

PJ-BAB-543

UNCLASSIFIED

LESOTHO

CREDIT UNION LEAGUE DEVELOPMENT  
(CUNA)

(632-0214)

UNCLASSIFIED

|   |   |  |                                     |
|---|---|--|-------------------------------------|
| AGENCY FOR INTERNATIONAL DEVELOPMENT<br><br><b>PROJECT PAPER FACESHEET</b>  |   | 1. TRANSACTION CODE<br><br><div style="border: 1px solid black; display: inline-block; padding: 2px;">A</div> A ADD<br>C CHANGE<br>D DELETE  | PP<br><br>2. DOCUMENT CODE<br><br>3 |
| 3. COUNTRY ENTITY<br>Lesotho/Cuna (OPG)   |   | 4. DOCUMENT REVISION NUMBER <span style="border: 1px solid black; display: inline-block; width: 20px; height: 15px;"></span>   |                                     |
| 5. PROJECT NUMBER (7 digits)<br><span style="border: 1px solid black; padding: 2px;">632-0214</span>  | 6. BUREAU/OFFICE<br>A. SYMBOL <span style="border: 1px solid black; padding: 2px;">AFR</span><br>B. CODE <span style="border: 1px solid black; padding: 2px;">06</span> | 7. PROJECT TITLE (Maximum 40 characters)<br><span style="border: 1px solid black; padding: 2px; display: inline-block;">Lesotho Credit Union League Development</span>   |                                     |
| 8. ESTIMATED FY OF PROJECT COMPLETION<br><br>FY <span style="border: 1px solid black; padding: 2px;">8</span> <span style="border: 1px solid black; padding: 2px;">2</span> |   | 9. ESTIMATED DATE OF OBLIGATION<br>A. INITIAL FY <span style="border: 1px solid black; padding: 2px;">8</span> <span style="border: 1px solid black; padding: 2px;">10</span> B. QUARTER <span style="border: 1px solid black; padding: 2px;">3</span><br>C. FINAL FY <span style="border: 1px solid black; padding: 2px;"> </span> <span style="border: 1px solid black; padding: 2px;"> </span> (Enter 1, 2, 3 or 4) |                                     |

| 10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) - |          |       |          |                 |       |          |
|--|----------|-------|----------|-----------------|-------|----------|
| A. FUNDING SOURCE                              | FIRST FY |       |          | LIFE OF PROJECT |       |          |
|  | B. FX    | C. LC | D. TOTAL | E. FX           | F. LC | G. TOTAL |
| AID APPROPRIATED TOTAL                         | 630      |       |          | 630             |       | 630      |
| GRANT  | 630      |       |          | 630             |       | 630      |
| LOAN   |          |       |          |                 |       |          |
| OTHER  |          |       |          |                 |       |          |
| U.S.   |          |       |          |                 |       |          |
| HOST COUNTRY                                   | 300      |       |          | 300             |       | 300      |
| OTHER DONOR(S)                                 |          |       |          |                 |       |          |
| TOTALS   | 930      |       |          | 930             |       | 930      |

| 11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000) |                         |                    |         |                     |         |           |         |           |         |
|--|-------------------------|--------------------|---------|---------------------|---------|-----------|---------|-----------|---------|
| A. APPROPRIATION                               | B. PRIMARY PURPOSE CODE | PRIMARY TECH. CODE |         | E. 1ST FY <u>80</u> |         | H. 2ND FY |         | K. 3RD FY |         |
|  |                         | C. GRANT           | D. LOAN | F. GRANT            | G. LOAN | I. GRANT  | J. LOAN | L. GRANT  | M. LOAN |
| (1) ARDN                                       |                         |                    |         | 630                 |         |           |         |           |         |
| (2)  |                         |                    |         |                     |         |           |         |           |         |
| (3)  |                         |                    |         |                     |         |           |         |           |         |
| (4)  |                         |                    |         |                     |         |           |         |           |         |
| TOTALS   |                         |                    |         | 630                 |         |           |         |           |         |

| A. APPROPRIATION | N. 4TH FY |         | O. 5TH FY |         | LIFE OF PROJECT |         | 12. IN-DEPTH EVALUATION SCHEDULED   |
|------------------|-----------|---------|-----------|---------|-----------------|---------|---|
|                  | C. GRANT  | D. LOAN | P. GRANT  | Q. LOAN | T. GRANT        | U. LOAN |   |
| (1)              |           |         |           |         | 630             |         | <div style="border: 1px solid black; padding: 5px; display: inline-block;">           MM YY<br/>           01 82         </div> |
| (2)              |           |         |           |         |                 |         |   |
| (3)              |           |         |           |         |                 |         |   |
| (4)              |           |         |           |         |                 |         |   |
| TOTALS           |           |         |           |         | 630             |         |   |

13. DATA CHANGE INDICATOR: WERE CHANGES MADE IN THE PID FACESHEET DATA BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET

1 - NO  
 2 - YES

|   |  |
|---|--|
| 14. ORIGINATING OFFICE CLEARANCE<br>SIGNATURE:<br><br><div style="text-align: center;"> </div> TITLE: <b>Martin V. Dagata</b><br>Director, AFR/SA | 15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION<br><br>DATE SIGNED:<br><div style="border: 1px solid black; padding: 2px; display: inline-block;">           MM DD YY<br/>           01 08 82         </div> |
|---|--|

JUN 27 1980

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR  
FOR AFRICA

FROM: AFR/DR, <sup>*JW Koehring*</sup> John W. Koehring

SUBJECT: Project Authorization - Lesotho Credit Union League  
Development (632-0214)

Problem: Your approval is required for a \$630,000 Operational Program Grant (OPG), using Agriculture, Rural Development and Nutrition Funds, to assist the Credit Union National Association (CUNA), a registered private voluntary organization (PVO), in strengthening the credit union movement in Lesotho.

Discussion: Lesotho's first credit unions were established in 1961 by promoters from the St. Piux X College Extension Department (now National University of Lesotho). By 1968, rapid expansion of credit unions led to the formation of the Lesotho Cooperative Credit Union League (LCCUL), which was formed to provide support services to affiliates as well as to promote and expand the credit union movement throughout the country.

Since the LCCUL's formation 12 years ago, credit unions have increased from 30 to 52; membership has increased from 10,800 to 22,000; savings have grown from M190,000 to M850,000 and loans outstanding have increased from M168,000 to M612,000 (1M = \$1.25). In addition, LCCUL played a significant role in both initiating and supporting the Lesotho Credit Union Scheme for Agriculture (LECUSA), which brought tractor mechanization to seventeen communities, and pioneering in the introduction of Small Farmer Production Credit (SFPC) through credit unions.

However, LCCUL has also faced problems and setbacks. While savings and loans have grown, economic conditions have, to some extent, retarded that growth. Even though credit unions presently serve 52 communities, there are many areas where cooperative financial services are needed. In addition, the rapid expansion of the LECUSA program has overburdened the available personnel both at the credit union and LCCUL levels, thereby mitigating the success it may have achieved.

The SFPC program, initiated in 1974 as part of an AID-funded regional project, proved successful in educating farmers, stimulating loan demand and savings, and improving production in three pilot credit unions. CUNA assisted this project by providing a technician to develop and refine the initial design and implementation procedures of the SFPC program; however, the withdrawal of the CUNA technician in August 1976 delayed the planned expansion of the program to other credit unions. Overall, the major problems confronted by LCCUL can be largely attributed to the lack of resources and trained personnel. Given these major constraints, the accomplishments, nevertheless, are significant.

The Government of Lesotho has endorsed the need for this OPG assistance to CUNA to support and strengthen the five-year development plan (1979-1983) of the LCCUL. This project proposes to strengthen the chain of services from the LCCUL, to the credit unions, to the members. The goal of this three-year project is to make savings, credit, and related cooperative services available to an increasing number of families in Lesotho. The increase in the LCCUL staff and the strengthening of capabilities will expand and increase the performance of credit unions, resulting in increased membership, savings, credit and related services. The project proposes to strengthen LCCUL and credit unions capabilities by:

1. Adding required staff, additional field offices and the supplies and equipment needed to adequately support and service member credit unions.
2. Defining the methods and procedures essential for effective and efficient provision of support and services.
3. Training of LCCUL staff to permit ongoing improvement in the quality of technical support and services to affiliated credit unions.
4. Expanding production credit lending and services to attract the new membership and savings necessary to sustain credit union and LCCUL financial self-sufficiency.

The project includes three basic objectives reflecting the LCCUL development plan. These are:

1. LCCUL technical capabilities will permit the provision of essential technical and financial services to affiliated credit unions and their membership.
2. At the end of the project, conditions will have been created enabling LCCUL to achieve financial self-sufficiency within five years.

3. Membership, savings and productive loans of affiliated credit unions will have been significantly increased.

The beneficiaries of the project are the existing 22,000 credit union members, as well as the 10,000 new members that are anticipated over the three-year period of this project. Moreover, it is estimated that 2,100 small farmers will participate in the SFPC program. The project objectives compliment the Government of Lesotho's (GOL) development priorities, which focus on strengthening the agriculture sector through a coordinated effort to improve supplies, marketing techniques, technical assistance and expanded credit services. As an already established institutional system, credit union's offer the GOL an efficient system to reach large numbers of farmers with improved credit services.

The total cost of the CUNA proposal is estimated at \$930,209 (see attachment D). Of this amount, AID will contribute \$630,000 (67.7%), LCCUL \$135,390 (14.6%) and other donors \$164,819 (17.7%). The AID funds will be used as recapped below:

|                              | <u>1980</u>      | <u>1981</u>      | <u>1982</u>      | <u>TOTAL</u>     |
|------------------------------|------------------|------------------|------------------|------------------|
| I. Personnel Costs           |                  |                  |                  |                  |
| LCCUL                        | \$ 60,628        | \$ 76,372        | \$ 81,149        |                  |
| Technical Assistance         | 75,473           | 72,215           | 93,111           |                  |
| Sub Total                    | <u>136,101</u>   | <u>148,587</u>   | <u>174,260</u>   | <u>\$458,948</u> |
| II. Training Costs-          |                  |                  |                  |                  |
| LCCUL                        | 4,920            | 6,884            | 7,891            | 19,695           |
| III. Commodities             | 3,313            | 500              | 500              | 4,313            |
| IV. Support Costs<br>(LCCUL) |                  |                  |                  |                  |
| Office Expenses              | 2,713            | 3,399            | 3,602            |                  |
| Staff Travel                 | 8,740            | 11,957           | 13,667           |                  |
| Contingency                  | 6,655            | 7,660            | 8,764            |                  |
| Technical Assistance         | 24,419           | 26,230           | 29,238           |                  |
| Sub Total                    | <u>42,527</u>    | <u>49,245</u>    | <u>55,271</u>    | <u>\$147,044</u> |
| Total AID Contribution       | <u>\$186,861</u> | <u>\$205,217</u> | <u>\$237,922</u> | <u>\$530,000</u> |

Designed in collaboration with the GOL, this project addresses the basic human needs of Lesotho's rural poor, the majority of which are engaged in subsistence agriculture. The program's objectives are technically, economically and financially feasible. There are presently no significant human rights issues in Lesotho. This project's financial cost estimates appear reasonably firm, thereby satisfying the requirement of Section 611(a) of the FAA of 1961 as amended. Due to the nature of the project, the initial environmental examination (IEE) concludes that no significant impact on the natural or physical environment will result. It is recommended, therefore, that a negative determination be made (see attachment A).

The Project Review Committee meeting was held on May 13, 1980, and there were no unresolved issues. CUNA was asked to strengthen its proposal with supportive financial data. This was submitted on May 20, 1980, and was acceptable.

A Congressional Notification was submitted on April 30, 1980 and the 15 day notification period expired on May 15, 1980.

The responsible AID officer in Lesotho will be Mr. Byron Bahl, Program Officer, USAID/Lesotho. The AID/W backstop officer will be Thomas G. Putscher, AFR/DR/SAP.

Recommendation: That you sign the attached Project Authorization, thereby authorizing the OPG Grant, and that you sign the IEE Face Sheet (Attachment A) indicating approval of the negative environmental determination.

Attachments:

- A. IEE
- B. Project Authorization
- C. PP Facesheet
- D. CUNA Proposal
- E. Congressional Notification



ATTACHMENT A

INITIAL ENVIRONMENTAL EXAMINATION

Project Country: Lesotho

Project Title : Credit Union League Development, 632-0214

Life of Project: Three years

Funding : \$629,842 (Operational Program Grant) OPG

Implementing Agency: WOCCU/CUNA Global Projects Office, Washington, DC

IEE Prepared By: Stephen T. Norton, Environmental Officer *SN*  
USAID/Lesotho

Threshold Decision Recommended: Negative Determination

Concurrence *F. Correl*  
Frank D. Correl, Director  
USAID/Lesotho

Date 3-31-80

Assistant Administrator's Decision:

Approved: *SN* \_\_\_\_\_

Disapproved: \_\_\_\_\_

Date: *7/1/80* \_\_\_\_\_

## I. Description of the Project

The three year project will assist in the institutional development of the Lesotho Cooperative Credit Union League (LCCUL) and its member credit unions; with the long-term expectation that the LCCUL will become financially self-sufficient within five years after the end of this project.

The goal of the LCCUL and this project is to make savings, credit and related cooperative services available to a greater number of families in Lesotho.

Assistance will be provided in the following areas:

- 1) Three years of long-term technical assistance plus short-term consultancies;
- 2) Budgetary support to LCCUL for personnel costs, training costs, office expenses, staff travel and contingency allowance; and
- 3) Commodities, e.g. filing cabinets, desks, chairs, typewriter and other office equipment.

## II. Discussion of Impact

Due to the nature of this project and the activities which will take place with funds provided by A.I.D., a project checklist has not been prepared. It has been determined that no significant impacts on the natural or physical environment will result as a consequence of this project.

## III. Recommendation

On the basis of an initial environmental examination, it is clearly apparent that this project can be justifiably designated as environmentally innocuous. Therefore, it is recommended that a Negative Determination be made on this project.

632-0214

Cable address: PLANNOFF

Telephone: 3811 Maseru

In reply please quote: CPU/6/10

Your Reference: IL/DIE/10



CENTRAL PLANNING AND DEVELOPMENT OFFICE

P.O. BOX MS 630

MASERU

LESOTHO

17th October, 1979.

K. Sherper, Esq.,  
Assistant Director,  
U.S.A.I.D.,  
MASERU

Dear Mr. Sherper,

L.C.C.U.L. PROJECT

We are pleased to submit to you for consideration and approval three (3) copies of the above-mentioned project document. The delay in sending it over is greatly regretted but unfortunately it could not be avoided.

Your co-operation and speedy response will be greatly appreciated.

Yours sincerely,

  
Q.M. Koji (Mrs.)  
Acting P.S. Planning and Statistics

Received  
18 Oct. 79  
SM

UNITED STATES OF AMERICA

MISSION TO LESOTHO

AGENCY FOR INTERNATIONAL DEVELOPMENT

c/o AMERICAN EMBASSY, P.O. BOX 333 MASERU 100, LESOTHO

TEL 7 954

March 28, 1980

Mr. M. Sejanamane  
Permanent Secretary  
Planning and Statistics  
Central Planning and  
Development Office  
Maseru

Dear Mr. Sejanamane:

With reference to your letter dated 17 October 1979, we have submitted a copy of the attached project proposal to A.I.D./ Washington for review and approval.

The proposal which you submitted under cover of your letter was found to be unacceptable to our Mission and we therefore worked with Augustin Bohloa from the Lesotho Cooperative Credit Union League (LCCUL), Henry Makakole from ACOSCA and Gordon Hurd from CUNA Global Projects Office in producing an acceptable project proposal. As you will note, the major changes were to clarify the nature and activities of the three-year project and update all budget figures. After carefully updating total project costs and the proposed A.I.D. contribution, we found that the requested A.I.D. contribution exceeded the approval authority vested in this Mission. Consequently, this project to assist the LCCUL must be approved and authorized in Washington, D.C.

This office will keep you abreast on all matters related to this project.

Sincerely,

*Frank D. Correll*

Frank D. Correll  
Director

Attachment: as stated

AFR/ISA

AGENCY FOR INTERNATIONAL DEVELOPMENT  
Office of Program Change

Date: 30 April 1980

Country: Lesotho

Project Title: Lesotho Credit Union League Development (LCCUL)

Project Number: 652-0214

OP Reference: IRMA980 CP, P. 476

Appropriation Category: Agriculture, Rural Development and Nutrition

Intended FY 1980 Obligation: \$681,000

This is to advise that A.I.D. intends to authorize an Operational Program Grant (OPG) to the Credit Union National Association (CUNA), a registered private voluntary organization. The goal of the OPG is to make savings, credit, and related cooperative services available to an increasing number of families in Lesotho. The \$681,000 grant increases the Lesotho development assistance Operational Year Budget from \$1,424,000 to \$2,105,000.

The OPG's purpose is to strengthen the institutional base of the Lesotho Cooperative Credit Union League (LCCUL) and its 22 affiliated credit unions. A central program element will be expansion of the small farmer producer credit through credit unions. Seventy-five percent (75%) of the 22,000 credit union members in Lesotho are women who save and borrow for agriculture, education of children, and crop production.

Inputs funded by this OPG are three person-years of technical assistance (\$300,700); budgetary support to LCCUL - e.g., training costs, personnel costs, office operations, contingency allowance (\$305,000); and commodity (\$5,300). The LCCUL is expected to contribute \$135,000, approximately 14 percent of total project costs (\$922,000). No other donor agencies are involved.

Beneficiaries of this OPG are the current 22,000 credit union members, the estimated 10,000 new credit union members to be gained over the next three years, and an estimated 2,100 farmers who will participate in LCCUL's expanded Small Farmer Production Credit services.

AFR/SA:DFrank:4-2-80, Ext. 24737

Clearances:

|                                     |             |                                |             |
|-------------------------------------|-------------|--------------------------------|-------------|
| AFR/ISA:CDParker (draft) <i>CDP</i> | Date 4/3/80 | AFR/SA:DACohen (dft) <i>DC</i> | Date 4/3/80 |
| AFR/SA:W/Dagata <i>WD</i>           | Date 4/2/80 | AFR/DP:RAStacy <i>RS</i>       | Date        |
| GC/LPIA:RLester <i>RL</i>           | Date        | DAA/AFR:MMNorth <i>MM</i>      | Date 4/2/80 |
| AA/AFR:GTButcher <i>GT</i>          | Date        |                                |             |

*Handing to file*

OPERATIONAL YEAR BUDGET: PROGRAM REVISION REQUEST

TO: Mr. James L. Govan  
AFR/DP/PAB, Room 6671 NS

DATE: May 16, 1980

RR No.:

FROM: AFR/SA, Martin V. Dage

Country/Program: Lesotho  
Loans or Grants: Grants  
Appropriation Category: Agriculture, Rural Development, Nutrition

AMOUNT (\$000s)

|          |  | (1)<br>Original<br>OYB | (2)<br>Most<br>Recent<br>Total | (3)<br>Amount of<br>Change<br>(+ or -)<br>from 2 | (4)<br>New<br>Total |
|----------|--|------------------------|--------------------------------|--|---------------------|
| TOTAL    | For columns (1) thru (4)<br>enter budget data for appropri-<br>ation (i.e. func.) category | 4,472                  | 4,472                          | + 630  | 5,102               |
| INCREASE | 632-0214, Credit Union<br>Development (CPG - CUNA)   | -                      | -                              | + 630  | 630                 |
|          |  |                        |                                | +  |                     |
|          |  |                        |                                | +  |                     |
| DECREASE |  |                        |                                | -  |                     |
|          |  |                        |                                | -  |                     |
|          |  |                        |                                | -  |                     |

Summary justification of change by program or activity:

To add CPG project to the Lesotho program.

Is Congressional notification required as result of change?  yes  no

If yes, give date notification was delivered or is to be delivered  
(15 days must pass before obligation). April 30, 1980

In the case of individual country or international organization programs has an increase in the total program level requiring justification under Section 653(b) of the FAA been effected? (e.g. has the program been increased by at least \$1 million and by 10%).  
 yes  no

If yes, give date justification was delivered or is to be delivered  
(10 days must pass before obligation). N.A.

Concurrences:  
AFR/Geographic Office DFredrick  
AFR/DR: Wolff (info) AFR/SA, DA Cohen  
Other: AFR/DP, JHicks  
AFR/SA, GCanoferra

~~W. H. ...~~  
Harding  
Putsler

Date: May 20, 1980

REQUEST FOR ALLOTMENTS

TO: AFR/DP, Mr. James L. Govan  
FROM: AFR/SA, Martin V. Dagata

COUNTRY: Lesotho  
LOANS/GRANTS: Grants  
APPROPRIATION CATEGORY: Agriculture, Rural Development and Nutrition

(1) Project Title: Credit Union Development <sup>a/</sup>  
Project No.: 632-0214  
Amount: \$630,000

(2) Project Title: \_\_\_\_\_  
Project No.: \_\_\_\_\_  
Amount: \_\_\_\_\_

(3) Project Title: \_\_\_\_\_  
Project No.: \_\_\_\_\_  
Amount: \_\_\_\_\_

(4) Project Title: \_\_\_\_\_  
Project No.: \_\_\_\_\_  
Amount: \_\_\_\_\_

CLEARANCES

AFR/SA Desk DFredrick  
AFR/DR/SAP WWolff (info)  
AFR/SA DACohen  
AFR/DP JHicks

FOR AFR/SA USE

Appropriation: 72-1101021.3  
Allotment: 643-50-632-CO-69-01  
Previous Total: \$ 842,000  
Change: \$ 630,000  
New Total: \$1,472,000

AFR/SA, CDCapoferri

<sup>a/</sup> Operational Program Grant to Credit Union National Association (CUNA).  
Congressional Notification period expired May 14, 1980. Project authorization is  
in process. USAID should await notification that authorization process completed.

ATTACHMENT B

PROJECT AUTHORIZATION

Entity: Credit Union National Association  
(CUNA)

Name of Project: Lesotho Credit  
Union League Development

Number of Project: 632-0214

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize an Operational Program Grant to the Credit Union National Association (CUNA), a registered private voluntary organization, for the Lesotho Credit Union League Development project involving planned obligations of not to exceed \$630,000 in grant funds over a three year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project consists of providing technical assistance, budgetary support and commodities to the Lesotho Cooperative Credit Union League (LCCUL) in order to strengthen the capabilities of the LCCUL and member credit unions, with the goal of making savings, credit and related cooperative services available to an increased number of families in Lesotho. A central element of the project concerns the expansion of the Small Farmer Production Credit (SFPC) program to the majority of the rural credit unions in Lesotho.

3. The Grant Agreement which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4. Source and Origin of Goods and Services

Goods and services financed by A.I.D. under the project shall have their source and origin as specified in A.I.D. Handbook 1, Supplement B, Chapter 16B1c and A.I.D. Handbook 13, Chapter 4 or in the Cooperating Country.

Date: \_\_\_\_\_

7/1/80



Goler T. Butcher  
Assistant Administrator  
for Africa

Clearances: per attached  
Action Memorandum

ATTACHMENT C

PROJECT TITLE: LESOTHO CREDIT UNION LEAGUE DEVELOPMENT

PVO NAMES AND  
LOCATIONS:

AFRICA COOPERATIVE SAVINGS & CREDIT ASSOCIATION  
BOX 43278  
NAIROBI, KENYA

WOCCU/CUNA GLOBAL PROJECTS OFFICE  
1120 19th ST. N.W.  
WASHINGTON, D.C. 20036 USA

CONTACT PERSONS:

MR. BARTHOLOMEW QUAINDO  
EXECUTIVE SECRETARY, ACOSCA

MR. THOMAS CARTER  
PROGRAM DIRECTOR, WOCCU/GPO

DATE OF SUBMISSION  
TO AID:

MARCH 19, 1980

DATE OF PROJECT START: JUNE 1, 1980

TOTAL OPG REQUEST: U.S. 629,842

|  |    |
|--|----|
| I. OVERVIEW: PROJECT PURPOSE AND DESCRIPTION | 1  |
| A. Project Objectives                        | 2  |
| B. Beneficiaries                             | 5  |
| C. Project Design and Implementation         | 6  |
| D. End-of-Project Status                     | 8  |
| II. PROJECT BACKGROUND                       | 9  |
| A. Credit Unions in Lesotho                  | 9  |
| B. PVO Experience                            | 12 |
| III. PROJECT ANALYSIS                        | 14 |
| A. Credit Unions                             | 14 |
| B. LCCUL Analysis                            | 17 |
| C. Strategy for Development                  | 21 |
| IV. PROJECT DESIGN AND IMPLEMENTATION        | 40 |
| A. Design                                    | 0  |
| B. Implementation                            | 3  |
| C. Monitoring and Evaluation                 | 6  |
| V. FINANCIAL PLAN                            | 7  |
| <br>BUDGET TABLES                            |    |
| <br>APPENDIXES                               |    |

## OVERVIEW: PROJECT PURPOSE AND DESCRIPTION

The goal of this project is to make savings, credit, and related cooperative services available to an increasing number of families in Lesotho.

Today in Lesotho there are 52 credit unions affiliated to the Lesotho Cooperative Credit Union League (LCCUL). Membership is approximately 22,000 with movement savings amounting to M850,000 (\$1,062,500) and loans outstanding of M612,000 (\$765,000). The LCCUL, which presently includes 3 Maseru-based professionals and 4 field officers supports its affiliates and their members through field visits by staff, training programs and provision of a Central Liquidity Facility. With assistance from the Africa Cooperative Savings and Credit Association (ACOSCA), LCCUL also offers savings and loan protection insurance to members and has initiated a pilot project in small farmer production credit lending.

Based on the Five-Year Development Plan 1979-1983 developed by the Board and staff of LCCUL, this project proposes to strengthen the chain of services from the League, to the credit union, to the member. The increase in League staff and strengthening of capabilities will result in an expanded number of credit unions and improved performance by credit union leadership and staff. Improved credit unions will result in increased membership, savings, credit and services. A central element of the program will be expansion of small farmer production credit program to the majority of rural credit/ ...

credit unions in Lesotho with a substantial increase in participants and loans placed.

This 3-year project is the institutional development phase of a long-term development activity. This project will result in the institutional development at the League and credit union levels necessary to accomplish the significant expansion and growth envisioned to occur subsequently.

While the project proposes strengthening of the credit union movement, it is based on the thesis that credit unions have demonstrated the ability to positively affect the lives and welfare of Lesotho's people. During the last decade, credit unions have mobilized more than \$1 million in savings; cumulative loans have amounted to an estimated \$3.2 million. The credit union movement has also served as a training ground for local and national leaders and professional League programs and the experience of managing credit unions and operating the League has both enhanced the skills available to the community as well as provided professional staff to government and private organizations in the country. These accomplishments have been achieved with very limited external resources. Fundamental to this project is the assertion that significant potential has been demonstrated by the credit union movement; the provision of resources commensurate with that potential should accelerate its realization.

A. Project Objectives (Purpose)

The project includes three basic objectives reflecting the LCCUL Five-Year Development Plan. By the end of this 3-year project:

1. /..

1. LCCUL technical capabilities will permit provision of essential technical and financial services to affiliated credit unions and their membership;
2. Conditions for achievement of financial self-sufficiency by LCCUL within 5 years after termination of this project will have been created;
3. The membership, savings and productive loans of affiliated credit unions will have been significantly increased.

Realization of these objectives will result in increased income to and capital formation by credit union members. Reflecting the pre-dominately rural-agricultural membership, productivity in this sector will be increased through an expansion of the League's Small Farmer Production Credit (SFPC) program.

The above-stated objectives will require the following essential activities and resources in order to be achieved (Outputs/Inputs).

Activity 1 - Expansion and upgrading of LCCUL staff, with emphasis on intensive training will be undertaken. Resources : Budget support for additional personnel, and funding for one expatriate management advisor to define critical functions and to provide training will be required.

Activity 2 /...

Activity 2 - Refinement of functions related to income-generating services, particularly the central finance operation will be performed. The SFPC program will be expanded to 33 credit unions by end-of-project; with corresponding increase in SFPC loan demand.

Resources: Budget support for LCCUL field staff to expand SFPC, coordination with Ministry of Agriculture extension services, and funding for above management advisor to refine central finance operations and SFPC program will be required.

Activity 3 - Membership and savings promotion strategies, to include expansion into urban areas, SFPC program expansion, and upgrading service capabilities of local credit unions will be developed.

Resources: Budget support for LCCUL field staff to implement promotion strategies and funding for above management advisor to identify alternative approaches will be required.

It is useful to note that the project objectives complement the GOL's development priorities which focus upon strengthening the agricultural sector through a coordinated effort to improve supplies, marketing, technical assistance, and credit services. As an already-established institutional system, credit unions offer the GOL an efficient means to reach large numbers of farmers with improved services. In a recently-issued document entitled "The New Cooperative Policy" the Government recognized the value of the credit union movement by stating that, (in a discussion of the status of the overall cooperative movement)" . . . To date, however, little success has been achieved with the exception of Credit Unions and

Wool and Mohair Associations." Recent GOL policy statements indicate that cooperatives and credit unions will be the principal vehicles for development of the rural sector. As an example of the potential use of the credit union system, the recently established Agricultural Development Bank could channel funds through the League for the SFPC program. Not only will increased efficiency and cost reduction be attained, but the GOL is relieved of some of the organization building activities, allowing it to focus its resources directly on the improvement of available services.

B. Beneficiaries

Credit union membership in Lesotho is both rural and engaged in agricultural and related enterprise. This membership is now 22,000; more than 75 percent are women. With an average annual savings rate of just M3 per member, it is quite probable that average member income falls well below the national average of \$160 per year. (Assuming that members save at least 2 percent of their available income with their credit union). This project will result in an increase to nearly 32,000 members within 3 years and the SFPC program will be expanded from three to 33 credit unions, to include nearly 2,100 participants. Each SFPC borrower will be closely monitored to evaluate the impact of expanded credit and related services on productivity and income. In addition to providing savings services to members, expanded and more intensive League support will enable a significantly greater number of small farmers, traders and artisans to increase their productive capacity and their incomes. Lending for health, education and

other / ...

other provident purposes will increase beneficiary utilization of the social services infrastructure in Lesotho.

C. Project Design and Implementation

The premise of the project is that the scope and quality of services to credit union members depends on the efficient management and integrity of the society. A competently and honestly-managed credit union both serves its existing membership and attracts increasing members and savings. Sound credit unions, in turn, depend on LCCUL to provide essential support and services. The project strategy is to systematically strengthen League and credit union capabilities by:

1. adding the new staff, i.e., General Manager, Central Finance Manager, and 4 additional Field Officers, plus the supplies and equipment required to adequately support and service member credit unions;
2. defining the methods and procedures essential to effective and efficient provision of support and services;
3. training League staff to permit ongoing improvement in the quality of technical support and services to credit unions;
4. expanding production credit lending and services to attract the new membership and savings necessary to sustained credit union and LCCUL financial viability.

Implementation/ ...

Implementation of the project strategy depends on:

1. provision of the financial resources necessary to employ and equip an adequate League staff;
2. provision of the technical assistance necessary to assist in development of methods and procedures and in training of League staff;
3. the support and cooperation of organizations and agencies within Lesotho with the capability to supplement League technical capabilities.

The fundamental elements of the project design are outlined in the LCCUL 5-Year Development Plan. Support to this effort has been committed by several sources, including Misereor (a German donor organization that has long-supported credit union development efforts in Africa), the World Council of Credit Unions (WOCCU), the African Cooperative Savings and Credit Association (ACOSCA), and the Lesotho Institute of Extra-Mural Studies (IEMS). The technical and financial resources provided under this project will supplement income generated by the League through dues, Central Finance earnings, insurance commissions and other revenues. The project will provide those additional resources necessary to achieve the stated project objectives, while assisting the implementation of LCCUL's Five-Year Development Plan, permitting sustained expansion and strengthening of the credit union movement.

The project/ ...

The project proposes 3-year USAID funding as follows:

|                      |      | 1       | 2       | 3       | Total   |
|----------------------|------|---------|---------|---------|---------|
| Technical Assistance | (\$) | 99,892  | 98,445  | 122,349 | 320,686 |
| LCCUL Support        | (\$) | 86,969  | 106,772 | 115,415 | 309,156 |
| Total                | (\$) | 186,861 | 205,217 | 237,764 | 629,842 |

(See Tables for detailed USAID, LCCUL, and other donor contributions).

D. End-of-Project Status

The project will result in both qualitative and quantitative changes. Qualitative changes will include improved performance of essential League and credit union functions and processes. (See Appendix 1 for listing of functions and processes). These will be measured during the initial six months and in the course of project monitoring and evaluation. By the end-of-project LCCUL will perform all critical functions adequately or better. Credit unions will also demonstrate adequate or better performance of critical functions. These measures will permit objective assessment of the technical, managerial and financial development that has occurred. The following quantitative measures will also be employed. The measures shown are for the 3-year life of this project, the LCCUL Five-Year Development Plan, and for year 8, when LCCUL financial self-sufficiency is anticipated.

| Indicator                         | Project Start | Year 3 | Year 5 | Year - 8 |
|-----------------------------------|---------------|--------|--------|----------|
| Number of Credit Unions           | 52            | 68     | 80     | 90       |
| Number of Members                 | 22,000        | 31,470 | 39,320 | 49,901   |
| Number of SFPC Credit Unions      | 3             | 33     | 53     | 65       |
| Number of SFPC Members            | -             | 2,058  | 8,644  | 0,000    |
| Total Savings (M 000)             | 850           | 1,314  | 1,829  | 3,305    |
| Total Loans (M 000)               | 612           | 1,234  | 2,700  | 6,180    |
| LCCUL Revenues (M 000)            | 34            | 47     | 91     | 242      |
| % Self-Sufficiency <sup>(1)</sup> | 46.7          | 31.8   | 55.9   | 96.1     |

(See pp. 24, 25 for detail)

(1) Influx of additional donor funds initially reduces percentage of LCCUL revenues to total expenses. Subsequent movement expansion results in accelerated increase in LCCUL revenues, reaching self-sufficiency five years after project termination.

## II. PROJECT BACKGROUND

### A. Credit Unions in Lesotho

In 1961 Lesotho's first credit unions were established by promoters from the St. Pius X College (now National University of Lesotho) Extension Department. By 1968 rapid expansion of credit unions led to the formation of the Lesotho Cooperative Credit Union League by leaders within the movement in association with the University Extension Department and the Department of Cooperatives. The

League/ ...

League was formed to provide support and services to affiliates as well as to promote and expand the movement in other areas of the country.

During the 12 years since its formation, the League has stimulated some significant accomplishments:

- Credit Unions have increased from 30 to 52;
- Membership has increased from 10,800 to 22,000;
- Savings have grown from M190,000 to M850,000 (M17.50 to M38.00 per member);
- Loans outstanding have grown from M168,000 to M 612,000; cumulative loans are estimated to have been M 3.2 million;
- LCCUL played a significant role in initiating and supporting the Lesotho Credit Union Scheme for Agriculture (LECUSA) which brought tractor mechanization to 17 communities;
- LCCUL pioneered in the introduction of Small Farmer Production Credit through credit unions, an ACOSCA program supported by the U.S. Agency for International Development;
- The League has supported introduction and expansion of a mohair spinning project through credit unions which has increased rural income;
- League sponsored educational programs have trained hundreds of community credit union board and committee members in bookkeeping, loan analysis, agriculture and animal husbandry, adult education techniques;
- Staff trained by the League have moved into professional positions with government and a variety of organizations such as CARE, cooperative housing services and the like. (1

Along/ ...

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(1) Although this is a valuable contribution to the nation's trained manpower pool, staff turnover is obviously detrimental to the League. The project will address this issue by, among other things, allowing the League to pay competitive salaries.

Along with its many accomplishments, LCCUL has also faced problems and set-backs. While movement savings and loans have grown, economic conditions have retarded that growth to some extent. Credit unions presently serve 52 communities, but there are many more areas where cooperative financial services are needed. The rapid expansion of the LECUSA program overburdened the available personnel both at the credit union and League level, therefore, mitigating the success it might have achieved. The SFPC program, initiated in 1974 as part of the ACOSCA regional project funded by AID, proved successful in educating farmers, stimulating loan demand and savings, and improving production in 3 pilot credit unions. However, the withdrawal of the CUNA Technician in August 1976, precluded the planned expansion of the program to other credit unions. <sup>(1)</sup> In February 1977, AID conducted an evaluation of the program, and established three conditions precedent for its continuation. These included:

- Development of an agricultural production program suitable for credit union financing including cost/returns analysis and strategies to deal with input supply and marketing problems;
- Preparation of a League staffing and organization plan;
- Preparation of a League plan for achievement of financial self-sufficiency.

*where is the plan?*

The League/ ...

(1) The scope of work of the CUNA Technician was essentially limited to the development and refinement of the SFPC Program. The scope of work for this project's Management Advisor has been broadened so that all areas requiring development may be addressed.

The League was able to meet each of these conditions in the subsequent year. The Institute of Extra-Mural Studies assisted LCCUL to develop the methodology to assess the costs/returns impact of the SFPC program. A consultant provided by WOCCU/Global Projects assisted the League to prepare a 5-Year Development Plan which detailed the required staffing plan and proposed a strategy to attain financial self-sufficiency. The objectives and strategies outlined in the 5-Year Plan serve as the basis for this proposal. As a result of this effort, it was recognized that achievement of the plan objectives implied the need for the additional assistance outlined in this proposal. In this context, it is noted that the major problems faced by LCCUL can be in large part attributed to the very limited resources available. Given this constraint, the League's accomplishments appear far more significant than its problems.

B. PVO Experience

1. ACOSCA

Formed in 1968 by the leaders of seven national credit union movements, ACOSCA presently represents 22 national affiliates, movement savings in excess of \$100 million, and a total membership of more than 1.25 million. ACOSCA serves its affiliates from headquarters in Nairobi, Kenya and through Regional Offices and Training Centres in Maseru, Lesotho; Bamenda, Cameroon; Bukuvu, Zaire; Bobo Dioulasso, Upper Volta; Lome, Togo; and Nairobi. ACOSCA Headquarters personnel/ ...

personnel, in addition to the Executive Secretary and administrative staff, includes specialists in central financial systems, education/training, risk management/insurance, and credit union promotion, organization and development. ACOSCA has played the lead role in developing the African credit union movement and has a demonstrated capability in project development, management and evaluation. ACOSCA was instrumental in initiating the small farmer production credit programs in Lesotho and Cameroon. ACOSCA staff have also contributed to feasibility studies, project development and management in Ghana, Liberia, Zambia, Swaziland, Botswana and Togo.

#### WOCCU/Global Projects

The Global Projects Office of the World Council of Credit Unions is the major technical resource for international credit union development. Supported by the Credit Union National Association (CUNA) and by USAID grants through CUNA, the Global Projects Office responds to technical assistance, training and project development requests initiated by confederations affiliated to WOCCU.

CUNA participation in international development began in 1954 with a program designed to introduce the credit union concept to emerging nations. In 1962, the first of several agreements with AID was signed, thereby supplementing funds available from the U.S. credit union movement. A decade

of technical assistance has supported formation of regional confederations in Latin America (COLAC), Africa (ACOSCA), the Caribbean (CCCU) and Asia (ACCU). Specific involvement in Africa dates to 1964 when a grant from the Michigan Credit Union League Foundation funded technicians who helped organize the credit union movement in Kenya, Tanzania and Uganda. Since 1974, Global Projects technical personnel helped coordinate small farmer production credit programs in Cameroon and Lesotho. Through its Washington staff and access to the technical resources of the worldwide credit union movement, Global Projects is in position to provide specialized assistance to the proposed project.

### III. PROJECT ANALYSIS

#### A. Credit Unions

##### 1. Membership

Credit union membership in Lesotho is 98 percent rural. Most members are farmers, artisans, small traders and rural teachers. Although Lesotho's per capita income places it among the world's poorest nations, the relatively even income distribution (the lowest 20 percent of rural Basotho receives 16 percent) ensures a relatively broad base of potential credit union membership.

An estimated 50 percent of Lesotho's male workforce presently is employed in South Africa. Their earnings are estimated at twice the Lesotho GDP; however, only 35 percent of these

funds/ ...

funds are remitted to Lesotho, and only 25 percent is reflected in savings and consumption expenditure within the country.

Lesotho's unique demographic and economic situation relates to credit union development in the following ways:

- 75 to 80 percent of credit union membership are women who borrow for agriculture, children's education and crafts production;
- the relatively low rate of adoption of improved agricultural technology limits agricultural loan demand to meeting maintenance requirements;
- the high risk and low return on agriculture and limited alternative rural vocations is a contributing factor in the migration of the male workforce to South Africa;
- limited income in the rural areas results in a modest increase in credit union savings on an annual basis;
- capture of an increasing share of elusive remittances from South Africa would substantially increase savings and investable resources within the movement.

Conditions in Southern Africa place Lesotho in a precarious situation. Sudden, forced repatriation of Basotho labor would place severe strains on the socio-economic infrastructure. The Government of Lesotho has given priority to development of commercial agriculture and creation of employment opportunities that both encourage and permit the return of its skilled workforce. Credit unions have a demonstrated potential to stimulate improvements in agricultural practices through credit and coordination of services./ .

services. Expansion of the pilot SFPC program should usefully complement Government development activities. Similarly, strengthening credit union management and expansion of services should act as a stimulus to savings mobilization, expanding the domestic capital available for investment in employment creation. The credit union movement has the potential to play a useful role in Lesotho's economic transformation.

2. Credit Union Technical Capabilities

LCCUL has carried out a long-term educational program for credit union leadership and officials. It has also encouraged employment of part-time staff. This combination has resulted in a relatively high quality in credit union bookkeeping and accounting and effective membership education programs. There remain areas of operation that require improvement if credit unions are to realize their potential in Lesotho. The following areas are addressed by this project:

*Are you speaking of LCCUL?*

- loan delinquency is high in a significant number of credit unions. This reflects both local economic conditions and the need for improvement in loan analysis, monitoring and collection;
- growth in movement and average member savings can be accelerated. This will require strengthening of member confidence, expanding needed services such as production credit, broadening the membership base, and establishment of office facilities for transaction of business;
- problems have been identified in risk management, maintenance of records, management of surplus savings investment, membership participation in credit union meetings and affairs.

One critical factor related to these problems has been the inability of a very limited League Field Staff to maintain the frequency and

intensity/ ...

## BUDGET TABLES

1. Project Costs
2. AID Project Contribution
3. Technical Assistance Support Budget
4. Commodities Budget
5. Other Donor Contribution
6. LCCUL Operating/Administrative Costs
7. LCCUL Income
8. LCCUL Source and Use of Capital Fund
9. Estimation of Number of SFPC Participants, Loan Demand, and Amount Financed by LCCUL

Table 1:  
Project Costs  
(\$)

|  |      | 1              | 2              | 3              | TOTAL          |
|--|------|----------------|----------------|----------------|----------------|
|  | %    |                |                |                |                |
| LCCUL                                  | 14.6 | 32,485         | 44,363         | 58,542         | 135,390        |
| Misereor                               | 1.5  | 13,750         | -              | -              | 13,750         |
| ACOSCA                                 | 2.3  | 6,875          | 7,219          | 7,580          | 21,674         |
| Labor Council of Workers               | 1.0  | 3,000          | 3,000          | 3,000          | 9,000          |
| Ministry of Cooperatives & Rural Deve. | 9.0  | 26,295         | 27,610         | 28,990         | 82,895         |
| IEMS                                   | 4.0  | 12,500         | 12,500         | 12,500         | 37,500         |
| AID                                    | 67.7 | 186,861        | 205,217        | 237,764        | 629,842        |
| LCCUL Operating Budget (Table 2)       |      | 83,656         | 106,272        | 114,915        | 304,843        |
| Technical Assistance (Table 3)         |      | 99,892         | 98,445         | 122,349        | 320,686        |
| Commodities (Table 4)                  |      | 3,313          | 500            | 500            | 4,313          |
| <b>TOTAL PROJECT COSTS</b>             |      | <b>281,766</b> | <b>299,909</b> | <b>348,376</b> | <b>930,051</b> |

Table 2

## AID Project Contribution

(\$)

|                           | 1       | 2       | 3       | TOTAL - |
|---------------------------|---------|---------|---------|---------|
| 1. Personnel Costs        |         |         |         |         |
| LCCUL                     | 60,628  | 76,372  | 80,991  |         |
| Technical Assistance      | 75,473  | 72,215  | 93,111  |         |
| TOTAL                     | 136,101 | 148,587 | 174,102 | 458,790 |
| 2. Training Costs - LCCUL | 4,920   | 6,884   | 7,891   | 19,695  |
| 3. Commodities            | 3,313   | 500     | 500     | 4,313   |
| Other Costs               |         |         |         |         |
| LCCUL                     |         |         |         |         |
| Office Expenses           | 2,713   | 3,399   | 3,602   |         |
| Staff Travel              | 8,740   | 11,957  | 13,667  |         |
| Contingency               | 6,655   | 7,660   | 8,764   |         |
| Technical Assistance      | 24,419  | 26,230  | 29,238  |         |
| TOTAL                     | 42,527  | 49,246  | 55,271  | 147,044 |
| Total AID Contribution    | 186,861 | 205,217 | 237,764 | 629,842 |

Table 3:

Technical Assistance Support Budget

|                                  | 1      | 2      | 3       | Total   |
|----------------------------------|--------|--------|---------|---------|
| <b>1. <u>Personnel Costs</u></b> |        |        |         |         |
| Long-Term-WOCCU Advisor          |        |        |         |         |
| Salary                           | 28,305 | 30,753 | 33,321  |         |
| Fringe Benefits                  | 6,227  | 6,788  | 7,331   |         |
| Allowances                       | 11,631 | 13,140 | 14,826  |         |
| R & R                            | -      | 7,123  | -       |         |
| Relocation                       | 16,300 | -      | 19,730  |         |
| Sub-Total                        | 62,463 | 57,904 | 75,208  |         |
| Short-Term                       |        |        |         |         |
| ACOSCA Consultation              | 5,720  | 6,292  | 6,921   |         |
| WOCCU Consultation               | 7,290  | 8,019  | 8,821   |         |
| AID Evaluation (EOP)             |        |        | 2,161   |         |
| Sub-Total                        | 13,010 | 14,311 | 17,903  |         |
| Total Personal Costs             | 75,473 | 72,215 | 93,111  | 240,799 |
| <b>2. <u>Other Costs</u></b>     |        |        |         |         |
| Long-Term-WOCCU Advisor          |        |        |         |         |
| In-Country Travel                | 1,830  | 2,105  | 2,420   |         |
| Overhead                         | 17,832 | 19,437 | 20,992  |         |
| Contingency                      | 4,757  | 4,688  | 5,826   |         |
| Total Other Costs                | 24,419 | 26,230 | 29,238  | 79,887  |
| Total Technical Assistance Costs | 99,892 | 98,445 | 122,349 | 320,686 |

Notes - Table 3

1/ Fringe benefits calculated at 22% of salary.

2/ Allowances as follows:

| <u>Item</u>                     | <u>Year</u> | <u>1</u> | <u>2</u> | <u>3</u> |
|---------------------------------|-------------|----------|----------|----------|
| Housing/Utilities <sup>a)</sup> |             | 7,500    | 8,625    | 9,919    |
| Education <sup>b)</sup>         |             | 1,300    | 1,430    | 1,575    |
| Post Differential <sup>c)</sup> |             | 2,831    | 3,085    | 3,332    |
| Total                           |             | 11,631   | 13,140   | 14,826   |

a) Housing at \$575 plus utilities at \$50 per month increasing at 15% per annum;

b) \$650 per year for two children increasing at 10% per annum;

c) 10% of salary.

3/ R & R calculated as 3½ full-fare round trips to Rome at \$2035 per trip (10% above current round trip at \$1850).

4/ Relocation calculated as follows:

| <u>Item</u>    |               | <u>Year 1</u> | <u>Year 3</u>    |
|----------------|---------------|---------------|------------------|
| Air Fare       |               |               |                  |
| (Wash-Maseru)  | \$900 x 3½    | 3,150         |                  |
| (Maseru-Wash)  |               |               | 1090 x 3½ 3,815  |
| Excess Baggage | 200 x 3½      | 700           | 242 x 3½ 847     |
| Unaccompanied  | 700lbs x 3.50 | 2,450         | 708 x 4.24 2,968 |
| Surface        |               | <u>10,000</u> | <u>12,100</u>    |
|                |               | <u>16,300</u> | <u>19,736</u>    |

5/ ACOSCA Consultation:

Airfare \$800 . 4 Trips/year, increasing 10% annually.

Per Diem \$ 42/day . 60 days, increasing 10% annually.

6/ WOCCU Consultation:

Airfare \$1800 .3 Trips/year, increasing 10% annually.

Per Diem \$ 42/day . 45 days, increasing 10% annually.

7/ AID Evaluation (EOP)

Airfare \$1090

Per Diem \$51/day . 21 days.

- 8/ In-Country Travel calculated at 6000 miles/annum at \$ .20/mile plus 84 days per diem at \$7.50 per day increasing at 15% per annum.
- 9/ Overhead calculated at AID-approved rate of 63% of advisor salary.
- 10/ Contingency calculated at 5% of totalcosts.

**TABLE 4:**  
**COMMODITIES BUDGET**  
**(M)**

|                                     |             | 1            | 2          | 3          | TOTAL        |
|-------------------------------------|-------------|--------------|------------|------------|--------------|
| Filing cabinet (2 @ 125)            |             | 250          |            |            |              |
| Desks and chairs (7 @ 200)          |             | 1,400        |            |            |              |
| Typewriter - manual (1 @ 400)       |             | 400          |            |            |              |
| Office equipment (calculators, etc) |             | 600          | 400        | 400        |              |
| <b>Total</b>                        | <b>(M)</b>  | <b>2,650</b> | <b>400</b> | <b>400</b> | <b>3,450</b> |
|                                     | <b>(\$)</b> | <b>3,313</b> | <b>500</b> | <b>500</b> | <b>4,313</b> |

1 M= U.S. \$ 1.25

**TABLE 5:**  
**OTHER DONOR CONTRIBUTION**  
**(M)**

|                                       |            | 1             | 2             | 3             | TOTAL          |
|---------------------------------------|------------|---------------|---------------|---------------|----------------|
| <b>Contribution to LCCUL Budget</b>   |            |               |               |               |                |
| Misereor                              |            | 11,000        | -             | -             | 11,000         |
| ACOSCA                                |            | 5,500         | 5,775         | 6,064         | 17,339         |
| Labor Council of Workers              |            | 2,400         | 2,400         | 2,400         | 7,200          |
| <b>Total</b>                          | <b>(M)</b> | <b>18,900</b> | <b>8,175</b>  | <b>8,464</b>  | <b>35,539</b>  |
|                                       | <b>(g)</b> | <b>23,625</b> | <b>10,219</b> | <b>10,580</b> | <b>44,424</b>  |
| <b>In-kind contribution:</b>          |            |               |               |               |                |
| Ministry of Co-operatives             |            | 21,036        | 22,088        | 23,192        | 66,316         |
| I.E.M.S.                              |            | 10,000        | 10,000        | 10,000        | 30,000         |
| <b>Total</b>                          | <b>(M)</b> | <b>31,036</b> | <b>32,088</b> | <b>33,192</b> | <b>96,316</b>  |
|                                       | <b>(g)</b> | <b>38,795</b> | <b>40,110</b> | <b>41,490</b> | <b>120,395</b> |
| <b>Total other Donor Contribution</b> | <b>(M)</b> | <b>49,936</b> | <b>40,263</b> | <b>41,656</b> | <b>131,855</b> |
|                                       | <b>(g)</b> | <b>62,420</b> | <b>50,329</b> | <b>52,070</b> | <b>164,819</b> |

NOTE - TABLE 5

- 1- Misereor - Commitment to provide funding for LCCUL Budget through CY 1980.
- 2- ACOSCA - Provides support for salary and related expenses of Insurance officer.
- 3- Labor Council of Workers: Provides support for salary of one field officer to organize Credit Union among worker groups.
- 4- Ministry of Co-operatives - Contribution based on combined salaries of senior co-operative officers (10) and co-operative officers (20) multiplied by 20%, approximate time provided to support credit union movement. Also 1 co-operative officer provided full-time to LCCUL to complete audits of credit unions.
- 5- IEMS = Contribution based on participant training days provided (800) @ M 10/days plus M2,000/year for research and other activities related to credit union movement.

Table 6:

LCCUL Operating/Administrative Costs

|   | 1      | 2      | 3      | Total   |
|---|--------|--------|--------|---------|
| <u>Personnel Costs</u>                          |        |        |        |         |
| Salaries:                                       |        |        |        |         |
| General Manager                                 | 8,667  | 9,100  | 9,555  |         |
| Field Services Manager                          | 7,290  | 7,655  | 8,037  |         |
| Central Finance Manager                         | 7,290  | 7,655  | 8,037  |         |
| Insurance Officer                               | 5,184  | 5,443  | 5,715  |         |
| Assistant Accountant                            | 4,293  | 4,508  | 4,733  |         |
| Field Officer:                                  |        |        |        |         |
| No. 1   | 4,293  | 4,508  | 4,733  |         |
| No. 2, 3  | 7,614  | 7,995  | 8,394  |         |
| No. 4 - 6                                       | 10,741 | 11,278 | 11,842 |         |
| No. 7   | -      | 3,580  | 3,759  |         |
| No. 8   | -      | -      | 3,580  |         |
| Clerk/Bookkeeper                                | 2,300  | 2,415  | 2,536  |         |
| Senior Secretary                                | 2,300  | 2,415  | 2,536  |         |
| Secretary/Typist                                | 1,717  | 1,803  | 1,893  |         |
| Janitor/Messenger                               | 810    | 850    | 893    |         |
| Security Officer                                | 810    | 850    | 893    |         |
| Gardener (P/T)                                  | 540    | 567    | 595    |         |
| Total Salaries:                                 | 63,849 | 70,622 | 77,731 |         |
| Pension Contributions (5% salaries)             | 3,192  | 3,531  | 3,887  |         |
| Total Personnel Costs                           | 67,041 | 74,153 | 81,618 | 222,812 |
| Office Expenses:                                | 3,000  | 3,300  | 3,630  | 9,930   |
| (Supplies, postage, communications, stationery) |        |        |        |         |

Staff Travel/ ..

|                                 | 1     | 2      | 3      | Total  |
|---------------------------------|-------|--------|--------|--------|
| <u>Staff Travel</u>             |       |        |        |        |
| Public Transport                | 600   | 743    | 908    |        |
| Vehicle:                        |       |        |        |        |
| Petrol/Oil                      | 2,025 | 2,580  | 3,040  |        |
| Maintenance/Repairs             | 600   | 660    | 726    |        |
| Insurance/License               | 400   | 440    | 484    |        |
| Mileage (personal vehicles)     | 1,000 | 1,100  | 1,210  |        |
| Per Diems                       | 5,040 | 6,138  | 7,405  |        |
| Total Staff Travel Costs:       | 9,665 | 11,611 | 13,773 | 35,049 |
| <u>Education/Training</u>       |       |        |        |        |
| SFPC Program                    |       |        |        |        |
| Participants                    | 3,000 | 4,000  | 5,000  |        |
| Credit Union Managers           | 240   | 264    | 290    |        |
| Materials                       | 400   | 440    | 484    |        |
| Member/Board Courses            | 1,000 | 1,100  | 1,210  |        |
| Staff Development               | 800   | 880    | 968    |        |
| Total Education/Training Costs: | 5,440 | 6,684  | 7,952  | 20,076 |
| <u>Representation</u>           |       |        |        |        |
| Board Allowance                 | 1,000 | 1,100  | 1,210  |        |
| ACOSCA Dues                     | 664   | 725    | 832    |        |
| ACOSCA Biennial Meeting         | 1,120 | -      | 1,680  |        |
| Total Representation Costs      | 2,784 | 1,825  | 3,722  | 8,331  |
| <u>Pig Project:</u>             | 3,600 | 7,200  | 9,000  | 19,800 |

|   | 1       | 2       | 3       | Total   |
|---|---------|---------|---------|---------|
| <u>Depreciation</u>                       |         |         |         |         |
| Vehicle                                   | 1,200   | 1,200   | 1,200   |         |
| Furniture/Fixtures                        | 922     | 922     | 922     |         |
| Total Depreciation Costs:                 | 2,122   | 2,122   | 2,122   | 6,366   |
| <u>Outside Services</u>                   |         |         |         |         |
| Audit                                     | 300     | 330     | 363     |         |
| Surety Bond                               | 300     | 330     | 363     |         |
| Bank Charges                              | 300     | 330     | 363     |         |
| Miscellaneous                             | 200     | 220     | 242     |         |
| Total Outside Services Costs:             | 1,100   | 1,210   | 1,331   | 3,641   |
| <u>Finance/Investment Costs</u>           |         |         |         |         |
| Interest                                  |         |         |         |         |
| Capitalization Fund 3%                    | 1,190   | 1,488   | 2,118   |         |
| Member Savings 6%                         | 6,287   | 7,822   | 9,873   |         |
| Fixed Deposits 6.5 %                      | 1,170   | 1,300   | 1,430   |         |
| Lecusa Deposits 5%                        | 265     | 265     | 265     |         |
| UNCDF Loan 2%                             | 150     | 500     | 1,150   |         |
| <u>Credit Union House Operating Costs</u> |         |         |         |         |
| Utilities                                 | 750     | 825     | 900     |         |
| Maintenance/Repairs                       | 1,700   | 2,000   | 1,000   |         |
| Insurance                                 | 225     | 250     | 275     |         |
| Total Finance/Investment Costs:           | 11,737  | 14,450  | 17,011  | 43,198  |
| Sub-Total                                 | 106,489 | 122,555 | 140,219 | 369,263 |
| Contingency Allowance (5%)                | 5,324   | 6,128   | 7,011   | 18,463  |
| Total Operating/Administrative Costs M    | 111,813 | 128,683 | 147,230 | 387,726 |
| (S)                                       | 139,766 | 160,854 | 184,038 | 484,658 |

- 1 - Salaries: First year salaries set according to equivalent positions in Ministry of Cooperatives and Rural Development, with 35% increase based on anticipated increase in GOL salary schedule. 5% increment in subsequent years.
- 2 - Office Expenses: Includes supplies, stationery, postage, communications, maintenance/repairs, and publications. Increased 10% annually.
- 3 - Staff Travel: Assumes 4 field officers located outside Maseru, 2 in Maseru.

Public Transport:

|                    | <u>Trips</u> | <u>Cost/Trip</u> | <u>Total</u> |
|--------------------|--------------|------------------|--------------|
| Field Officers (6) | 15           | 5                | 450          |
| Insurance Officer  | 15           | 10               | <u>150</u>   |
|                    |              |                  | <u>600</u>   |

Per Diems:

|                        | <u>Trips</u> | <u>Days/Trip</u> | <u>Cost/Day</u> | <u>Total</u> |
|------------------------|--------------|------------------|-----------------|--------------|
| Field Officers (6)     | 15           | 12               | 3               | 3240         |
| Headquarters Staff (4) | 15           | 5                | 6               | <u>1800</u>  |
|                        |              |                  |                 | <u>5040</u>  |

Vehicle Expense: Based on previous years' costs, increased by 35% in year 2, and 20% in year 3. Other staff travel costs increased by 10% in second and third years, plus costs related to additional field officer in each year.

- 4 - Education/Training:

SFPC Participants - 300 trained at Government Training Centres @ M10 per person in first year, increasing by 100 each year. Assumes that in second and third year increasingly greater proportion of new SFPC participants will be trained at village level, with no additional direct cost to LCCUL.

Credit Union Managers - 10 credit unions entering SFPC program each year. Training provided by LCCUL, ACOSCA, IEMS for 12 days @ M2 per day.

Other Costs increased 10% annually.

- 5 - ACOSCA Dues: .08% of total movement savings.

- 6 - Pig Project: Lack of reliable data precludes determination of accurate cost estimates. Accordingly, costs have been estimated to exactly equal expected income, producing net income of 0 for LCCUL.
- 7 - Depreciation:
  - Vehicle - Original cost of M6000 depreciated over 5 years.
  - Furniture/Fixtures - Current furnitures increased by project contributions depreciated over 8 years.
- 8 - Outside Services: Based on previous years' costs, increased 10% annually.
- 9 - Finance/Investment Costs:
  - Interest - Stated rate of interest times average balance during year for each type savings/deposit.
  - Credit Union House Operating Costs - Normal maintenance/repairs costs about M1000, augmented by major repairs required in years 1 and 2.

TABLE 7 :  
LCCUL INCOME (M)

|                               | 1         | 2     | 3     | TOTAL   |
|-------------------------------|-----------|-------|-------|---------|
| <u>Loans/Investments</u>      |           |       |       |         |
| Credit Union House Rent       | 10175     | 10176 | 10176 |         |
| Non Credit Union Loans        | 11% 1100  | 1100  | 1100  |         |
| Fixed Deposits                | 7.5% 1428 | 1640  | 2081  |         |
| Bank Savings                  | 5% 407    | 547   | 694   |         |
| Credit Union Loans            | 10% 3601  | 7865  | 14836 |         |
| Total Loans/Investments       | 16712     | 21328 | 28887 | 66,927  |
| <u>Insurance Commissions:</u> | 571       | 657   | 785   | 2,013   |
| <u>Pig Project:</u>           | 3600      | 7200  | 9000  | 19,800  |
| <u>Stationery Sales:</u>      | 800       | 900   | 1000  | 2,700   |
| <u>Dues:</u>                  | 4305      | 5405  | 7162  | 16,872  |
| Total Income (M)              | 25988     | 35490 | 46834 | 108,312 |
| (g)                           | 32485     | 44363 | 58543 | 135,391 |

Notes - Table 7

- 1- Interest received on Credit Union loans estimated at 90% of amount due.
- 2- Income from Insurance program calculated as follows:  
(Total Movement Savings + Total Movement Loans) x .0065 =  
Premiums Receivable. LCCUL Commission is 6% of Premiums Received.
- 3- Dues calculated at 1% of Total Movement Loans.  
Amount received estimated at 70%, 75%, and 80% for years 1, 2, and 3  
respectively of Total amount due.
- 4- Interest receivable on loans and deposits based on average balance for  
year.

Table 8:

## LCCUL - Source and Use of Capital Funds (M)

|  |      | SOP    | 1      | 2      | 3      |
|--|------|--------|--------|--------|--------|
| <b>Source of Funds and Cost of Capital</b> |      |        |        |        |        |
| <b>Internal</b>                            |      |        |        |        |        |
| Shares                                     | 0%   | 5200   | 5700   | 6200   | 6800   |
| Capitalization Fund                        | 3%   | 36000  | 43340  | 55828  | 85400  |
| Member Savings                             | 6%   | 94000  | 115572 | 145152 | 183939 |
| Fixed Deposits                             | 6.5% | 17000  | 19000  | 21000  | 23000  |
| Lecusa Deposits                            | 5%   | 5300   | 5300   | 5300   | 5300   |
| Miscellaneous Creditors                    | 0%   | 6000   | 7000   | 8000   | 9000   |
| Sub-Total                                  |      | 163500 | 195912 | 241480 | 313439 |
| <b>External</b>                            |      |        |        |        |        |
| UNCDF Capital                              | 2%   | -      | 15000  | 35000  | 80000  |
| Total                                      |      | 163500 | 210912 | 276480 | 393439 |
| <b>Use of Fund and Rate of Return</b>      |      |        |        |        |        |
| <b>Non Revenue Assets: Current A/c</b>     |      |        |        |        |        |
| Fixed Assets, Working Capital              | 0%   | 48000  | 50000  | 55000  | 60000  |
| <b>Fixed Investments</b>                   |      |        |        |        |        |
| Credit Union House                         |      | 61000  | 61000  | 61000  | 61000  |
| Non Credit Union Loans                     | 11%  | 10000  | 10000  | 10000  | 10000  |
| Fixed Deposits                             | 75%  | 18500  | 19591  | 24148  | 31344  |
| Bank Savings                               | 5%   | 6500   | 9796   | 12074  | 15672  |
| Loans to Credit Unions                     | 10%  | 19500  | 60525  | 114258 | 215423 |
| SFPC                                       |      | -      | 39200  | 91867  | 192080 |
| Financed by LCCUL                          |      | -      | 24200  | 56867  | 112080 |
| Financed by UNCDF                          |      | -      | 15000  | 35000  | 80000  |
| Other                                      |      | 19500  | 21325  | 22391  | 23343  |
| Total                                      |      | 163500 | 210912 | 276480 | 393439 |

Table 9:

Estimation of Number of SFPC Participants, SFPC Loan Demand, and Amount Financed by LCCUL

|  |                  |                  |                  |
|--|------------------|------------------|------------------|
| Pilot SFPC <sup>/1</sup>   | 3000 · .07 = 210 | 3120 · .10 = 312 | 3270 · .15 = 490 |
| New SFPC <sup>/1</sup>   | 4000 · .07 = 280 | 4400 · .10 = 440 | 4900 · .15 = 735 |
|  |                  | 4400 · .07 = 308 | 4900 · .10 = 490 |
|  |                  |                  | 4900 · .07 = 343 |
|  | <hr/>            | <hr/>            | <hr/>            |
| Total # SFPC Part.   | 490              | 1060             | 2058             |
|  |                  |                  |                  |
| Loan Demand  |                  |                  |                  |
| Per Participant  | M120             | M130             | M140             |
| SFPC Loan Demand   | 58,800           | 137,800          | 288,120          |
| Financed thru LCCUL<br>Central Finance ( <sup>2</sup> / <sub>3</sub> ) | 39,200           | 91,867           | 192,080          |

<sup>/1</sup> Calculated as follows:

|                                |           |   |     |                     |
|--------------------------------|-----------|---|-----|---------------------|
| Credit Unions in SFPC program: | 1 year    | - | 7%  | of total membership |
| " " " "                        | : 2 years | - | 10% | " "                 |
| " " " "                        | : 3 years | - | 15% | " "                 |

## APPENDIXES

1. Listing of Functions and Processes of Credit Union National Association
2. Job Description of WOCCU Management Advisor
3. Project Schedule

- x 1. Organizational Planning
  - x a) Organizational Analysis
  - x b) Organizational Plan, Objectives
  - x c) Action Planning and Scheduling
  - x d) Monitoring and Evaluation
- 2. Financial Planning and Budgeting
  - x a) Break-even Analysis
  - determination of Capital Requirements
  - c) Loan Grant Application for Operating/Capital Budget Support
  - x d) Invoicing-Formulas and Collection Procedures
  - e) Investment Portfolio Management
  - x f) Budget Preparation
  - x g) Budget Controls and Analysis
- 3. Personnel
  - x a) Function/Task Analysis
  - x b) Job Description/Salary and Benefits Identification
  - c) Recruitment and Selection
  - d) Staff Training
- 4. Accounting
  - x a) System Design
  - x b) Bookkeeping
  - x c) Financial Statement Preparation and Analysis
- 5. Auditing
  - a) System Design
  - b) Information Analysis and Report Preparation
- 6. Office Management
  - x a) Files and Records System
  - x b) Lunch Meetings and Disbursement
  - x c) Information System
  - d) Materials and Equipment Management
  - e) Office Location and Space Design
- a) Training and Organizational Development
  - b) Evaluation
  - c) Staff Development
- 2. Supervision and Management Support
  - x a) Inspection/Accounting Records and Management Procedures
  - b) Financial Statistical Analysis
  - c) Financial Reporting
  - x d) Membership/Savings Promotion Strategies
  - e) Client and Workers' Welfare Soaring Programs
- 3. Training
  - x a) Needs Identification
  - x b) Training Design
  - x c) Training Implementation
  - x d) Evaluation
- 4. Standardized Systems Development and Dissemination
  - a) System Needs Identification
  - b) System Research and Development
  - c) Implementation Strategy
  - d) Effectiveness Assessment
- 5. Credit
  - x a) Loan Rep. Policy Planning
  - x b) Loan Policies and Procedures
  - x c) Loan Rep. Plans
  - x d) Loan Monitoring and Control Procedures
- 6. Supplies
  - a) Supply Needs Identification
  - x b) Production/Purchase Inventory
  - x c) Pricing/Marketing
  - d) Transport/Delivery
- 7. Insurance
  - a) Market Assessment Risk Calculation
  - b) Sales Strategy
  - x c) Premium Collection Procedures
  - x d) Claims Payment Procedures
- 8. Reproduction
  - a) Target Group/Office Needs Identification
  - b) Communications Development
  - c) Dissemination Strategy
  - d) Effectiveness Assessment
- 9. Coordination: Related Public and Private Organizations
  - a) Identification of Potential Services R.
  - b) Identification of Service Sources
  - c) Agreement to Provide Required Services
  - d) Monitoring/Evaluation of Services

Position: Management Advisor/Lesotho Cooperative Credit Union League

Supervisor: Director of Programs/Global Projects Office

Grade: 23

The Management Advisor will be responsible for providing on-site technical assistance to the Lesotho Cooperative Credit Union League and its affiliated credit unions.

## I. Description of Tasks

### A. Institutional Development

In collaboration with LCCUL Board and Management, the Management Advisor will undertake a systematic strengthening of the League's capabilities and services, focusing on the following functions and processes:

#### 1. Organizational Planning and Evaluation

Establishment of a systematic process to enable the League to identify near and long term objectives, formulate rational plans, implement and evaluate.

#### 2. Financial Planning and Budgeting

Identification of requirements for LCCUL to achieve self-sufficiency, including capital requirements, operating income and expense projections, and establishment of appropriate financial and budget controls.

#### 3. Personnel

Establishment of rational personnel system, including detailed job descriptions based on function/task analysis, effective recruitment system, appropriate staff development programs and useful personnel evaluation procedures.

#### 4. Accounting

Establishment of effective bookkeeping and control procedures, preparation of timely and accurate financial statements.

#### 5. Office Management

Establishment of appropriate procedures for handling of LCCUL information, funds receipt and disbursement, and management of materials and equipment.

6. Training

Establishment of training system for LCCUL staff and Board and for credit union leadership, including identification of training needs, design of training programs, implementation and evaluation.

7. Promotion

Design of strategies to expand membership and increase savings in member credit unions.

8. Central Finance

Establishment of appropriate capitalization strategy, lending policies and investment decisions to best serve credit unions and LCCUL long term self-sufficiency needs.

9. Small Farmer Production Credit Program

Coordination of credit and related services, including marketing and technical assistance, development of system to collect and analyze cost returns data.

B. Project Monitoring and Reporting

The Management Advisor will be primarily responsible for monitoring project performance and submitting required reports to participating organizations. Regular monitoring reports will be prepared in the prescribed format describing achievement/non-achievement of scheduled objectives; plus special reports as required dealing with exceptional problems or situations. The Advisor will also monitor project expenditures and submit regular financial reports.

C. Representation and Liaison

The Advisor will serve as the principal liaison between Global Projects, ACOSCA, LCCUL, USAID/Maseru, and the Government of Lesotho. With respect to this function, the Advisor will:

1. Regularly meet with the project participants to determine and ensure mutual agreement on responsibilities and obligations.
2. Identify appropriate communications channels with responsible parties in GOL and interested development organizations.
3. Identify additional resources that can be made available to assist LCCUL pursue its stated objectives, from public or private organizations in or outside of Lesotho.

#### D. Project Management

The Advisor will have principal responsibility for the efficient management of the project, including:

1. Coordination of all logistical requirements connected with the financial and technical implementation of the project.
2. Completion of all required formalities and protocols with the GOL and donor agencies.
3. Efficient acquisition and management of all physical assets required for project implementation.
4. Prompt identification of problems affecting successful implementation of the project and development of appropriate solutions.

#### II. Required Skills

##### A. Demonstrated Professional Competence in the Following Areas:

1. Institutional analysis and development
2. Planning and Evaluation
3. Accounting and Financial Management
4. Training
5. Agricultural Credit Systems

##### B. Demonstrated Capabilities in:

1. Loan Investment portfolio management
2. Office Management systems
3. Personnel systems

C. Demonstrated ability to monitor project implementation, to promptly identify problems, and propose appropriate solutions.

D. Demonstrated ability to analyze financial and non-financial information, to identify problems and propose appropriate solutions.

E. Demonstrated interpersonal skills in a cross-cultural context resulting in the development of appropriate attitudes by host country counterparts.

### III. Other Requirements

- A. Good physical and mental health
- B. At least two years overseas field experience, preferably in Africa.
- C. Previous working experience with credit unions or co-operatives.

Project Schedule

| <u>MONTH</u> | <u>ACTIVITY</u>   | <u>RESPONSIBILITY</u>    |
|--------------|---|--------------------------|
| -1           | Project Approved  | AID/W                    |
| -1           | Allotment of Funds  | AID/W                    |
| -1           | Management Advisor<br>Nominated   | WOCCU/ACOSCA/LCCUL       |
| 0            | Grant Signed  | AID/WOCCU                |
| 1            | (July 1980)<br>Advisor Arrives  | WOCCU                    |
| 4            | New LCCUL Staff Employed  | LCCUL                    |
| 4            | Quarterly Report  | MA/LCCUL                 |
| 6            | New Staff Orientation Complete  | MA/LCCUL/ACOSCA          |
| 6            | Detail Inst. Dev. Plan<br>Prepared  | MA/LCCUL/ACOSCA          |
| 8            | Quarterly Report  | MA/LCCUL                 |
| 12           | Quarterly Report  | MA/LCCUL                 |
| 12           | LCCUL Self-Support At<br>23.2 Percent   | LCCUL                    |
| 12           | 12-15 Inst. Dev. Objectives<br>Completed (See Inst. Dev.<br>Plan, Month 6)            | MA/LCCUL<br>ACOSCA/WOCCU |
| 12           | Movement Growth Indicators as per LCCUL<br>5-Year Plan                                | LCCUL/MA                 |
| 12           | UNCDF Loan Portfolio<br>at M 15,000   | LCCUL/MA                 |
| 16           | Quarterly Report  | MA/LCCUL                 |
| 17           | Mid-Term Evaluation<br>Initiated  | AID/L                    |
| 18           | Quarterly Report  | MA/LCCUL                 |
| 19           | Mid-Term Evaluation<br>Completed. Recommendations Incorporated in<br>Second Half Plan | LCCUL/MA                 |
| 20           | Quarterly Report  | MA/LCCUL                 |
| 24           | Quarterly Report  | MA/LCCUL                 |
|              | LCCUL Self-Support at<br>27.6 Percent   | LCCUL                    |

|    |  |                          |
|----|--|--------------------------|
| 24 | 20 Inst. Dev. Objectives Complete (See Inst. Dev. Plan, Month 6)                   | MA/LCCUL<br>ACOSCA/WOCCU |
| 24 | Movement Growth Indicators as per LCCUL 5-Year Plan                                | LCCUL/MA                 |
| 24 | UNCDF Loan Portfolio at M 35,000   | LCCUL/MA                 |
| 26 | LCCUL Internal Evaluation Initiated  | LCCUL/MA/<br>ACOSCA      |
| 28 | Quarterly Report   | LCCUL/MA                 |
| 30 | LCCUL Internal Evaluation and Outline Plan for 1984-88 Complete                    | LCCUL/MA/<br>ACOSCA      |
| 32 | Quarterly Report   | LCCUL/MA                 |
| 36 | Final Report   | LCCUL/MA                 |
| 36 | LCCUL Self-Support at 32 Percent   | LCCUL/MA                 |
| 36 | 15 Inst. Dev. Objectives Complete (CUM. Total @ 50) (See Inst. Dev. Plan, Month 6) | LCCUL/MA<br>ACOSCA/WOCCU |
| 36 | Movement Growth Indicators as Follows  |                          |
|    | New Credit Unions  | 16                       |
|    | Inc. Savings   | M 464,000                |
|    | Inc. Loans   | M 622,000                |
|    | SFPC Participation-  | 33 Credit Unions         |
|    | SFPC Loans   | M 288,000                |
|    | Central Finance Operating LCCUL Revenues   | M 45,000+                |
| 36 | Advisor Departs  | WOCCU                    |

intensity of contact with credit union leaders and officials required to identify and systematically correct problems. As indicated, a major element of the project strategy is to provide LCCUL with the resources required to employ and train a staff adequate to the needs of its affiliates.

B. LCCUL Analysis

1. Technical Capabilities

The League has demonstrated technical capabilities in a number of its important functional responsibilities. These include:

- credit union promotion and organization: more than 50 credit unions have been organized and registered in a country where the population is dispersed throughout areas where access is difficult;
- training and education: the League has reached hundreds of board members, officials and members of credit unions with effective programs in credit union philosophy, bookkeeping, production credit and adult education methods;
- supply services: credit unions are kept supplied with books and ledgers, membership cards, stationery, and other materials essential to their operation;
- insurance program: the League pioneered the introduction of share and loan insurance for credit unions in Africa and now virtually covers all member savings and loans.

Balancing the League's demonstrated capabilities are areas where improvement is required. Two principal factors account for deficient capabilities. First, LCCUL is seriously under-staffed. Presently, only 3 professionals work at LCCUL Headquarters, including the Field Services Manager, Insurance Officer, and Assistant Accountant. The positions of General Manager and

Central/ ...

Central Finance Manager are vacant, due to a lack of funds. There are only four Field Officers to serve more than 50 credit unions, a ratio that would be inadequate in a geographical setting far more favourable than Lesotho. The strengthening of credit unions requires frequent visits both to identify and correct problems and to carry out a systematic program of skill development. Until such time as the League has an adequate field staff, it cannot provide adequate technical support to its affiliates.

The addition of staff, alone, will not suffice to eliminate League performance problems. Staff must be equipped with the technical skills required to effectively and efficiently support and service League affiliates. Central to this project is both provision of financial resources to permit adequate staffing and the technical resources to strengthen the skills of that staff.

#### Agricultural Production Credit

Agricultural production leading to small farmers first began on an experimental basis in three pilot credit unions in late 1974. SFPC loans have been issued for crop production, animal husbandry and cottage industry purposes. The experience gained from the SFPC program led to refinement of the various lending strategies, establishment of credit policy and capitalization policy guidelines, and the development of new farmer training and technical assistance programs to assist SFPC borrowers. The expanded loan demand also led to increased credit union income and, as a result of the forced capitalization requirement, significant increases in farmer savings. / ...

savings. (Analysis of SFPC impact is described in detail in CUNA's 1977 Evaluation Report.)

Implementation of the pilot scheme, however, was not without problems. Both the AID and CUNA 1977 project evaluations identified certain deficiencies in the project, primarily in the area of delinquency control, input supply and marketing, and the development of more reliable costs/returns data on SFPC loans. The proposed project places special emphasis on resolving these deficiencies. Based largely on experience gained in earlier years, the League's financial role in SFPC lending will be enhanced with the League providing SFPC loans directly to credit unions for on-lending to small farmers. Likewise, the League's role in supervising and coordinating farmer support services such as agricultural technical assistance, input supply and marketing will also be strengthened. The Field Service Manager will have specific responsibility to coordinate the League's SFPC program with the agricultural support services provided by the Ministry of Agriculture (extension services), Coop Lesotho and BASP (input supply) and the Produce Marketing Corporation (marketing). In addition, all Field Officers will receive intensive training related to the SFPC program to ensure that SFPC participants are provided on-going technical assistance.

The expansion of the production credit program will be on a phased basis with ten new SFPC credit unions brought in during each of the project's three years. The intent of this phased approach is to

ensure/ ...

*appears that  
the SFPC wants  
to have a  
program  
to provide  
technical assistance  
to small farmers*

ensure that it does not outpace the League's capacity to administer the program. SFPC lending targets estimate that 490 small farmers will be served in the first year of the project expanding to 2,058 at the end of the project. SFPC loan volume is expected to increase from M58,800 in year 1 to about M288,120 in year 3. (1)

3. Financial Status

LCCUL has operated a deficit for several years. Even with a limited staff, operating expenses exceeded League-generated revenues. In 1978 total expenses were estimated at M 52,332, while revenues were M24,401. Donor support has met the deficit of more than M27,000.

*The document  
is so written  
as to convey  
the message*

The financial situation of LCCUL entails a vicious circle. League revenues are linked to movement savings; progress toward self-sufficiency depends on the rate of growth of these savings. This rate, in turn, is linked to the League's ability to promote and strengthen credit unions. The limited revenues produced by a slow growth in savings effectively eliminates that ability in the absence of sustained and substantial external assistance.

The project strategy which entails providing the resources required to improve the quantity and quality of League staff, represents an attempt to end the vicious circle by stimulating

a vigorous acceleration in the growth of movement savings. This is supported by the SFPC program which will substantially increase both credit union and LCCUL lending, resulting in acceleration of movement revenues.

*where did the SFPC program  
to increase lending?*

(1) Annual loan demand estimated at M120 per participant based on prior SFPC experience, increasing to M130 in year 2 and M140 in year 3

C. Strategy for Development

1. Project Objectives

As elsewhere, the credit union movement in Lesotho is a total system in which both problems and successes affect each of its elements: the member, the credit union and the League. Therefore, this 3-year project, and the LCCUL Five-Year Development Plan on which it is based, includes three objectives that treat the system as a whole.

Objective 1: By the end-of-project LCCUL technical capabilities will permit provision of essential technical and financial services to affiliated credit unions and their membership

The project strategy related to this objective involves: 1) provision of the resources required to employ and retain sufficient LCCUL staff to strengthen an expanding credit union movement; and 2) application of those technical resources necessary to define essential functions and procedures as well as to ensure League staff capability to perform these adequately or better. Using a methodology developed by WOCCU/Global Projects, League performance will be periodically assessed against acceptable standards for all critical functions and processes. By the end-of-project, League personnel will be able to provide auditing, central finance, supplies, technical assistance, training, insurance, promotion, organization and small farmer production credit services to affiliates.

Objective 2:/ ...

Objective 2: By the end-of-project conditions for achievement of financial self-sufficiency by LCCUL within 5 years after termination of this project will have been created.

The project strategy involves: 1) strengthening LCCUL financial planning and management capability to ensure efficient utilization of available resources; 2) significant acceleration of movement savings and loan volume through expansion and strengthening of the movement and provision of small farmer production credit support to an expanded number of credit unions (see Objective 3).

(Note: Projection of LCCUL self-sufficiency within 5 years after termination of this project includes the assumption that a follow-on activity will be initiated, containing a capital grant component,

It is not assumed that AID would fund any portion of the follow-on

activity. If a need for this follow-on activity was demonstrated, alternative funding sources would be consulted. It would only be considered following an end-of-project evaluation which indicated that: 1) LCCUL achieved significant success in meeting this project's objectives; and 2) loan demand projections demonstrate a real need for external capital funds. These funds would be loaned to affiliated credit unions to meet the increased demand created by an expanded SFPC program; interest earnings on these loans represent  
the major revenue source for LCCUL, accelerating its progress  
toward financial self-sufficiency. Projecting current trends, without the capital grant component, LCCUL would require more than

20 years/ ...

20 years to reach financial self-sufficiency. It should be noted that an increase in LCCUL interest rates to between 18 and 24 percent would produce an equivalent revenue. However, in the absence of a country-wide increase of commensurate magnitude, such a change would substantially reduce credit union loan demand.)

Objective 3: By the end-of-project the membership, savings and productive loans of LCCUL-affiliated credit unions will have been significantly increased.

The project strategy involves: 1) intensive promotional and educational efforts in areas with potential for substantial increase in membership of existing credit unions and for establishment of potential new credit unions; 2) intensification of the frequency and quality of technical support to existing credit unions, resulting in improved performance, strengthening of member confidence, and impetus to growth; and 3) expansion of production credit programs responsive to member needs, producing increased loan volume, member income and derivative savings.

The table below displays the growth projections developed by LCCUL staff and WOCCU/Global Projects:

| Indicator \ Year | SOP (1) | 1      | 2      | 3 (EOP) | 5      | 8      |
|------------------|---------|--------|--------|---------|--------|--------|
| Credit Unions    | 52      | 57     | 62     | 68      | 80     | 90     |
| Rural            | 51      | 54     | 57     | 61      | 69     | 75     |
| SFPC             | 3       | 13     | 23     | 33      | 53     | 65     |
| Urban            | 1       | 3      | 5      | 7       | 11     | 15     |
| Membership       | 22,000  | 24,290 | 27,540 | 31,470  | 39,320 | 49,901 |
| Rural            | 21,650  | 23,540 | 26,390 | 29,920  | 36,970 | 46,351 |
| SFPC             |         | 490    | 1,060  | 2,058   | 8,644  | 20,000 |
| Urban            | 350     | 750    | 1,150  | 1,550   | 2,350  | 3,550  |
| Savings (M 000)  | 850     | 963    | 1,117  | 1,314   | 1,829  | 3,305  |
| Rural            | 815     | 908    | 1,028  | 1,176   | 1,551  | 2,803  |
| Urban            | 35      | 55     | 89     | 138     | 278    | 502    |
| Loans (M 000)    | 612     | 752    | 942    | 1,234   | 2,700  | 6,180  |
| Regular          | 612     | 693    | 804    | 946     | 1,317  | 2,380  |
| SFPC             |         | 59     | 138    | 288     | 1,383  | 3,800  |

(1) Start of Project estimated June 1, 1980.

The growth targetted represents the best judgment of League and WCCCU staff as to what is realistic. Although conservative, the targets represent significant growth. By the end of the third year:

- 16 new societies will be formed, a 31 percent increase. The economic base will be broadened by a sevenfold increase in urban credit unions with their wage-earning membership;
- total membership will be increased by more than 43 percent, including a 343 percent increase in urban members;
- movement savings will increase by 55 percent with the urban member share increasing from 4 to 11 percent;
- nearly 2100 members will be brought into the SFPC program; SFPC lending will increase by almost M290,000 to 23 percent of the movement loan portfolio;
- Movement loan volume will increase by M622,000 a growth of 102 percent; loan/savings ratios will increase from 72 to 94.

The nature of the growth, rather than the magnitude, is of the most importance. **First**, the LCCUL strategy involves intensive promotion in the urban areas. Here the wage-earning member has the ability to save regularly and in significant amounts. This effort will provide a stimulus to movement savings. The urban credit union member also tends to save more than borrow. Thus an increasing surplus saving becomes available for relending in the rural areas, reversing the normal flow of capital.

**Second**, the expansion of the SFPC program will substantially increase the availability of production credit. Experience in the three pilot project credit unions suggests that introduction of the program stimulates loan demand: aggregate loan

volume/ ...

volume increased by twenty-four percent between 1975 and 1976. Experience indicates that production credit loans, particularly those for spinning and livestock, have proved profitable and result in increased income to the members participating.

Third, there is an emphasis on stimulating movement savings. Lesotho's credit unions already have an admirable record of mobilizing substantial capital from persons once believed too poor to save. In many parts of the country, the credit union represents the only modern institution that offers a place to save and is most likely the only form of organization that can provide this service economically.

#### Estimated Impact

##### a. Credit Union Membership

The impact of this project on credit union membership includes:

- 1) expansion of the opportunity to save to as many as 10,000 new members in 10 rural communities and Maseru during the 3 years;
- 2) increased access to production credit for almost 30,000 rural members of credit unions with an estimated M288,000 available to almost 2,100 members by the end of the third year;
- 3) improved access to inputs, extension and marketing services for members of 33 credit unions by the end of the third year;
- 4) participation in LCCUL training programs in bookkeeping, financial management, adult education methods, and agricultural technology for over 2,000 credit union members by the end of year three.

b. / ...

b. Appropriate Technology

Appropriate technology usually focusses attention on production technology. In this respect the project will promote Government approved agricultural and animal husbandry technology as well as continue support for the CARE-sponsored mohair spinning project.

The concept of appropriate technology can also be applied to institutions. Credit unions with their largely voluntary staff, simple procedures, and reliance on the community and cooperation qualify as an appropriate institutional form.

The rapid growth of credit unions in Lesotho and in 21 other African nations, is testimony to the appropriateness of the institution. Today in Africa there are almost 10,000 credit unions, more than 1.25 million members, and movement savings in excess of \$100 million. This growth would not have occurred had not the institution and its technology been appropriate.

c. Women in Development

More than 75 percent of credit union members in Lesotho are women. Women are also predominant on the Boards and Committees responsible for credit union policies and operations and are a significant majority among credit union bookkeepers and accountants. The AID-assisted mohair spinning project, which provides credit for purchase of equipment and supplies, is comprised almost

entirely/ ...

entirely of women. Similarly, more than 50 percent of the SFPC borrowers have been women. The LCCUL has consistently included women Accountants and Field Officers. In summary, the majority of beneficiaries of credit union activities as well as those responsible for direction and operation of the movement are women.

d. Poorest Majority

Fundamental to credit union membership is the ability to save, however limited. The segment of the population with no income available for savings does not belong to credit unions. By the same token, the credit union does not serve the wealthy who have easy access to commercial banks for both savings and loans. At present, the composition of credit union membership in Lesotho is predominantly rural and poor.

One of the principal benefits of the project is the expansion of the SFPC program to greater numbers of poor farmers. Without access to other credit channels, the rural poor must rely on their credit unions to provide the necessary financial resources. To assess the impact of the SFPC program on member productivity and income, information will be compiled during the project via the loan application forms, supplemented by direct interviews and observations, for a sampling of SFPC participants.

One / ...

One component of the LCCUL Five-Year Development Plan is the expansion of the credit union promotion to lower-middle and middle-income wage-earners. This group has the capacity to save in greater increments than the rural membership and thus expands the capital base of the movement. There is ample evidence from other African countries that the surplus savings created will move through the League's Central Finance program to meet the credit needs of rural credit union members. This should increase the movement's impact on its poorest majority.

e. Increased Employment

The direct employment impact of the project is limited. LCCUL staff will increase from 7 to 13, and the employment of part and full-time staff by credit unions will be only marginally increased.

*- This account is a perfect model for the*

Indirectly, the SFPC program through provision of credit will permit some movement from subsistence to surplus agriculture. This should modestly affect underemployment in the rural areas. Second, the training provided by the League, e. g., accounting, cooperative management, loan portfolio management, etc., equips credit union members with skills useful for employment within the private and public sector. Third, increased capital formation is a necessary condition for development; it is essential to increased employment. Credit union savings mobilization has an indirect effect in this area.

*This is limited*

f./ ...

f. Institutional Impact

Fundamental to credit union development is the assumption that sustained and expanded impact on individuals is contingent on a technically sound and financially viable institution. The objectives of this project are wholly directed to strengthening LCCUL technical and financial capabilities so as, in turn, to strengthen the credit unions. The goal of the project is to expand and improve an institutional system that can provide cooperative savings, credit and related services to an increasing number of families in Lesotho.

3. Project Compatibility with Government of Lesotho Development Priorities

The Government of Lesotho's principal development objective is strengthening of the agricultural sector. The Government's second Five-Year Plan emphasized the need for an effective agricultural credit system. As of 1975, 85 institutions were involved in providing some form of agricultural credit; of these, 48 were credit unions. At that time, membership and assets of credit unions represented 63 and 69 percent respectively of the total cooperative sector. The second Five-Year Plan specifically noted the success of the League pilot production credit program. The Government's policy clearly indicates that cooperatives will remain a principal vehicle for credit delivery. The Plan targeted R 187,500 in funding and technical support to the credit union movement over the five year period (1975/76 - 1979/80).

The close/ ...

The close working relationship between the League and the Government will be intensified during the project period. The Ministry of Cooperatives and Rural Development has provided 1 field inspector to LCCUL to undertake and complete audits of the member credit unions. In addition, the Ministry is channelling \$100,000 from the United Nations Capital Development Fund (UNCDF) to LCCUL for on-lending to member credit unions for production credit purposes.

A major emphasis of the Government's agricultural development efforts is the Basic Agricultural Services Program (BASP). This project encompasses the entire lowland and foothills area of Lesotho where the majority of credit unions are located. The BASP project focusses on provision of inputs, marketing, technical assistance and credit. The latter is to be provided by the recently-established Agricultural Development Bank which is seen as the national apex organization for agricultural credit. As stated in the Second Five-Year Plan, the ADB "... will service the residual credit needs ... that are not met by existing institutions ... Every effort will be made to strengthen lending through credit unions, cooperatives, and perhaps farmers associations.". It is expected that as the League's SFPC program expands, with the corresponding increase in farmer loan demand, the ADB will be interested in channelling credit through the credit union system. This will not only provide needed capital resources to the credit union movement, but will enable the ADB to lower its overall lending costs.

Finally, / ...

Finally, Government support is again demonstrated in the draft Third Five-Year Plan, in which this specific project is included with a brief description of the project objectives and targets.

Government policy, which increasingly appears oriented toward the cooperative approach to develop the rural sector, has consistently supported LCCUL's efforts in savings mobilization, productive lending, human resource development and adult education.

#### Analysis of Resource Utilization

Estimation of resource utilization for this project involves substantial complexity and requires measurement of benefit in areas where there is little uniformity or agreement on methodology.

The complexity is inherent in the calculation of project benefits at the member, credit union and League levels and in the sequence of institutional development relationships. Questions of methodology arise in assessing attributable movement growth both directly and in relation to their contribution to national development.

To deal constructively with problems of measurement, emphasis is given to the growth of the credit union movement membership, savings and loans, and to the intermediate impact on credit unions and LCCUL. To simplify the estimation of beneficiary ratios, funding is not allocated on a percentage basis to specific objectives; rather each element of benefit is related to total funding.

Movement/ ...

a. Movement Growth

Strengthening LCCUL capability is of value only to the extent that it results in a demonstrable increase in members served by credit unions; in accelerated mobilization of savings; and in expanded lending to members. The ultimate financial viability of the movement at each level depends in turn on growth in these areas.

b. Savings

In assessing project impact on movement growth, two approaches can be used: 1) gross increase in growth divided by project costs; 2) attributable increase in growth divided by project costs. While both methods are used, the latter provides a more accurate assessment of project impact. The basic assumption is that credit union movement savings and membership growth trends, once established, can be reliably projected using regression analysis. There is a high degree of probability that, in the absence of additional resources, member and savings growth will correspond closely to projections based on established trends. The table below compares movement savings growth at the end-of-project, and upon attainment of self-sufficiency 5 years hence, using both current trends and the growth projected by this development effort.

Movement Savings at Current and Targetted Rates  
(M 000)

| <u>Year</u>                    | <u>Current Trend</u> | <u>Targetted</u> | <u>Difference</u> |
|--------------------------------|----------------------|------------------|-------------------|
| 3 (EOP)                        | 1,138                | 1,314            | + 176 (\$ 220)    |
| 8 (League<br>Self-Sufficiency) | 1,493                | 3,305            | +1,812 (\$2,261)  |

The/ ...

The three-year expenditure totals \$930,051 of which the USAID contribution would be \$629,842. Since the incremental difference in savings results primarily from the proposed AID inputs, a benefit/cost comparison indicates that by the end of year 3, \$ 35 in additional savings will have been mobilized by each \$100 in AID inputs.

Application of basic macroeconomic theory substantially magnifies this impact. If it is assumed that marginal propensity to save in Lesotho is 0.2, a multiplier effect on income results equal to 5 (the reciprocal of MPS). Assuming the adequacy of the theory, the impact of increased savings on national income in year 3 would be \$1,100,000; thus \$100 of AID investment would produce \$ 175 in national income.

Two considerations relate to these estimates. First, credit unions in Lesotho compete marginally with other financial institutions. Savings in credit unions are unlikely to be captured by commercial banks, savings banks and other **repositeries**. Second, the targets of accelerated growth in movement savings are conservative and are likely to be exceeded.

c. Loans

A second measure of impact is in loan volume. In examining impact attributable to the project, the following table compares cumulative lending at current trends with that targetted by the project:

Cumulative Lending at Current and Targetted Rates

| <u>Year</u>                    | <u>(M 000)</u>       |                  | <u>Difference</u>  |
|--------------------------------|----------------------|------------------|--------------------|
|                                | <u>Current Trend</u> | <u>Targetted</u> |                    |
| 3 (EOP)                        | 2,008                | 2,928            | + 920 (\$1,150)    |
| 8 (League<br>Self-Sufficiency) | 6,746                | 22,145           | +15,399 (\$19,240) |

Over the life of the project, \$ 100 in AID investment will result in \$ 183 in cumulative movement lending.

d. Movement Self-Sufficiency

Credit union and LCCUL financial self-sufficiency are directly linked to movement savings and loans. In the case of credit unions, revenues on loans less the cost of capital (dividend rate) and statutory reserve, represent the major source of earnings. If it is assumed that the project will produce an increase in cumulative loan volume of M 920,000 and that the margin on lending averages 4 percent, funds available to meet operating costs will increase by M36,800, an average of M541 per credit union. LCCUL income is largely attributable to the margin on lending, dues based on loan volume, and insurance commissions based on both shares and loans. A subsequent section of this proposal details the impact on LCCUL financial self-sufficiency as a result of this project. In sum, the project will establish the foundation for LCCUL to reach break-even within 5 years following the completion of the project, as opposed to more than 20 using current trends.

The impact estimates provided should demonstrate that the project will produce benefits substantially greater than donor costs. As

such/ ...

such the project represents a defensible use of available resources, comparing favorably with similar alternatives.

5. Project Institutionalization

The project purposes and objectives are directed at consolidating the technical and financial self-sufficiency of credit unions and ensuring the technical and financial self-reliance of LCCUL.

a. Technical Self-Sufficiency. The objectives and design of this project include: 1) ensuring a technically self-sufficient national association with the ability to; 2) develop and maintain technically viable credit unions. The approach involves: 1) establishing measurable outcomes for performance of essential national association and credit union functions and processes, as listed in Appendix 1; 2) analysis of current performance and identification of factors inhibiting adequate performance; 3) establishment of an institutional development plan to systematically define procedures and develop skills; and 4) periodic monitoring and correction of institutional development activities. Project personnel will focus their efforts on the procedures and skills necessary for LCCUL to both manage its operations and carry out the institutional development of affiliates.

b. Financial Self-Sufficiency. This is defined as meeting all real costs from internally-generated income. In assessing potential for self-sufficiency, the distinction must be drawn between the

credit/ ...

credit union and a national association. In the case of the former, costs are generally modest and potential revenues relatively high. The situation is reversed for the national association: costs are high and revenues, which are a direct or indirect derivative of credit union income, are initially low. National associations are victims of an unfortunate paradox. In the absence of a national association, growth of the credit union movement proceeds at an uncertain pace and is unlikely to reach a level that will sustain a national service organization; to promote the growth required to sustain a national association, that association is essential.

Financial break-even at the local level is largely dependent on savings mobilized. Savings levels determine loan volume which, in turn, determines interest revenues. These are the major source of income from which most expenses are met. During the initial years, most credit unions have insufficient income to meet the expenses of part - or full-time employees. In Lesotho, a substantial proportion of credit unions are small: twenty-five have savings less than M10,000; fourteen have savings between M10,000 and M20,000. While these credit unions could employ part-time staff, they could do so only by foregoing or significantly reducing dividends. Full break-even, which entails payment of a competitive dividend and meeting the operating costs necessary to provide adequate service, is attainable only with significant increase in savings.

Most/ ...

Most credit unions in Lesotho presently show an operating margin: revenues exceed variable and fixed costs before calculation of reserves and dividends. This margin is generally between 1 and 4 percent of total savings, leaving little available for reserves and dividends.

Expansion of the SFPC program should provide a stimulus to the savings growth of participating credit unions. During 1975/1976, member savings in the three pilot project credit unions increased by twenty-three percent; this compares more than favourably with the national average of 7.5 percent. This can be attributed to the following factors: 1) each SFPC borrower was required to augment his savings by 10 percent. In most instances the actual increase was approximately 30 percent; 2) the presence of a full-time manager not only facilitated the deposit of savings by all members, but also enhanced other services which, in turn, strengthened member confidence; 3) the stimulation of member interest caused by the SFPC program activity also led to high levels of saving; 4) the initial income gains experienced by SFPC participants found their way into increased savings. There is reason to believe that these factors will lead to accelerated savings mobilization in other credit unions that participate in the SFPC program.

LCCUL self-sufficiency represents a more substantial problem. Income from dues, insurance commissions, supplies, and loans to affiliated credit unions do not match the costs incurred by even

a/ ...

a skeletal organization providing minimal services. The possibility of increasing revenues significantly lies mainly with the volume of the central finance program which, in turn, can be increased significantly by the SFPC program.

Savings and deposits of member credit unions with LCCUL are projected to increase dramatically during the project's 3 years, from M164,000 to M313,000. In addition, as mentioned above, UNCDF has committed M180,000 to LCCUL for its central finance program. As projected, SFPC lending will increase to M288,000 in year 3, two-thirds will be financed by LCCUL, one-third by the credit unions. Accordingly, the League's lending to credit unions will increase from the current M20,000 to M215,000 by year 3; and interest income on these loans will increase from M3,601 in year 1 to M14,836 in year 3.

In order to meet projected SFPC loan demand beyond year 3, additional capital funds will likely be required from external sources. Assuming such capital is available, at concessional rates similar to the UNCDF loan (2%), LCCUL would be able to earn interest income on its loans sufficient to break-even within 5 years after project completion.

IV. / ...

IV. PROJECT DESIGN AND IMPLEMENTATION

A. Design

During the 3 years of the project, the credit union movement in Lesotho will be strengthened and stabilized, creating a strong base for subsequent growth and expansion. The project will result in an expanded League staff, with skills adequate to meet needs of member credit unions; defined operational policies and procedures for both LCCUL and credit unions; and significant increases in movement membership, savings, and loans.

By the end-of-project, three objectives will be achieved:

- 1 - LCCUL technical capabilities will permit provision of essential technical and financial services to affiliated credit unions and their membership.
- 2 - Conditions for achievement of financial self-sufficiency by LCCUL within 5 years after termination of this project will have been created.
- 3 - The membership, savings, and productive loans of affiliated credit unions will have been significantly increased.

Critical design elements for each objective are summarized as follows:

1. Technical Capabilities

Required Inputs:

- Budget support for salaries, benefits and related administrative and operating costs for additional LCCUL staff;
- Sufficient qualified and motivated personnel to fill additional positions;
- Technical support to define critical LCCUL and credit union processes and procedures as well as to ensure adequate training of LCCUL staff in their operation.

Anticipated Outputs:

Staffing of all positions specified in LCCUL Five-Year Development Plan with qualified and motivated personnel;

Detailed definition of critical LCCUL and credit union processes and procedures consistent with statement of acceptable outcome and available skills and resources;

Training of League staff resulting in ability to perform all processes and procedures as defined;

Acceptable or better performance of critical credit union processes and procedures by committees and officials of representative credit unions, directly attributable to improved LCCUL technical capabilities.

2. Financial Self-Sufficiency

Required Inputs:

- Budget support for League personnel necessary to promote and expand credit union membership, savings, and loans;
- GOL Ministry of Agriculture extension services, input supply and marketing support necessary to expansion of SFPC program;
- Technical assistance in strengthening LCCUL Central Finance Department processes and procedures.

Anticipated/ ...

Anticipated Outputs:

- Establishment of 16 new credit unions; increase in membership by 9,470; increase in savings of M463,850; increase in loans of M 622,000;
- Increase in credit unions participating in SFPC program from three to 33; increase in SFPC participants and loans to 2058 and M'288,120 respectively;
- Definition of LCCUL Central Finance processes and procedures to ensure maximum return on investment consistent with acceptable levels of risk and provision of required financial services to membership;
- Increase in LCCUL revenues from M24,401 to M46,834; establishment of savings and loan trends combined with estimated increases in administrative and operating costs that suggest acceptable probability of LCCUL Revenues reach M281,372 within 5 years after project completion, equivalent to 96.1 of self-sufficiency.

3. Significant Increase in Credit Union Movement Growth

Required Inputs:

- Budget support for required League Staff and related costs;
- Technical assistance in design and implementation of promotion strategies that produce maximum growth of movement indicators consistent with efficient use of resources and the League's mandate to serve its affiliates.

Anticipated Outputs:

Increases over current trends in movement:

- Membership by 5,000 to 31,470;
- Savings by M. 176,000 to M1,314,000;
- Cumulative loan volume by M 920,000 to M2,928,000.

B. Implementation

Five organizations will play significant roles in project implementation: LCCUL, ACOSCA, WOCCU, AID and The Ministry of Cooperatives and Rural Development. The Ministry of Agriculture and the Institute of Extra-Mural Studies (IEMS) will provide supporting services while continued financial support from Misereor will be provided during year 1. The major inputs of each participating organization are as follows:

1. LCCUL: LCCUL will provide the staff, organizational resources and an increasing proportion of project costs. At present, the staff includes the Field Services Manager, Insurance Officer, Assistant Accountant, and 4 Field Officers. Project implementation will permit employment of the General Manager, Central Finance Manager, and 2 additional Field Officers in the first year, increasing by one in years two and three. LCCUL in its Five-Year Development Plan emphasizes that numbers alone will not suffice; the League is committed to an ongoing program of staff development to ensure continued improvement in the quality of service to affiliates.
2. ACOSCA: ACOSCA is the major resource available to the credit union movement in Africa. ACOSCA staff include professionals with technical capability in central finance development, risk management program operation, training and education. The ACOSCA Southern Regional Office, based in Maseru, will provide and coordinate training and technical assistance to LCCUL

throughout/ ...

throughout the project. ACOSCA personnel will assist in League planning, financial management, evaluation of potential SFPC credit unions, and liaison with Government of Lesotho and other development agencies. ACOSCA Headquarters personnel in Nairobi will provide support to central finance program operation, risk management and training programs. ACOSCA will also play a central role in project monitoring and evaluation.

3. WOCCU/CUNA Global Projects: A 3-year resident advisor will be recruited and selected jointly by ACOSCA, LCCUL and Global Projects. This advisor will assist in League institutional development and expansion of the SFPC program. Specifically, he/she will assist LCCUL staff to complete an institutional analysis; to develop minimal performance standards for LCCUL processes; to define processes and procedures; and to assist in development of on-the-job training programs to strengthen staff skills. The advisor will also assist in developing systems for SFPC data collection and analysis and development of appropriate loan programs. (See job description, Appendix 2).

AID: It is proposed that AID provide three years of funding totalling \$629,842. Funds will be provided for 1) three years of long and short-term technical assistance (\$320,686), 2) LCCUL budgetary support, i. e., personnel costs, training costs, office expenses, staff travel, and contingency allowance (\$304,843), and 3) commodities (\$4,313). (See Tables 1 through 5 for specific project costs).

5. Government of Lesotho: One cooperative officer will be provided by the Ministry of Cooperatives and Rural Development to LCCUL to undertake audits of member credit unions. In addition, Ministry field staff which will include 10 senior cooperative officers and 20 cooperative officers will continue to contribute at least 20% of their time for monitoring and support of primary level credit unions. Current plans call for Ministry staff to be decentralized in the 10 Districts, also corresponding with LCCUL plans to decentralize its field staff. Closer coordination and sharing of resources, particularly with respect to transportation, is expected to result.

In addition, the Ministry of Agriculture will provide agricultural technical assistance to credit union members, with special emphasis on the SFPC participants, who will receive training at subsidized rates at government training centres. Input supplies for credit union members as well as marketing services will be coordinated by the organization to be established by the proposed merger of Coop Lesotho and the Produce Marketing Corp.

Project implementation will proceed according to the schedule shown in Appendix 3.

C. Monitoring and Evaluation

Monitoring will be jointly carried out by ACOSCA and WOCCU/Global Projects. The monitoring approach will be based on registering achievement of interim objectives that will be developed by the LCCUL staff and resident advisor on a periodic basis. Where problems are identified that inhibit achievement of interim and/or project objectives or which imply modification of project design, a detailed analysis and recommended solutions will be provided to LCCUL's Board and General Manager. USAID and other participating organizations will receive quarterly monitoring reports.

The project will be evaluated after 18 months and at the end-of-project to meet AID evaluation requirements. Performance will be measured against the stated quantitative targets, e.g., movement membership, savings, loans, SFPC participants and loans, etc. Secondly, improvement in LCCUL and credit union institutional capabilities will be measured using an approach developed by Global Projects that compares actual performance against minimal standards for each institutional function and process. Thirdly, the financial status of LCCUL and the credit unions will be assessed primarily in terms of the degree of self-sufficiency attained. Finally, project impact on SFPC participants, in terms of resultant changes in productivity, income, and standards of living will be measured using information collected from loan applications, interviews, and observations for a sample of program participants.

It is/ ...

It is also proposed that an internal evaluation be conducted by LCCUL during the third year of implementation. The purpose of the evaluation would be: 1) assess progress made toward achievement of project objectives and outputs; 2) identify those factors related to achievement and non-achievement of objectives and outputs; and 3) identify any follow-on activity required, including, if appropriate, objectives, strategies, resources, and alternative sources of support.

V. FINANCIAL PLAN

The total estimated three-year cost of this project is U.S. \$930,051. Of this amount, LCCUL is expected to contribute \$135,390 or 14.6 percent. Other donors are expected to provide \$164,819 or 17.7 percent of total costs. It is requested that USAID fund the project at the level of \$629,842 or 67.7 percent. It should be noted that the LCCUL contribution to non-Technician project costs will increase from 23.2 percent in the first year to 32 percent in the third year.