation, information was received from several sources, the principal source being LCCUL files and financial reports. Field trips were made to five credit unions where group meetings were held with CU members, committees, officers and clerks.

During the course of the field visits observations were made at a league sponsored 2 day credit committee seminar and at the sight of the pilot agricultural irrigation project at Pela Tsoeu. Contact was made with the Ministry of Cooperatives, Rural Development, Youth, and Women's affair staff, LCCUL General Manager, Department Managers; Field officers, and office staff. Special assistance was provided by the LCCUL management advisor whose cooperation and insight were invaluable.

At end of the evaluation a meeting was held with the LCCUL senior staff and Executive Committee to review findings and to report on recommendations.

INPUTS

A. LESOTHO COOPERATIVE CREDIT UNION LEAGUE, LTD.

LCCUL internally generated funds (Appendix-A) are derived from two principal operations - the League and Central Finance. The League income is supported by dues from member credit unions, service fees, and other income. Progress is recorded but dues income continues to need strong collection efforts.

Recommendation: Urge LCCUL to continue its strategy for the collection of dues by establishing an effective billing procedure, uniform due date, and a definitive procedure on late payments.

The CENTRAL FINANCE income is generated from investments and loans to credit unions.

While investment income is maximized by earning money market rates, and this income can be expected to increase as more credit unions place funds with Central, the collection of interest on loans continues to be a problem area.

Recommendation: Urge LCCUL to initiate an effective system of account statements. These statements should include capitalization and loan balances, interest rate, and due date.

Recommendation: Urge LCCUL to strengthen its procedure for the collection of loan interest and principal by strict adherence to the due date, and by establishing a definitive follow up program on late payments.

Recommendation: LCCUL should develop and implement a strategy designed to have credit unions place more of their idle funds with central. Comment: Due to LCCUL limited potential for generating internal funds, its ability to generate sufficient income, as opposed to donor or external support is not in view for the near or intermediate term. A 15 to 20% growth in income is reasonable to expect during the next 5 years.

In addition to the LCCUL internally generated funds, several donor agencies participated in the LCCUL project. Seven donor sources were listed in the original project design. Seven additional donors provided assistance to credit unions during the project life. (Appendix A) a summary description of inputs provided by these donors is below.

B. USAID

AID provided the largest percentage of inputs into the LCCUL project. Three areas written into the OPG are:

(1) LCCUL budget support to fund local salaries, operating costs, commodities and LCCUL and credit union equipment and related training.

(2) US technical assistance to assist LCCUL in the definition and implementation of all critical operational procedures related to special production programs and other LCCUL/credit union development, training and operational requirements.

(3) Training of LCCUL and credit union staff.

Necessary support and inputs are judged to be provided satisfactorily in terms of quality, quantity and effectiveness. Areas of difficulty in the provision of support are estimated to be at a minimum.

An analysis of project expenditures in relation to the budget indicate all items except three were under budget. One item, travel and relocation are less than budget on the basis of the management advisor being relocated and that did not materialize, and the major reason for the other variance is the more favourable international monetary exchange rate for \$ US/Lesotho M.

C. World Council of Credit Unions (WOCCU)

WOCCU, headquartered in madison, Wisconsin, is the major technical resource for international credit union development. It provides technical assistance, training, and project development.

Major inputs provided by WOCCU were three short-term consultancies for project monitoring and technical studies, and one project inspection visit by WOCCU/s Chief Executive Officer. During 1984, two consultations were performed - the first, for a 10 day period to monitor the project progress and to provide technical assistance. The second was to provide consultation regarding dues formulation, staffing, the League's capitalization fund, central finance policy, and the league's loan program.

In addition, WOCCU provided project accounting, and assistance in the procurement of computer software and technical & educational materials.

The third consultancy was in 1985. when WOCU's Institutional Specialist visited the project for two weeks. At that time technical assistance and project monitoring were provided.

WOCU's Chief Executive Officer visited the project for one week during April 1985. During the course of providing consultation and guidance he visited several credit unions and field projects.

D. African Cooperative Savings and Credit Association (ACOSCA).

ACOSCA is the apex organization for the credit union movement in Africa. Headquartered in Nairobi, Kenya, it represents 22 national affiliates, including LCCUL.

ACOSCA inputs to the project were several training courses for LCCUL staff persons. Expenses for travel, lodging, meals and conference materials were paid by ACOSCA. The training courses were as follows:

1984

Field Officer	4 weeks writing manual	Nairobi
Risk Management Officer	3 weeks risk management training	Nairobi

1985

General Manager	4 weeks - Management Course	Nairobi
General Manager	1 week - Planning Course	Senegal
Risk Management Officer	3 days risk management training	Nairobi

1986

Auditor	4 weeks - writing Accounting Manual	Nairobi
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It is judged that the above sponsorship of training programs and system development courses meets ACOSCA's input requirements as provided in the project design.

E Catholic Relief Services

The CRS project of salary assistance for credit union clerks, which began in 1983, has continued throughout the evaluation period. Historically the salary assistance has been 100% in the first year of the CRS support. In subsequent years, this percentage declines at intervals of 25 with the remainder assumed by the individual credit union. When the final 25 percent interval has passed the credit union, the credit union assumes 100% of the salary obligation.

The project goal is to enable the credit union to hire and train personnel to improve the basic functions of credit union business - bookkeeping. Prior to the beginning of the CRS project volunteer treasurers were responsible for the bookkeeping. Although the hiring of clerks has been helpful in performance of daily functions, management of credit unions remains a concern.

Currently, there are 27 clerks in this program. Each has been given training in filing, loan control and bookkeeping. (APPENDIX E)

F. Institute of Extra Mural Studies (IEMS)

IEMS is the extension branch of the National University of Lesotho. IEMS has been supportive of the credit union movement since the formation of the first credit union in 1961.

LCCUL staff has experienced an excellent working relationship with IEMS and stated their desire for continual collaboration. Inputs provided by IEMS, includes: salary support for training officer, (APPENDIX-G) use of classroom space for training, design of training programs, consulting services, recruiting evaluation in selection of a LCCUL training officer.

Recommendation: The working relationship between LCCUL and IEMS has, historically been soundly based. LCCUL should continue to use the many valuable services that are offered by IEMS.

G. Peace Corps

Three peace corps volunteers provided auditing and technical assistance to credit unions during 1984-85. One PCV is currently supporting a selected group of credit unions in management, bookkeeping and operational procedures and other tasks related to credit unions operators.

Additionally, she is working on an education paper on credit unions, money, and credit, for possible introduction into the schools.

Recommendation: LCCUL should continue to use PCV services in specialized areas of expertise.

H. MISERIOR

Funding by MISERIOR for a credit union office construction program began in 1983. At the time of this evaluation, eighteen buildings are completed. (APPENDIX-GL) During the evaluation period, a total of \$21,824 has been channeled through LCCUL for construction of these offices. During 1986-87, an additional fifteen offices are expected to be constructed.

These offices are solidly constructed and relatively inexpensive. Their practical design make them ideal for serving as the site for business transactions and as a meeting house for credit union members, officers, directors and committees. Additionally, the buildings' presence in the village adds to the credit union a sense of permanent standing in the community.

Recommendation: LCCUL staff indicates that long delays on the part of MISERIOR in funding each phase of the project have occurred, even though the project is firmly committed.

LCCUL should urge MISERIOR to expeditiously fund the remaining credit union building program.

I. German Agency for Technical Cooperation (GTZ)

The GTZ credit union project began in 1981. The project includes a full time agricultural credit advisor, LCCUL budget assistance, and commodity support. The project title is "Promotion of Small Farmers Production Credit Programme". GTZ had supported the salary of one agricultural officer, a short-term consultant, has purchased vehicles, motor bikes for field officers, office equipment, and training.

Similar to LCCUL's purpose, the GTZ project's "grassroots" approach and agricultural production orientation is of special interest. An example of this approach is the promotion of ox-drawn implements and other appropriate equipment. During this evaluation period GTZ's program included a seed, fertilizer, and chemicals program, irrigation equipment, hammermills, and knitting machines. Training sessions have been held on agricultural production, agricultural lending, and machine and equipment repair. In addition, GTZ provided equipment to numerous credit unions. (APPENDIX-GL)

Recommendation: The GTZ advisor was very helpful in providing details of the program and made many useful comments during the consultancy.

Continued support and collaboration between LCCUL and GTZ is strongly recommended.

J. Lesotho Distance Teaching Centre (LDTC)

The LDTC is a quasi-public division of the Ministry of Education. Formed in 1974, its main aim is to apply non-formal education methods for the development of rural Lesotho. Services are provided by LDTC on a fee basis. The input of the LDTC into educational and promotional activities was substantial. (APPENDIX -G) LDTC assisted LCCUL in the organization and design of its training program. The centre teaches and implements a group participation and learning by doing training approach. This method increased the program's success rate and is being regularly incorporated into LCCUL training programs.

During the evaluation period LDTC provided field staff training, follow up evaluation and monitoring of field staff training performance, the development and publication of a non-formal education training manual, and technical assistance in the design and recording of the LCCUL weekly radio program, and a radio training program for LCCUL education officer.

Recommendation: Continued cooperation and assistance is desirable and encouraged.

K. Ministry of Cooperatives, Rural Development, Youth and
Women Affairs (MCRDYWA)

Inputs received from MCRDYWA for the project differed from those envisioned in the project paper. Measurable improvement is noted however, for the evaluation period in terms of comparison with the previous period. The project management advisor's close monitoring of MCRDYWA's inputs agreement is largely responsible for this improvement.

During the evaluation period MCRDYWA provided inputs, either in-kind or direct, to audit credit unions and the League, to train credit union committees, to fund a management survey of selected group of credit unions, and an in-the-field consultancy to credit union members.

During the period MCRDYWA also provided 4 hammermills w/engines required by the League to carry on its agricultural program.

Recommendations: LCCUL should continue close cooperation with MCRDYWA at the national and district levels.

Institutional Capacity - League

The institutional development of LCCUL is an important aspect of this project. The objective is to secure an organizational structure and written policy guidelines to enable the League to function effectively and according to sound business practices.

During the 1980-1983 time period LCCUL achieved significant progress in terms of the above objectives. Great strides were made again by the League to secure and improve its infrastructure during the 1984-1986 evaluation period. One measure of institutional development is the documentation of processes that are either complete or in varying states of completion. Several of these processes are listed below.

1. Bylaws
2. Office Manual
3. Personnel Policies
4. League Filing System
5. Guide to Planning
6. Education Manual
7. Vehicle Policies
8. Central Finance Policies
9. CU Guide to Self-Sufficiency
10. Loan Interest Calculation

11. Guide for CU Directors
12. Five year Plan-League
13. Accounting Manual
14. League Organization Chart
15. Guide to Financial Management
16. Credit Union Promotion
17. Break-even Strategies
18. Personnel Testing
19. Legal Processes
20. Performance Appraisals-League
21. Guide to Fund Raising
22. Corporative Credit Union
23. League Audit Guide
24. Risk Management
25. Personnel Testing
26. Internal Practices
27. Secretary's Manual
28. Model CU Bylaws
29. Computer System
30. CU Financial & Institutional Reporting

The listing of processes have been received and approved by League Staff and the Board of Directors. It is clearly evident that hard work has been put into their definition. Of greater importance is the application of these guidelines. Continued training of the staff with respect to these statements is required.

Recommendation:

1. Not all of these processes are fully written, and others are at the implementation stage or can be expanded upon. Items that require special attention are:

- a) Five year plan
- b) Accounting manual
- c) Financial management
- d) Computer systems
- e) Legal processes
- f) Statistical data reporting

2. It is the responsibility of the Board of Directors and managers to assure these guidelines are applied. For expediency of assignment and/or responsibility, LCCUL should identify the guidelines by category such as administration, accounting, field services, and training.

Institutional Capacity-Credit Unions

The League has taken the initiative to provide support services to its member credit union. The services are designed to promote the development of the institutional and operating structure at the credit union level.

During the evaluation period LCCUL introduced several operational and promotional aids to assist credit unions achieve a greater degree of self sufficiency. Additionally the League has strategically decentralized its field officer staff to district locations to improve the availability of such services.

With these expanded elements of League capability in force, credit unions as a group achieved overall infrastructure improvement. (APPENDIX -I)

Based on League reports, credit union committee members, directors and officers met more frequently to conduct business as well as to attend training sessions, and receive field officer counsel. While progress has been made, however, the League reports also reveal that many do not meet or attend training sessions. It is evident that the persistent and most serious problems exist among the non participating and non reporting credit unions.

The more critical problems are:

- a) high loan delinquency rates
- b) uncollected loan interest
- c) failure to maintain acceptable bookkeeping
- d) failure to hold regular meetings
- e) failure to report

Recommendations:

- (1) Urge LCCUL to continue its efforts to strengthen credit union institutional capacity.
- (2) The League reports credit union financial and statistical data on a quarterly basis. The data is assembled from periodic credit union reports. The reports are received directly from the CU or through the field officers. On the basis of current information the League can readily identify the critical problem credit unions.

LCCUL should develop an action plan which calls for a concerted effort to solve the more critical problems which include the following action steps:

- a) Identify the CU and its specific problem.
- b) Hold meeting of field officers to get their input.
- c) Schedule visits to CU to discuss problems and solutions by the field officers in their respective areas.
- d) Initiate a planned follow up visit to evaluate status of problems.
- e) Initiate field officer reports on problem CUs.
- f) Communicate results to all field officers.

Comment on Statistical Reports

The above mentioned League report on CU financial and statistical data indicates some non reporting CUs and League staff reports that these non-reporting CUs may be no longer in business.

But the report continues to include data on these credit unions.

Recommendation:

- (3) LCCUL should make a final determination on the viability of the non-reporting credit unions. One suggestion would be to merge with another credit union. If this fails, the League report should list them as non-operating unions on the quarterly report. Other credit unions would be listed as operating credit unions.

B. Summary of Evaluation of Specific Objectives

Accomplished During the two-year Project Extension

1. It has consistently been reported that at least 30 Credit Unions have been performing bookkeeping functions and monthly reporting, consistently well. Approximately 15 more CUs are improving performance functions and are nearly up to standards. However, credit management and loan collections are being performed at acceptable levels by only 15 CUs.
2. Approximately 776 credit union members have participated in traditional agricultural crop production training courses. During the first year some 325 members participated in crop marketing information.
3. Available documentation indicates that much effort was directed to management assistance, supervision and training. Special attention was given to the correction of weaknesses and the achievement of related recommendations pointed out in previous evaluation. While significant improvement has been achieved much more needs to be done to achieve acceptable standards in some areas.

RECOMMENDATION: LCCUL should continue its efforts in farm management training.

4. Training seminars have been held and have been participated in by more than 75 C.U. board members. It is difficult to determine the level of training these 75 C.U. board members have acquired and retained.

RECOMMENDATION: The training of credit union directors is a continuing process. LCCUL should add advanced training materials to its basic materials for training directors.

5. Currently the field staff consists of a capable, experienced field service manager hired during the past year and six field officers three of whom are considered to be capable, experienced, motivated and well trained. Two others are less experienced, need motivation and additional management and supervisory training. One is reported to be not adequately motivated towards his job and is performing below acceptable standards. He should be discharged.

RECOMMENDATION: LCCUL has adopted personnel policies. Urge LCCUL to communicate to all employees and especially draw attention to performance standards.

6. Special loan analysis control and collection procedure for the Central Finance process has been developed and adopted by the Board of directors.

Initiation and implementation of the prescribed program has been slow and LCCUL's loan collection efforts can best be described as passive.

7. With extensive effort by the management advisor a comprehensive plan has been developed to generate substantial increases in credit resources. Unrest at the mines in the R.S.A where large numbers of Basotho men are employed has, for all practical purposes terminated further contacts and communication with mine owners and miners. The objective of the plan was to have agreement from the mining companies which would allow Basotho mine workers to deposit savings from wages by payroll deduction into their credit unions in their own home areas.

RECOMMENDATION: Where feasible LCCUL should continue its efforts to obtain payroll deduction for Basotho mine workers.

8. Calculations of LCCUL self sufficiency presented in the quarterly reports indicated percentages ranging from a high of 50% in the fourth quarter to a low of 36.2% at the close of the 7th quarter.

It is judged therefore that the LCCUL has achieved its 36% Self Sufficiency goal.

9. Reported membership in the CUs actually increased from 26000 in the first two quarters to a peak of 29275 in the fourth quarter and has since declined to 26,659 at the end of the seventh quarter. Share savings and loans, however, have steadily increased during the period from September 1983 through December 31, 1985 in the CUs as follows:

Share savings from M 1,305,034 to M 1, 743,669

Loans outstanding from M 980,674 to M 1,309,666

10. Although more than double the project goal number of 360 credit union committees, members, officers, and employees have participated in extensive training programs, firm documentation of capability and/of performance evaluation is not available for use to determine or certify that they have acquired adequate knowledge to manage credit unions effectively without much continued assistance and supervision from the League.

11. Extension training efforts and supervision has resulted in the adoption of stronger loan collection procedures and hiring of loan collectors by at least 30 CUs.

The collectors have received loan collection training from LCCUL. So far however, these efforts have not resulted in a significant reduction of the percentage of loan delinquency.

Quarterly reports indicate delinquencies have declined from 29 to 27.5 then increased back to 30 percent. The goal for the period of the project extension was a reduction to 24 percent.

12. Less restrictive credit policies have been initiated and implemented in approximately 11 credit unions so as to provide agricultural production loans based on the members needs , qualifications and repayment capacity.
13. Thirteen (13) credit unions participated in "In kind" procedures established through the League with suppliers(basically Co-op Lesotho) to provide inputs of fertilizers equipment and seed for agricultural production and inputs for one(1) other CU for mohair spinning.
14. Monthly credit union and quarterly LCCUL reports indicate that at least 30 of the 47 full and part-time paid clerks are performing adequately in accordance with League accounting and record keeping requirements.
15. 302 CU committee members have received training in the approval, administration, and control of production credit. 776 members have received agricultural production training. 33 other farmers received specialized training.

But there has been little training or participation in activities specifically designed to induce and train farmers to use credit for the development of more capital intensive agriculture. Five members in one CU through efforts of LCCUL advisors have made commitments to purchase irrigation system for the development of four vegetable production projects.

STATUS OF WEAKNESSES POINTED OUT ON THE PREVIOUS EVALUATION (SEE PAGE II SEPTEMBER 16, 1983 REPORT)

Item 7) Projections which had not been achieved were for loans outstanding, number of credit unions to be established or strengthened and to increase CU membership.

A significant increase of loan volume at LCCUL to the CUs still has not been achieved. But loans outstanding in the CUs have increased in amount to narrowly exceed project extension goals.

The latter, however, would not have been achieved if the goals for the collection of delinquent loans in the CUs had also been achieved. The amount, number and percentage of delinquent loans in credit unions remains a serious problem; some of the outstanding balances not secured by savings are sub-standard if not uncollectable.

The ability of credit unions to collect interest on loans despite intensive training programs and increased supervisory attention, still varies and the overall performance, though improving is below acceptable standards.

Growth in the number of credit unions has basically stabilized. However, a recent summary of Credit Union key operating factors shows that for all practical purposes 8 of 65 listed CUs are defunct. One credit union was terminated during the past year, but still is not totally liquidated.

Item 8 LCCUL quarterly reported calculations indicate the League has achieved the 36% self sufficiency goal for each of the 7 quarters reported thus far. Billing and collection efforts for dues and capitalization still require improvement.

Item 9) LCCUL loan collection efforts are still less than satisfactory and can best be described as "Passive".

Item 10) The number of agricultural committees elected in the Credit Unions has increased. Training has been provided through coordinated efforts of the League and extension staff of the MOA.

Item 11) Close support during the project extension period was "in kind" and in the form of staff training. The value of Acosca's support can be found in the appendix of donor inputs.

3. STATUS OF RECOMMENDATIONS MADE IN THE PREVIOUS EVALUATION REPORT.

- (1) LCCUL has investigated future linkages with LADB and Coop Lesotho; a M 50,000 line of credit has been set up with the LADB, however, the demand for loans from the CUs to LCCUL has not been great enough to implement the use of the line of credit from LADB.
- (2) Income collection has improved in approximately 22 CUs.
- (3) While LCCUL efforts to continue close cooperation with MCRD at the national level have been strengthened, similar results have not taken place at District levels.
- (4) This NUL position was converted to field manager. Due to technical problems at NUL this position was still being paid by the project at the end of the 7th quarter. The position is to be re-enrolled by NUL in January 1986.

The new education officer began in May of 1985 and is being paid from League project funds.

(5) The LCCUL has completed all process statements however, the implementation has not been adequate in all cases. Proposed central finance policies were discussed at the LCCUL Annual General meeting but not adopted.

(6) Training efforts at the Credit Union level for bookkeeping and credit assessment have been strengthened. Evaluation of effectiveness is required. Training efforts should continue.

(7) Loan control systems have been installed in 15 selected credit unions. Model filing systems have been initiated in 30 CUs. In the recent management survey of 22 CUs loan control systems were installed and operated in 13 CUs. Loan collection efforts were being carried out in 12 CUs. Model filing systems were installed and maintained in 15 of the 22 CUs surveyed. What has been accomplished is impressive and great strides have been made. Training should continue and training materials enhanced.

(8) LCCUL field officers are continuing to emphasize training and improvement of (1) credit union bookkeeping, loan control, and management procedures, (2) improvement of CU monthly reports; and (3) committee education. The need however, for the latter is never diminishing because of the high turnover of committee members and the need for training newly elected committee members each year.

(9) The LCCUL has developed a guide to break even strategies for credit unions. These strategies have been identified and recently introduced and discussed in some of the CUs.

It is expected that LCCUL will bring this service to more credit unions in the months ahead.

(10) Basically the duties and responsibilities of the LCCUL field manager have been directed toward supervision of field officer activities, but it is obvious that a substantial amount of time and effort must be devoted to acting as an interpreter for advisors, consultants, donor agency representatives and as a translator of "processes" from English to Sesotho.

- (11) Continuing efforts of clerk training in risk management are still necessary.
- (12) Annual audit schedules have been prepared. Presentation of the audit reports to credit union boards have been made. Visits have been made at only some credit unions which have had audits.
- (13) Actions have been taken to improve loan collection in nearly half of the CUs. Actual results have not yet been significantly improved.
- (14) Reported results of loan interest collections at CUs have gradually improved over the past four quarters.
- (15) The League has recently increased its payment of interest (dividends) on capitalization. The collection of capital dues and interest-on loans has not significantly improved. The anticipated issuance of monthly statements by the League should help provide improved results.

- (16) Recent efforts include development of a radio program and promotional brochures. Efforts to develop school course material is under way. As yet there is no measurement of results of these efforts to attract young people to the CUs.
- (17) While there is little documentation of efforts to revitalize the inactive credit unions, it is evident that these inactive CUs are receiving less LCCUL support.
- (18) The General Manager of the League has assumed the responsibility for renting the Credit Union House rental office space.
- (19) The lending policies of 11 CUs have been made less restrictive so as to provide loans to members above share balances.

B. Evaluation of Specific Quantitative and Qualitative
Outputs to be Achieved

The following is an evaluation of specific quantitative and qualitative outputs which were to be achieved during the life of the project extension. The findings show that:

1. Thirty (30) Credit Unions Performing Bookkeeping, etc.

Approximately 44 of the credit unions are making regular monthly reports to the League. Thirty CUs are considered to be performing bookkeeping at acceptable levels including savings and loan statistics. Credit management and loan collection procedures are being performed in accordance to procedures as outlined by the League.

Of the 48 full and part-time paid clerks, 30 are reported to be performing fully in compliance with LCCUL standards and 15 others are performing at levels just short of the standards. While it is quite evident that the LCCUL intensive training effort in this area has resulted in substantial improvement in performance of bookkeeping, reporting and record keeping functions, it is recognized by the League that continued substantial training efforts are still needed. Commitments have been made to provide continued training to further improve levels of performance, particularly in the areas related to credit management and loan collections.

2. Selected CU Members Trained in Production Marketing and Farm Management.

Seven hundred and seventy-six (776) members participated in these courses. Marketing information was provided during these training sessions to the 325 members who participated in the first year of the project. The marketing aspect of the training was dropped due to the dual pricing structure for these crops and because there was/is no organized marketing system for fruits and vegetables.

The program content focused on good farming practices in crop production such as recommended tillage practices, use and application of fertilizers, use of good seed and proper planting recommendations, cultivation and weeding, etc.

Each season cropping demonstrations on maize, sorghum, wheat, peas, beans and potatoes were carried out. League and MOA extension staff members supervised these demonstrations. 20 to 40 farmers attending the seeding days. Yield measurements were conducted on pilot maize projects financed by LCCUL/CU loans. Results were: increased yields compared to previous farmer experience. employed improved practices.

RECOMMENDATION:

Continue to work with interested credit unions and qualified borrower members on demonstration projects, and continue to teach the use of sound credit practices for farmer loans.

3. Adequate Levels of Management Directed to Examination of Weaknesses and Recommendations.

All of the available documentation furnished to the evaluators positively points out that an enormous amount of management assistance, supervision and training has been directed to the correction of weakness and the achievement of the recommendations in the previous evaluation. It should be herewith acknowledged that such attention and commitment could not and would not have been achieved without the dedicated and forceful direction of the principal resident advisors from the WOCCO and GTZ, particularly the former with respect to internal direction and management of League affairs.

The kind of improvement and progress that has been demonstrated by the League and its member credit unions could not have been achieved without the outside assistance and to continue this level of progress and improvement will require continued like assistance and direction for at least the next three or four years.

Recommendation

The direction and emphasis of the advisors effort and work will need to be adjusted away from the present advice, counsel and actual development of plans, processes and infrastructure and the actual monitoring of development and performance.

4 Seventy five Trained Credit Union Board Members

The LCCUL has conducted intensive training sessions for groups of CU board members. These sessions included enough teaching on Bylaws, policies, operating, procedures, duties and responsibilities and other pertinent information to enable the participants to make each of them capable of carrying out the organizational direction and policy making responsibilities in a local CU.

Although the number of CUs participating in these training sessions far exceeded the goal of 75 qualified board members specified in the objectives of the project extension, it is difficult without a performance appraisal to determine whether these trained board members have adequately learned and retained sufficient knowledge to carry out the full responsibility for the organizational direction of their Credit Union.

RECOMMENDATION

Perhaps as a small beginning organization a local credit union should be established with Board of Directors of 5 to 7 persons who from the beginning, with an executive committee elected from the board, assume full responsibility for all activities until growth warrants the appointment or election of these other support committees when needed.

The emphasis of the revised direction will need to move towards teaching management to perform these functions and to secure commitments from management to build and train staff, to accept full responsibility for carrying on the League's internal operations and the performance of expanded services to CUs in accordance with budgets, goals and approved plans. The primary objective should be to teach management staff how to develop budgets, plan goals and objectives and standards for performances, appraisals achievement results, not do it for them. "Be the advisor/counsellor not the doer".

1. Establishment of Special Loan Analysis for Central
and Collection Procedures for LCCUL

The League management with assistance from the management advisor developed a detailed credit policy which includes not only basic policy statements but also guidelines, detailed procedures and the duties and responsibilities of the credit committee. Included in the details of the credit policy process statement are prescribed detailed procedures for special loan analysis, loan control, and collection procedures for the LCCUL.

Based on this evaluator's long experience in the administration of agricultural credit, the loan collection procedure as outlined is spread over too long a time period to be effective. Moreover, these are not being followed by LCCUL management. LCCUL's loan collection as well as dues and capitalization collection from its member CUs can best be described as passive.

A new process statement has been developed for the Central Finance Policy which among other revisions proposed the changing of the required savings capitalization shares from 10 to 5% of the average balance of member shares in the CU. Also proposed were loan capitalization shares equal to 5% of loans granted to the CU by Central Finance.

The new draft Central Finance policy document was proposed and discussed at the League's most recent annual general meeting but was not adopted.

RECOMMENDATION:

The draft Central Finance Policy should be reviewed by management and the League Board for possible revision and amendments before referring again to the annual meeting.

RECOMMENDATION:

The time schedule in the loan collection procedure in the LCCUL credit policy should be shortened. There should be shorter intervals between collection notices and/or other follow up steps.

On an overall basis, acceptable amendments both of these processes should be adopted as soon as possible.

7. Development of a Comprehensive Plan to Generate Substantial Increases in Resources.

With extensive assistance from the management advisor, a comprehensive plan was developed to contact Basotho miners living and working in SA to make it possible for them to make deposits in their local credit unions through the LCCUL from the 40% portion of the wages they receive while on their contract work assignment in SA.

The plan was approved and contacts were made with mining company officials to obtain permission for LCCUL & CU officials to be able to make direct contact with groups of miners in their dormitories. Arrangements for collection and transfer of savings back to Lesotho through the Burial Societies were also being sought. The potential unrest and international turmoil and other subsequent financial developments involving the miners spendable income has, for all practical purposes, terminated the negotiations and the possibility of working out any viable arrangement for getting a part of the miners wages into their local credit unions except by means of their own efforts on home visits through funds etc.

Recommendation:

Under the favourable climate of the new Lesotho government in its relationship with its only neighbour, South Africa, perhaps it may be possible to re-establish some kind of arrangement through which promotional information could be sent to the Basotho miners to encourage voluntary savings in their local credit union through their families.

The LCCUL itself will need to develop plans and procedures to compete effectively with other investment sources for the excess savings of the member credit unions.

8.LCCUL Financial Self-sufficiency will have Reached
Approximately 36 Percent.

Calculations of LCCUL's self-sufficiency in the quarterly reports indicated that the goal had been achieved throughout the first seven quarters of the two year project extension period. By quarter the achievement was reported as follows: 1st quarter 45%; 2nd 41%; 3rd-45%; 4th-50%; 5th-40%; 6th-40% and 7th-36.2%.

9. Membership Will Increase to 28665; Savings to M 1,780,000; Loans to M 1,300,000.

Membership increased from 26000 to a peak of 29275 in the fourth quarter and has since declined to 26669. The deletion from the records of a defunct credit union and the failure to submit reports by other inactive CUs may in part account for some of the fluctuation in membership numbers reported.

Share savings increased from M 1,305,034 to M 1,743,669.
Loans outstanding from M 980,674 to M 1,309,666.

Comment.

If the uncollectable loans still being reported as outstanding were charged off and deleted from the reported amounts of loans outstanding, it is likely that the loan growth goal would not have been achieved. There is a cultural reluctance to charge off uncollectable loans because the credit union board members, credit committee members and the general membership believe that charging off a loan implies forgiveness of the debt obligation. They do not wish to propagate the concept of debt forgiveness or the concept that loans are grants.

10. Three hundred and sixty (360) Credit Union Committee Members Officers and Employees will have Acquired Knowledge to Manage Credit Unions Effectively.

The summary of training courses offered for the above listed composite group shows that 642 persons from 157 CUs participated in 17 separate courses and seminars. These courses lasted 3 to 5 days for a total of 3521 person days of training. This of course means that some persons attended more than one training session and that some credit unions sent participants to two or more of those training courses. All of these courses were related to training of credit union personnel for the improvement of administration and management of credit union affairs.

The training courses covered topics from basic credit union orientation to Bylaws, bookkeeping, and loan analyses, to management, director responsibilities, policy making, and loan collection. The 17 training sessions presented approximately 20 different topics many of which were repeated up to as many as 5 times throughout the period covered in this evaluation.

Whether there are 360 people adequately trained and fully capable to manage credit unions effectively is difficult to determine without appropriate evaluation processes.

Recommendation:

The League's training program needs to be continued with more assistance from donor agencies with training materials in the form of printed texts and visual aids whenever and wherever practical. For technical training outside of the scope of CU management and cooperation, the League will need and should be given assistance in the form of qualified extension and training personnel.

11. Delinquent Credit Union Loans Reduced to 24 Percent or Less.

Although the established goal of 24 percent loan delinquency for all of the credit unions was not achieved, many of the individual CUs have far surpassed this goal. Strong supervisory efforts along with training programs directed toward improved credit administration and loan collection resulted in more than 30 credit unions adapting loan collection policies and procedures. At least 30 CUs have hired one or more loan collectors.

In the fifth quarter of the project extension period 21 credit union loan collectors participated in a collector training course conducted by the LCCUL. In the 7th quarter 60 loan collectors participated in a repetition of basically the same course.

The actual results of the increased collection effort and training will not be known for some time. The end result will be known as new data on delinquent loans at credit unions if reported in the months ahead.

Recommendation:

Credit unions which have adopted these policies and procedures should be strongly urged to put them into effect at the earliest possible time. LCCUL field officers should be required to monitor the efforts of the collectors and follow up with CU Boards of Directors to determine the results of those efforts and member reaction to the policy and procedures.

12. Less Restrictive Loan Policies in Effect in
Approximately 15 Credit Unions.

Less restrictive policies for crop production loans have been put into effect by the LCCUL and by eleven (11) credit unions to their members during the past two crop seasons. Members were allowed to have loans up to the amounts of their input needs if they had an ongoing viable cropping program and the capacity to repay the loans. Dry weather at planting time however reduced the demand for credit for crop production and the actual amount of loans disbursed did not significantly increase.

The outlook for the repayment of this season's outstanding crop has improved due to the late season rains.

Observation

On an overall basis the demand for legitimate agricultural production loans beyond the amount of the members savings has been very weak. This weak demand is also reflected in the very nominal number and amount of loans to finance crop production the LCCUL has made to the credit unions. Criticism of restrictive credit policies at each level for legitimate loan purposes no longer appears to be valid. Lack of demand for loans is the problem.

Recommendation:

To improve member participation, demonstration projects using improved farming or animal husbandry practices should be set up with qualified, willing and respected members in each credit union community. Such demonstration projects could be even more effective if the member farmer needs credit for inputs and has the capability of using the loan effectively and wisely. The progress of these projects should be monitored to provide technical assistance and counselling if needed or requested by the participants.

13. Establish In-kind Credit Procedures in 15 Credit Unions to Facilitate Provision of Input of Supplies and Marketing.

Arrangements for in-kind credit procedures were established between Co-op Lesotho and 15 credit unions for the input of supplies to members during the past two summer growing seasons. Because of the uncertainty of producing a crop due to continued dry weather at planting time, farmers members were unwilling to obligate themselves for loans for fertilizers and other inputs. Thus, the demand for both loans and crop inputs was quite modest.

The procedure basically involves the use of a voucher system. With such a system, a voucher is issued when a member's request for a loan is approved. The voucher can then be used to make purchases at Co-Op Lesotho. The credit union then pays the Co-Op directly for the purchases that have been delivered.

RECOMMENDATION:

A credit union should not attempt to establish itself as a supplier of all agricultural inputs or the marketing of all agricultural outputs if there are already established co-operatives or other dealers providing such services.

It would be far more practical for the credit union to establish an "in kind" credit agreement with the existing suppliers than to enter into providing such services itself. Even in remote places where there are no dealers or input suppliers, the credit union could "pool" (gather together) orders from its members, and arrange to purchase the inputs from a supplier from some distance away and have them delivered well before the planting season to a central location such as the credit unions office building. By such "pooling" of orders for a large truck load or more of fertilizers, for example, it may be possible to negotiate a more favourable price than for small quantity individual orders. Similar procedures could be employed for other inputs such as animal feed, seeds, insecticides and even tools or equipment.

14. Thirty (30) Paid Clerks Performing Adequately in Accordance With League Accounting Financial Record Keeping Requirements.

At least 30 paid clerks have been performing accounting financial record keeping in accordance with League standards, including the submission of regular monthly reports on a timely basis. Another 15 of the 47 full and part-time clerks are performing nearly up to League standards in all activities except the timely submittal of monthly reports.

The intensive training program, assistance and good supervision from field officers has paid off for the League and the CU's overall performance has greatly improved.

Several of the paid clerks have also attended training courses in credit administration and loan collection and are beginning to effectively gather information from members for the completion of loan applications. In at least one case a clerk has been authorized by the CU's Credit Committee and Board to approve and disburse loans up to the level of the members savings. In another situation the paid clerk is acting as the manager of the CU. At least one League process document prescribes that the paid clerks are to be present at meetings of the CU Credit committee to give additional information to the committee and to answer questions about loan applicants. Additionally, there has been at least one proposal to make the paid clerk serve as a member of the CU credit committee. It is and should be recognized that the CU clerk probably has more contacts, more frequently with more members than any other member of the credit union.

Recommendation:

Only clerks who are fully trained and qualified should be delegated authority to approve and disburse loans without prior approval from the credit committee and then only within established limits set by the committee or Board of Directors.

15. Three hundred Farmers Trained to Effectively Use Production Credit in more Capital Intensive Agriculture for High Value Crops.

Available statistics show that 302 CU committee members have received training courses in the approval administration and control of production credit and 776 members have received agricultural production training along with 33 other farmers who received specialized technical training of various types. However, there has been virtually no credit training nor farmer participation in projects specifically designed for the development and demonstration of a more capital intensive agriculture using high value crops.

Recently 5 CU members in the Pela-Ts'oeu area have expressed an interest and have made commitments to purchase irrigation equipment for four vegetable projects on land adjoining a spring-fed continuously following stream.

To date, the participants have received some technical counselling with respect to the equipment and the potential for the kind of crops adaptable to the area conditions and available market. There is already one nearby farmer growing winter vegetables using irrigation.

A Peace Corp Volunteer from the USA with some training and expertise in horticulture will be working through the League with these CU members. Technically this is the first group of the 300 farmers that were to have been trained for this kind of specialized agriculture. Except for the distance from Maseru, the selection of the area and the CU member participants appears to have been well planned. These projects could involve the use of agricultural production credit loans substantially larger than member savings, the norm of production loans in the area and under conditions, terms and procedures totally different than if they were undertaken by the local CU and the League.

OVERALL LCCUL IMPROVEMENT/STRENGTHENING.

Earlier in this report each of fifteen (15) quantitative and qualitative output objectives were evaluated separately based on regular reports, League files, personal observation and discussion with advisors and staff members of the League.

The League, through the dedicated efforts of its management staff and advisors, has achieved a substantial majority of the specific qualitative and quantitative output objectives set forth in the extended project agreement. Although substantial strides have been made, not ideally all of the objectives were achieved or completed. In fact in two instances the projected efforts had barely begun, but on the other hand in several instances the commitment, effort expended and the results achieved far surpassed the objectives in terms of both numbers and the quality of the achievements. (see training Summary Annexes).

Reports and other documentation readily made available to the consultants adequately supported evaluation of the quantitative output objectives, but the qualitative specifications were far less precise and the standards were more difficult to measure.

While there needs to be more improvement in the control of loan delinquency, in the development of C.U and the League resources and of the development of production credit in more capital intensive agriculture, there has been goal attainment in two-thirds of the output objectives specified in the project design. In addition, substantial strenghtening of the LCCUL has been achieved. While much measurable progress has been made, continued efforts are required to make the LCCUL fully operational in terms of sound business practices and institutional capacity.

Although a tremendous amount of dedication and effort is still required for counselling, for continued training, for supervision and for implemetation of projects and programmes for improvement services to CU members, the League's past performance (with assistance) is proof of the capability and readiness to meet the challenges and developments in future in like manner.

(LAPIS)

Output 6 of the LAPIS Project design emphasizes the Lesotho Credit Union's system as a means to stimulate agricultural development and to improve the well being of the Basotho farmer. This evaluation will bring into focus the farmer credit aspects of the project. The first paragraph of Output 6 is below.

"Twenty five Credit Unions provide an intergrated program of credit input supplies, technical and educational assistance, equipment rental, and will assist with input supply and marketing services.

The Lesotho Cooperative Credit Union League (LCCUL) will be directly involved in the following during project implementation: staff and farmer training, management supervision and auditing of the individual Credit Unions, equipment procurement, coordination of input supplies for an in-kind credit program and coordination of the marketing system. Under the Advisor's guidance, LCCUL staff will upgrade 25 Credit Unions' management systems and train Lesotho staff to manage them. It is planned to utilize two Peace Corps Volunteers to assist in the staff and Credit Union member training planned under this Output.

Recent studies of Agricultural Credit in Lesotho reveal that the Credit Unions and the LCCUL are best positioned to fill this need. The following is an excerpt from one such study relative to Credit Unions.

"The September, 1983, assessment of agricultural credit in Lesotho concluded that the Credit Unions are the most likely source of readily available and reasonable capital to small farmers, and these are important vehicles through which Agricultural Credit can be made available to them."

The LCCUL is the largest cooperative organization in Lesotho. Its main goal is to improve operational and service functions of Credit Unions. LCCUL has made significant strides in terms of its main goal and has in place therefore, the appropriate processes and technical knowledge to successfully complete the LAPIS project.

As for Credit Unions the key role will be to provide credit to farmer/members. The institutional capacity achieved by Credit Unions is a great deal less than that of the League, even though Credit Unions collectively are the most likely source of readily available credit. The degree of institutional capacity will vary among Credit Unions.

The granting of credit is one area that most Credit Unions are weakest among all of the processes by which institutional capacity can be measured. Credit Union lending practices and constraints on lending to farmers are two critical areas requiring concentrated attention by both the Credit Unions and the League.

Some constraints which can be expected in lending to farmers:

Farmers;

- (a) are lacking in knowledge about credit.
- (b) feel they are not responsible for repayment of loans.
- (c) Feel risk will be absorbed by Credit Union.
- (d) Not fully involved in actual work.
- (e) Borrowing may be restricted by Credit Union to amount of shares.
- (f) High average age (54 years) in Basotho households in rural areas reduce the interest to invest.

Recommendation: LCCUL

- (1) Urge LCCUL to continue its program for training farmers to effectively use production credit in more capital intensive agriculture such as high value crops.

The project design provides a fund for credit to small farmers. It is envisioned that the fund will be used to capitalize selected rural Credit Unions which have developed sufficient managerial capabilities in lending and recovering small loans to farmers. In an operating environment the League will lend to the Credit Union to fund approved farmer/member loans. The Credit Union will then disburse the approved loans.

A sound lending practice will be a key element in the overall success of production loans. It is generally recognized that the most important step in establishing a sound lending practice is the strict adherence to processes prior to disbursement of loan proceeds. This shall be true for both the League and for Credit Unions.

Recommendation: LCCUL

- (2) Have LCCUL establish a definitive credit monitoring function in the administration of capitalizing Credit Union loans from the fund.
- (3) Assist Credit Union to establish definitive loan policies and procedures.

Recommendation: Credit Union Lending.

The following points must be considered

1. Credit Union clerk and Credit Union Committee will possess the skill on credit assessment loan supervision and collection. (note: it is important that files include documentation on purpose of loan, borrower data on farmer experience, ability to pay and other pertinent information).
2. Credit Union must be willing to change their credit policy which limits loans to the amount of shares. Loan amounts should be based on the income generating capability of the loan and an assessment of the applicant's management capabilities.
3. Emphasis of credit appraisal by clerk and credit committees must be stressed. Each loan recipient must demonstrate full awareness of repayment responsibilities. Loans should not be given for non-viable projects.
4. Credit Union agrees to maintain close liason with the League in the administration of its loan program.

- APPENDIX A. LCCUL INTERNALLY GENERATED FUNDS.
- B. USAID BUDGET
 - C. LCCUL 1985 AND 1986 PROPOSED BUDGET FOR YEAR ENDED 30TH NOVEMBER, 1986
 - D. CREDIT UNION STATISTICAL DATA
 - E. CREDIT UNION TRAINING ACHIEVED
 - F. STAFF TRAINING - LCCUL
 - G.1 DETAIL ON GTZ PROGRAM
 - H. MISERIOR CREDIT UNION BUILDING PROJECT
 - I. CREDIT UNION PERFORMANCE
 - J. LCCUL STAFF
 - K. STRUCTURE OF THE CREDIT UNION MOVEMENT IN THE KINGDOM OF LESOTHO

LCCUL
INTERNALLY GENERATED FUNDS

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u> <u>ESTIMATED</u>
<u>LEAGUE</u>				
Dues Income	4,783*	6,795*	7,032*	9,000
Service fees	3,484	3,765	4,686	5,000
Commissions	450	1,360	985	600
Misc. Income	<u>1,131</u>	<u>894</u>	<u>160</u>	<u>100</u>
Total	10,979	12,814	12,863	14,700
 <u>CENTRAL FINANCE</u>				
Interest on loans	3,596	2,763	3,314	10,000
Investment on loans	17,832	34,870	48,364	55,600
Rent	<u>7,245</u>	<u>14,799</u>	<u>15,168</u>	<u>17,500</u>
Total	28,673	52,432	66,846	83,100
 Combined Totals	 39,652 *****	 65,246 *****	 79,709 *****	 94,700 *****

	Dues Collected
* %	
1983	65.5
1984	93.0
1985	87.5

USAID CONTRIBUTION TO LCCUL PROJECT BUDGET

AND

LCCUL PROJECT EXPENDITURES AGAINST BUDGET

(\$US)

	Total Budget 3/1/84 to 2/28/86	Total Expenditures 3/1/84 to 2/28/86	Variance
<u>Technical Assistance Budget</u>			
Salaries	\$ 72,672.00	\$ 72,863.00	+\$ 191.00
Fringe Benefits	19,621.00	22,232.00	+ 2,611.00
Allowances	20,667.00	19,957.00	- 710.00
Consultants	6,000.00	2,323.00	- 3,677.00
Travel & Relocation	26,899.00	12,840.00	- 14,059.00
Other Direct Costs	9,245.00	5,468.00	- 3,777.00
Indirect Costs	<u>45,783.00</u>	<u>54,316.00</u>	+ <u>8,533.00</u>
Subtotal TA Budget	\$200,887.00	\$189,999.00	-\$10,888.00
<u>Sub-Grant</u>			
Personnel Costs	\$ 94,231.00	\$ 87,559.00	-\$ 6,672.00
Training	42,752.00	19,521.00	- 23,231.00
Commodities	20,900.00	9,910.00	- 10,990.00
Travel	26,860.00	26,370.00	- 490.00
Other Direct Costs	<u>11,370.00</u>	<u>9,367.00</u>	- <u>2,003.00</u>
Subtotal Sub-Grant	\$196,113.00	\$152,727.00	-\$43,386.00
TOTALS	\$397,000.00 =====	\$342,726.00 =====	-\$54,274.00 =====

SOURCE: CUNA/WOCCU Fiscal report for period 3/1/84 to 12/31/85 and
and LCCUL daily and monthly Journals for Jan-Feb, 1986.

LESOTHO CO OPERATIVE CREDIT UNION LEAGUE LIMITED.PROPOSED BUDGET FOR THE YEAR ENDED 30TH NOVEMBER, 1986.

<u>INCOME</u>	<u>PROPOSED</u> <u>1985</u>	<u>ACTUAL</u> <u>1985</u>	<u>PROPOSED</u> <u>1986</u>
i. CENTRAL FINANCE			
1. Rent	17,748	15,168	17,500
2. a) Int. From Passbooks	1,500	626	600
b) " " Loans	8,000	3,314	10,000
c) " " Fixed Deposit	33,000	47,738	55,000
	<u>60,248</u>	<u>66,846</u>	<u>83,100</u>
 ADMINISTRATION			
1. Dues	8,000	7,032	9,000
2. Services	3,000	4,686	5,000
3. Sale of pendants	100	160	100
	<u>11,100</u>	<u>11,878</u>	<u>14,100</u>
 iii. RISK MANAGEMENT			
1. Commision	1,360	985	600
	<u>1,360</u>	<u>985</u>	<u>600</u>
 iv. DONOR INCOME			
1. ACOSCA-Administration	500		
2. G.T.Z.	10,000	9,926	10,000
3. USAID	120,000	130,000	170,000
Sub-Total	<u>130,500</u>	<u>139,926</u>	<u>180,000</u>
 GRAND TOTAL	<u>203,208</u>	<u>219,635</u>	<u>277,800</u>
	=====	=====	=====

EXPENSESA. FINANCE/INVESTMENTS (COSTS)

	PROPOSED 1985	ACTUAL 1985	PROPOSED 1986
1. Int. On Capitalization	1,600	2,469	3,000
2. " " C.U. Savings	8,400	9,636	13,000
3. " " C.U. Fixed Deposits	8,000	9,707	12,000
SUB TOTAL	18,000	21,812	28,000

B. ADMINISTRATIVE OPERATING COSTSSALARIES

General Manager	11,036	11,036	12,144
Field Service Manager	9,963	11,703	14,184
Finance Manager	10,070	10,070	11,100
Trainer Addition to Staff	-	3,268	10,788
Auditors (2)	9,964	14,135	22,008
Accountant	4,908	4,908	5,640
1. Field Officer	4,908	-	-
2. " "	4,908	4,908	5,640
3. " "	3,615	3,615	4,260
4. " "	3,615	3,615	4,260
5. " "	3,615	3,615	4,260
6. " "	3,366	3,366	3,972
7. " "	3,366	3,366	3,972
Clerk/Typist	3,615	3,615	4,260
Typist	3,116	3,116	3,420
Driver	2,000	1,776	2,640
Janitor	1,122	1,122	1,236
Gardener/Messenger	1,092	1,132	1,248
Security Officer	1,122	1,122	1,236
Employer Contribution	4,270	4,386	5,813
	89,672	93,874	122,081

13. Summary

The 2-year extension of the Credit Union Development Project, which was subject to evaluation in February-March 1986, was designed to continue to improve the capacity of the Lesotho Cooperative Credit Union League (LCCUL) and selected credit unions into effective small farmer credit institutions. The evaluation found that at least two-thirds of the specific quantitative/qualitative objectives were satisfactorily achieved. Specifically, the overall administration and management of the LCCUL and those credit unions selected for enhanced development, had been substantially improved. LCCUL and staff from these 15 credit unions had participated in intensive short-term courses. In-kind credit procedures, less restrictive loan policies and loan appraisals were being applied in 12 of the credit unions. An important measure of project achievement was the training of 776 farmers in the application of improved agricultural practices and effective use of production credit, and 514 board and committee members in all aspects of cooperative credit management. LCCUL self-sufficiency achieved the project target of 36 percent. However, the planned decrease in overall loan delinquency to 24 percent was not achieved as well as the targeted increase in membership. LCCUL and credit union loan collection efforts still required substantial improvement, and loan delinquency remains a major problem of the LCCUL. Therefore, in order to remedy this problem, the evaluation team recommended that LCCUL, under the LAPIS Project, should strengthen its procedures for the collection of loans, interest, dues and capitalization through: (a) monthly billings and statements of accounts; (b) reduced time frame for loan/interest collection; and (c) closely monitor and strengthen CU's loan and interest collection performance. Project inputs were judged to be timely and of good quality and quantity.

14. Evaluation Methodology

USAID identified through the assistance of Volunteers for Overseas Cooperative Assistance (VOCA), two evaluators with agricultural credit and credit union experience, respectively. During the 30 days under contract to USAID, the evaluators inspected operational procedures at five credit unions, interviewed credit union members, boards of directors, committees and staff. Contact was made with the LCCUL General Manager and LCCUL department heads. The principal source of information was LCCUL files, financial reports and project quarterly reports. At the end of the evaluation, the team provided a verbal summary of their findings and recommendations to the LCCUL Senior Staff and Executive Committee.

15. External Factors

A number of external factors influenced the project. First, continued drought and the Government of Lesotho write-off of about Maluti 5 million (approximately \$2,500,000) in agriculture loans adversely affected the farmers ability and willingness to repay loans provided by semi/nongovernment institutions. Lack of adequate technical assistance precluded investment in high value cash crops, fruits and vegetables, thereby forcing the farmer to continue subsistence agricultural practices. Farmers were reluctant to invest in intensive agriculture due to the continuing flow of migrant earnings to them.

16. Inputs

Technical assistance and commodities were provided in orderly fashion. Due to the exchange rate, the project experienced some savings and was extended for 2 1/2 months. Development of operational systems by the World Council of Credit Unions (WOCCU) continued faster than could be implemented in the time available. During the 2 years, while Government support continued for LCCUL activities, there was limited project support. Other donors contributed substantially to the overall credit union development efforts.

17. Outputs

A major institutional achievement during the period was the development and implementation of a comprehensive 5-year development and operational plan. At least two-thirds of the quantitative and qualitative outputs were satisfactorily achieved. Member savings reached M1.74 million; member loans, M1.3 million; productive loans increased to 48 percent of total member loan funds; 776 farmers learned improved agricultural practices and received adequate credit; 212 board and 302 committee members developed increased managerial skills; and 30 paid credit employees performed at the desired level. Measurement of yields indicated from 20 to 30 percent increases in yields by farmers in the program, compared with those outside the program. On the adverse side, loan delinquency continued at 28 percent. LCCUL earnings, while meeting the target, were primarily made from dues and fixed deposits, while earnings from interest on loans fell short of the project target. Many improved credit union and LCCUL operational procedures were developed, including a loan appraisal, monitoring and collection system. However, important operational systems such as the LCCUL personnel policies and employee evaluation system, were not yet implemented. LCCUL efforts to collect loan principle and interest owed was considered inadequate.

18. Purpose

and

19. Goal/Subgoal

The purpose of this 2-year extension was to continue to improve the institutional capacity of LCCUL to provide more effective services to its credit unions. In addition, project strategy called for correcting institutional deficiencies at the credit union to create appropriate vehicles for small farmer credit. Given the achievements made during the period, there is reason to expect that the LCCUL and selected credit unions will continue to improve their respective performance in the provision and recovery of small farmer credit. All important project goals and objectives remained as designed. One major objective, vegetable production, was not implemented due to the lack of available technical expertise. Targeted improvements in loan performance were not achieved, in part, because of the adverse effects of dry weather and Government write-offs of loans owed. While targeted increases in savings and loans were achieved, membership growth was not. Critical to continued progress will be the implementation of a process to closely monitor and control the excellent 5-year development and operational plan developed by the LCCUL with VOCA/WOCCU assistance.

20. Beneficiaries

The direct beneficiaries have been the 776 farmers, 212 credit union board members, 302 committee members, 30 credit union board employees and 16 LCCUL staff members who have received short-term training, technical assistance and in the case of the farmers, credit levels adequate to meet their production requirements. In addition, the members of these credit unions have directly benefited through improved services and available credit for productive agriculture. An important indirect benefit was the resulting increased food production.

21. Unplanned Effects

The evaluation report did not make any statement regarding unplanned effects. As the credit union system is the largest and most advanced cooperative movement in Lesotho, the evaluation team could have looked at the effects this project must have had on the formation of cooperative policy and strategies at the governmental level. Many of the lessons learned by the LCCUL are now employed by other apex cooperative organizations.

22. Lessons Learned

Institutional development is a slow process and if success is to be achieved a long-term commitment on the part of the participants in this process is required. Focusing limited resources on fewer credit unions, rather than continuing inadequate assistance to all credit unions, resulted in more rapid development for the recipients. On the other hand, the financial support provided by this project seemed to District LCCUL from exerting concerted efforts to increase the earning potential and subsequently the viability of credit unions.

23. Special Comments

As the largest and most developed cooperative system in Lesotho, the LCCUL and the Government have a special obligation to implement the policies and procedures required to reach total financial self-sufficiency. To achieve this goal, the Government and the LCCUL should now apply their resources in a joint effort to implement the LCCUL's development plan. USAID assistance is continuing to LCCUL through the LAPIS Project. The purpose of the new follow-on sub-project is to enable LCCUL to provide production loans to selected credit union farmers. Before execution of the new project, LCCUL (a) adopted a policy providing that the credit unions interest rate structure will be increased on a phased basis throughout the life of the project with the goal to cover costs and to reflect the open market interest rate prevailing in Lesotho; and, (b) implemented an aggressive loan collection plan for member credit unions for existing loans. In addition, LCCUL covenants state that (a) distribution of grant funds to member credit unions will be prioritized to permit those member credit unions with the best collection rates to receive larger shares of loan funds for lending purposes; and, (b) at the end of the project, interest rates will be maintained at levels which will reflect real costs, as determined by inflation and servicing costs.

C. FIELD COSTS

1. Per Diem	5,000	5,665	8,000
2. Petrol	7,000	8,040	10,000
3. Public Transport	1,800	4,710	5,000
4. Motor Mileage	1,200	280	1,500
5. Board Expenses	3,500	3,284	5,000
	<u>89,672</u>	<u>93,874</u>	<u>122,081</u>
	=====	=====	=====

D. EDUCATION/TRAINING

1. Courses for Staff	4,000	1,719	5,000
2. " " Committees	8,000	2,389	10,000
3. Education/Promotion	3,000	8,714	3,000
4. Publication	2,000	344	2,000
	<u>17,000</u>	<u>13,166</u>	<u>20,000</u>
	=====	=====	=====

E. VEHICLES

1. Insurance/Licenses	2,500	2,576	2,600
2. Maint./Repairs	4,000	3,931	4,000
3. Depreciation	7,000	5,894	7,000
	<u>13,500</u>	<u>12,401</u>	<u>13,600</u>
	=====	=====	=====

F. OFFICE EXPENSES

1. Office Supplies	1,000	668	1,000
2. Stationary	3,500	3,365	3,500
3. Telecommunication	1,200	2,041	2,500
4. Postage	800	238	800
5. Maint./Repairs (Equipment)	1,000	1,194	1,500
6. Depreciation (Equip.)	2,500	2,691	3,000
7. Risk Management	600	-	600
	<u>10,600</u>	<u>10,197</u>	<u>12,900</u>
	=====	=====	=====

G. CREDIT UNION HOUSE

1. Utilities	3,500	1,881	3,500
2. Maint./Repairs	1,000	162	1,000
3. Insurance	500	358	400
4. Depreciation	1,500	1,165	1,500
5. Government Rates	1,650	1,030	900
	<u>8,150</u>	<u>4,596</u>	<u>7,300</u>
	=====	=====	=====

H. OUTSIDE SERVICES

1. ACOSCA Dues	3,000	1,479	2,100
Legal Fees	1,500	-	2,000
Security Bonding	1,000	-	1,000
Bank Charges	600	432	600
Temporary Services	1,000	2,584	1,000
	<u>7,100</u>	<u>4,495</u>	<u>6,700</u>

TOTAL EXPENSES	182,522	181,090	240,081
	=====	=====	=====

EXCESS OF INCOME OVER EXPENDITURE	20,686	38,545	37,719
-----------------------------------	--------	--------	--------

CREDIT UNIONS TRAINING ACHIEVED.

1984

<u>QTR</u>	<u>NO TRAINEES</u>	<u>POSITION</u>	<u>CONTENT</u>	<u>NO. CU</u>	<u>DURATION</u>
1	26	Board	Loan policies/Procedure	11	3,5 day courses
	20	Agric.	Loan Appr./Collectors		
	19	Credit	Loan		
2	41	Board	Same as Above		4,5 day courses
	16	Credit			
	32	Agric.			
	1	Treasurer			
	1	Clerk			
3	12	Various/ Committees	Management	3	5 days
	41	Treasurers/ Clark	Bookkeeping	22	5 days
	20	Agric.	Cropping Demonstration and Agric Activities		
	18	Credit/ Board	Management		

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1985 QTR	NO TRAINEES	POSITION	CONTENT	NO. CU	DURATION
	2	Board	Credit Management	1	5 days
	1	Clerk	(All Topics Related)		
	1	Treasurer			
	3	Credit			
	12	Board	Credit Management	4	5 days
	11	Credit			
	11	Agric.			
	1	Board	Bookkeepers and		5 days
	1	Credit	Credit Management		
	7	Supervisory	Loan Appraisals		
	1	Agric.			
	3	Treasurer			
	6	Clerk			
	5	Member			
	15	Board	Analysis of CU. performances		5 days
	9	Clerks/ Treasurer	Set Goal/Action Plans Monitoring/Controlling		
5th	21	Loan Collectors	Loan Collectors Policy/ Monitors/Reporting	13	3 days
	31	Clerks/ Treasurer Committee Members	Bookkeeping	8	13 days
	35	Clerks/ Treasurer Board/Committee	Management Director/Policy By-laws	4	8 days
	13	Boards	Management Duties/Policies By-laws	4	5 days

-2-

<u>1985</u> <u>QTR</u>	<u>NO</u> <u>TRAINEES</u>	<u>POSITION</u>	<u>CONTENT</u>	<u>NO. CU</u>	<u>DURATION</u>
7	60	Collectors	Loan Collections/ Policy	35	4, 5 day
	20	Treasurers	Loan control/Monitoring		Courses
	22	Clerks	Reporting/Appriasal		
	29	Board	Credit Union Management ????	11	5 days
	25	Various Committees	Credit Union Management	3	5 days
1986					
8	19	Credit	Credit committee Duties/Loan Appraisal Policy/Procedures Credit Management	10	5 days
	31	Board	System of Credit Union Management	13	5 days

Note: GTZ participants were trained for a total of 3521 person days

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7. Staff Training - LCCUL

1984	NO			
<u>QTR</u>	<u>TRAINEES</u>	<u>POSITION</u>	<u>CONTENT</u>	<u>DURATION</u>
1	5	LCCUL Credit Committee	Credit Loan Policies Procedure/Analysis	5 days
2	8	Field Staff	Credit Union Loan Policy	5 days
	2	Auditors	Procedure, Loan	
	1	Field Managers	Monitoring/Reporting Collections	
2	12	LCCUL Board	Duties/Meeting procedure	5 days
	12	LCCUL Alternator Board Members	Public Relations Analysis of LCCUL reports	
	1	Manager LCCUL	Self sufficiency Planning/Policies	
3	7	Field Staff	Analysis of Credit Union performance	15 days
	1	Training managers	Set goals/Action step Monitoring/Evaluation Participative training methods	
	1	Field Officer	Training of Credit Union Loan Training Manual	4 weeks
	1	Risk Management Officer	Training in Credit Union risk management	3 weeks

7. Staff Training - LCCUL

1985 QTR	NO TRAINEES	POSITION	CONTENT	DURATION
1	1	Bookkeeper	O.J.T. Computer	16 hrs
	1	Finance Manager	Training	
	1	Clerk	Accounting	14 days
	5	Credit Committee	Loan Policies Procedure/Credit Assessment	4 days
5	20	Board members Alternator	Credit Union Analysis Goal setting	5 days
	1	Manager	Action Planning	
	1	Education Officer	Implementation	
	1	Manager	Use of overload	1 day
	1	Finance Manager	Projection	
	1	Field Manager	Instruction	
	1	General Manager	Planning	5 days
	1	Board Member		
	1	Risk Management	Risk Management Officer	3 days
6	1	Manager	Management Course	28 days
	5	Supervisory Committee	Duties/Technical Work of Committee	5 days
	5	Credit Committee	Duties/Loan Policy Procedure and Audit Assessment	5 days
	1	6 Field Staff	Risk Management	1 day

7. Staff Training - LCCUL

<u>1986</u>	<u>NO</u>	<u>POSITION</u>	<u>CONTENT</u>	<u>DURATION</u>
<u>QTR</u>	<u>TRAINEES</u>			
7	1	Bookkeeper	Computer Accounting	6 hrs
	1	Finance Manager		
	6	Field Staff	Bookkeeper	1 day
	2	Field Staff	Management System for Cooperatives Needs assessment Goals, Action plans etc.	14 days
	1	Secretary	Office Management etc.	3 days
	1	Auditor	4 weeks in accounting and manual writing	28 days
8	6	Field Officer	Problem solving Internal control Audit procedure LAPIS	5 days

NOTE: 127 staff members participated
19 training sessions for 942
Person-days of training.

DONOR INCOME(For Period 1 March 1984 Through 28 February 1986)

	<u>Mar-Dec 1984</u>	<u>1985</u>	<u>Jan-Feb 1986</u>	<u>Total</u>
A. USAID	82,604	147,349	38,104	268,057
B. WOCCU	16,250*	15,440*	1,950*	33,640*
	(Consulting)	(Consulting)	(Consulting)	
C. ACOSCA	12,520*	8,580*	4,900*	26,000*
	(Training)	(Training)		
D. Catholic Relief Services	6,825	15,950	Continuing Support	22,775
			2,000*	2,000*
E. Institute of Extra Mural Studies	14,000	9,000		23,000
	(Salaries)	(Salaries)		
F. Peace Corps	12,800*	6,400*	1,166*	20,366*
	(CU Assistance)	(CU Assistance)	(CU Assistance)	
G. MISERIOR	21,824	CU Office Buildings		21,824
H. GTZ	3,570	5,761	1,956	203,716*1/ 11,287
I. Lesotho Distance Teaching Centre	5,850*	3,350*	120*	9,320*
J. GOL	26,400*	13,350*	1,400*	41,150
K. Unitarian Services of Canada	9,310	-	-	9,310
	(CU Training)			
	12,390	-	-	12,390
	(Computer)			
L. Canadian Embassy	5,472	-	-	5,472*
	(Training)			
M. VOCA		22,260*	800*	23,160*
		(Consultant)	(Recruiting Assistance)	
TOTALS	<u>229,815</u>	<u>247,440</u>	<u>52,596</u>	<u>733,667</u>

* Non Cash

1/ Appendix D1

Project Promotion of Small Farmers Productions Credit Programme

Project Donor: German Agency for Technical Cooperation (GTZ)

Project Goals: The project supports GOL's objective to increase food production and to promote commercial activities in rural areas leading to additional sources of income and employment opportunities.

Project Purpose: To strengthen the organisational structure and capacity of selected credit unions and their apex institution - the LCCUL. It shall enable them to convert own resources and funds from outside the credit union movement into production oriented credit.

GTZ Contribution: Agricultural Credit Advisor
Short-term consultant
Agricultural equipment
Vehicles
Training
Office equipment.

Contribution
March 1984 -
February 1986:

6 hammermills	M 36,400.00
ARIANA multipurpose implements	M 25,000.00
1 vehicle (4 wheel drive)	M 14,000.00
Sprayers, ox-carts, harrows, shellers, planters	M 32,500.00
Machinery and implements	
Irrigation equipment	M 8,172.00
Knitting machines	M 3,515.00
Certified seed, fertilisers, chemicals	M 3,884.00
Seed drills	M 28,845.00
Others	
Training training aids brochures, etc.	M 16,800.00
Maintenance of vehicles, petrol and insurance	M 18,900.00
Office equipment for cus & LCCUL incl. furniture	M 15,700.00
	<hr/>
	M203,716.00

Source: Chris Von Tresckow, Agricultural Credit Advisor,
Maseru, Lesotho
18 March 1986.

MISERIOR CREDIT UNION BUILDING PROJECT

Buildings Completed 1983

1. Manka C.U.
2. Ramothamo C.U.
3. Mapoteng C.U.
4. Mazenod C.U.
5. Masapong C.U.

Buildings Completed 1984

6. Tsoaing C.U.
7. Matsekuoa C.U.
8. Nqechane C.U.
9. Masiasiane C.U.
10. Mabeoana C.U.
11. Lioli C.U.

Building Completed 1985

12. Boinyatso C.U.
13. Phallang C.U.
14. Elelloang C.U.
15. Khohontso C.U.
16. Rafolantsane C.U.
17. Khanyatsi
18. Fika-le-mafi

* An additional 15 buildings are planned for 1986/87 locations to be determined.

Source: LCCUL Files, LCCUL General Manager.

APPENDIX I

Factors

1-7, 16, 17 are

percentage

S = Ratio

9 = Amount short

10 = Yes or no

11, 12, 14 Good = G

Fair = F

Poor = P

13 = Report signed
by committee

GROWTH IN SHARES	GROWTH IN LOANS	GROWTH IN MEMBERS	LOANS IN ARREARS/6 MONTHS	LOAN TURNOVER	INTEREST EARNED ON LOANS REPAID	INTEREST EARNED ON TOTAL LOANS OUTSTANDING	EXPENSE TO INCOME RATIO	CASH OVER/CASH SHORT	CASH COUNT	REPORT RATINGS - FINANCE	STATUS REPORT RATING	COMMITTEE SIGNATURE	CLERK PERFORMANCE	MONTH OF LAST REPORT	PRODUCTIVE LOANS %
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Credit Union

Ramothou*	6	23	23	45	54	11	6	1.17	0	Y	G	G	Y1	9	JAN	51
Lerato	5	3.2	0	NA	26	13	3.3	1.57	0	N	F	P	N	P	04	NA
Mapoteng	6	4	4	70	58	5.4	3.3	1.80	(15)	Y	G	G	N	G	JAN	50
Liphookoeneng	(9)	7	(26)	35	100	7.6	7.6	.78	(1129)	Y	G	G	N	G	JAN	-
Lioli	10	3	0	46	55	24	13.3	.81	(17)	Y	G	G	N	G	JAN	48
Leseli	19	115	21	18	65	6.5	4.2	1.90	(109)	N	G	P	N	F	DEC	NA
Mosti*	31	127	7	19	115	6.7	7.7	.39	0	N	G	G	Y2	G	JAN	52
Khomokhoana	10	49	4	31	66	4.1	2.7	.99	(429)	Y	F	F	N	F	DEC	NA
Manka	7	13	4	3	58	14.3	8.3	.64	0	Y	G	F	N	G	JAN	NA
Mgeckane*	63	31	20	92	168	3	5	.85	(74)	N	P	P	Y2	P	DEC	57
Pela Tsoeu*	12	6	7	17	75	8.5	6.3	1.15	(97)	N	G	G	Y2	G	JAN	88
Makesi*	5	0	11	25	22	16.7	3.6	.61	(612)	N	G	G	Y1	G	JAN	94
Tsoeing*	0	4	0	50	50	12	6	1.6	(1965)	Y	G	G	Y1	G	JAN	52
Mabeoane*	5	(5)	0	60	84	8.3	7	.89	(386)	Y	G	G	Y	G	JAN	
Maslasiane*	17	17	11	34	80	13.6	12	1.00	(192)		G	G	N	G	JAN	
Boinyatso*	14	(30)	(2)	19	71	6.7	4.8	1.12	0	N	G	G	N	G	DEC	69
Mazenod	19	16	4	16	99	6.64	6.55	.65	(35)	Y	G	G	N	G	JAN	NA
Fhalleng	28	23	6	NA	76	7.13	5.45	1.35	(1994)	N	G	NA	N	F	DEC	NA
MaKATLA*	(2)	25	19	52	18	22	4	1.60	-	N	G	G	Y2	F	JAN	59
Elelloang*	6	0	0	65	10	19	1.78	2.49	(200)	N	P	P	N	P	JAN	
Makaling*	16	7	2	48	32	12	4	1.80	(303)	N	G	G	N	G	DEC	73
Thaba Tseka	2	(1)	(2)	76	66	6.89	4.5	.96	(105)	Y	F	F	N	F	OCT	1
Khonto Ntso				PART OF THABA TSEKA PROJECT												
Mantsanyane	7	25	(10)	NA	57	7.76	4.41	.63	0	N	G	NA	N	P		NA

APPENDIX I

	GROWTH IN SHARES	GROWTH IN LOANS	GROWTH IN MEMBERS	LOANS IN ARREARS/6 MONTHS	LOAN TURNOVER	INTEREST EARNED ON LOANS REPAID	INTEREST EARNED ON TOTAL LOANS OUTSTANDING	EXPENSE TO INCOME RATIO	CASH OVER/CASH SHORT	CASH COUNT	REPORT RATINGS - FINANCE	STATUS REPORT RATING	COMMITTEE SIGNATURE	CLERK PERFORMANCE	MONTH OF LAST REPORT	FINANCIAL YEAR	FINANCIAL YEAR
<u>Credit Union</u>																	
Keuneng	(2)	28	0	15	1.75	6.8	11.9	1.31	(1507)	-	-	P	N	P	DEC	NA	NA
Teyateyaneng																	
Boitumela	85	91	0	NA	1.20	3.8	4.5	.75	0	-	G	P	Y2	F	NOV	NA	NA
Napoting	6	4	4	71	59	5.4	3.1	1.80	0	-	G	G	N	G	JAN	52	34
Majara	30	73	26	NA	55	7.1	3.9	.63	0	-	G	P	N	F	JAN	NA	NA
Mathula	4	3	0	NA	18	4.7	.85	.39	0	-	G	P	N	-	DEC	NA	NA
Mitsekua	23	(9)	0	32	76	8.9	6.8	.87	(884)	-	G	G	N	G	JAN	100	54
Matsoku	2	1	5	NA	14	19	2.7	1.11	(4577)	-	G	P	Y2	F	DEC	NA	NA
Mahabelane	63	76	0	65	66	19	12.7	.63	(1185)	-	G	G	Y2	G	JAN	63	42
Malibamatso	11	6	0	25	40	8.4	3.4	1.40	0	-	F	F	Y3	F	JAN	NA	NA
CO-OP Lesotho	567	0	26	0	0	0	0	.04	0	-	G	NA	N	G	DEC	NA	NA
Naputsoe	(2)	(6)	0	NA	60	13	8	1.39	(1969)	-	F	NA	N	P	JAN	NA	NA
Rafolatsane	46	19	78	NA	78	3.5	3.08	2.32	(1309)	-	G	NA	N	P	DEC	NA	NA
Khomoa Mollo	6	2	8	18	170	3.4	5.8	2.17	0	-	G	G	Y1	G	JAN	25	0
Sehlabathebe	31	237	15	0	150	8.31	12.2	.37	0	-	G	G	Y2	G	JAN	54	0
Mokhotlong	27	44	89	NA	55	5.36	8.3	1.05	(180)	-	G	P	N	P	JAN	NA	NA
Tphesila Matsaile	91	0	16	NA	310	2.7	8.3	NA	0	-	P	NA	Y3	P	11/85	NA	NA
Masapong	16	21	18	50	112	3.2	4.4	1.16	(690)	-	G	G	N	G	DEC	51	25
Lesobeng	47	16	17	12	114	8.2	9.4	1.13	(128)	-	G	F	N	F	JAN	NA	NA
Repholohili	15	34	(10)	63	31	7.6	2.3	.93	(657)	-	G	F	Y2	F	JAN	25	18
Tsataisang	18	0	0	8	69	8.2	5.7	1.63	(1)	-	G	F	N	F	DEC	NA	NA
Ratlouka	15	37	1	0	388	2	8	1.76	(50)	-	G	F	N	F	DEC	NA	NA
Mseru	22	22	13	10	75	8	6	.74	0	-	G	G	Y2	G	JAN	NA	NA
Khanyetsi	8	(7)	0	70	60	12.7	7.5	1.64	104	-	G	G	N	G	JAN	36	14

Failed
Credit Unions

Credit Union	GROWTH IN SHARES	GROWTH IN LOANS	GROWTH IN MEMBERS	LOANS IN ARREARS/6 MONTHS	LOAN TURNOVER	INTEREST EARNED ON LOANS REPAID	INTEREST EARNED ON TOTAL LOANS OUTSTANDING	EXPENSE TO INCOME RATIO	CASH OVER/CASH SHORT	CASH COUNT	REPORT RATINGS - FINANCE	STATUS REPORT RATING	COMMITTEE SIGNATURE	CLERK PERFORMANCE	MONTH OF LAST REPORT	PRODUCTIVE LOANS %	
Fika la-Mafi Moselamane	(5)	(21)	(21)	70	28	26	7.1	.71	(1507)	-	-	P	N	P	DEC	NA	NA
Tiisetso	HAS NOT REPORTED FOR ONE YEAR																
Royal Weavers	NOT REPORTING AT ALL																
Makhoakhoa	NO LONGER EXISTS																
Semonkong	HAS NOT REPORTED FOR OVER A YEAR																
Pitseng	6	5	0	NA	2.0	8.8	1.7	1.06	(76)	-	P	P	N	P	JAN	NA	NA
Mashia	(48) 0 0 0 NOT WORKING AT ALL																
M.H. Worker	SO POOR CANNOT GET DATA																
Linakeng	SO POOR CANNOT GET DATA																
Qoaling	17	18	0	38	16	9.9	2.3	1.22	(1067)	-	P	F	Y2	P	4/85	70	3
Roma Valley	1	(12)	0	0	32	4.1	1.3	1.23	0	-	G	G	Y3	G	10/85	0	0
Mokanetsong	(1)	(20)	(3)	38	13	28	3.3	1.88	(382)	-	G	F	Y3	F	DEC	NA	NA
Thabana Morena	0	(10)	0	94	15	7.04	1	2.08	(666)	-	G	F	N	F	JAN	NA	NA
Phoqane	(4)	1	0	100	3	13	.3	.60		-	P	P	N	P	OCT	NA	NA
L.P.F.	0	1	0	60	3	9	.2	.62	(7286)	-	P	P	N	P	DEC	NA	NA
Makakabei	5	31	0	NA	54	8.1	4.4	84	(251)	-	P	P	N	P	DEC	NA	NA
Jhcapane	0	0	0	0	50	POOR CANNOT GET DATA										12/83	

Lesotho Co-operative Credit Union League Staff

Mr. A.P. Bohloa	General Manager
Mr. H.A. Makakole	Field Operations Manager
Mr. Dale Magers	Management Advisor
Mr. Chris Von Tresckow	Agric. Credit Advisor
Mr. C. Mokhesi	Auditor
Mr. A.L. Mphatsi	Financial Manager
Mr. A.L. Pepenene	Training Officer
Mr. E.M. Qhali	Field Officer
Mr. A.M. Nqosa	" "
Mr. L.B. Letsie	" "
Mr. P.T. Moea	" "
Mr. T.E. Matane	Regional Field Officer
Miss. L.S. Thabane	Field Officer
Miss Krista Lewis	Peace Corps Vol Field Officer
Mrs. A.M. Monne	Central Finance Bookkeeper
Mrs. A.M. Maliehe	Messenger/Gardner
Mrs. C.M. Lesia	Cleaner/Janitor
Mr. K. Bokaako	Night Watchman
Mrs. A.M. Pepenene	Auditor
Mrs. A.M. Mpholo	Secretary/Receptionist

MARCH 17, 1986