
3rd Edition
September 2011
Preface

The document which follows is the third edition of The Hunger Project (THP)-Africa’s Microfinance Program (MFP) Manual. The original manual, entitled A Sustainable Economic Empowerment Program for the African Women Food Farmer, was produced in 2000, and its purpose was to serve as the blueprint for the newly launched African Women Food Farmer Initiative (AWFFI) microcredit program. The first manual was written by Caroline Hossein, the Senior Program Officer for the AWFFI at the time, and Dr. Fitigu Tadesse, Vice President for Africa Programs. In 2005, Jennifer Thomson, the Senior Program Officer for AWFFI, began to revise the original manual. When Sanaz Memarsadeghi took over the post in 2006, she continued and finished the project also under the direction of Dr. Tadesse. The changes they proposed were based on a number of programmatic transformations, including:

- The program had evolved into a microfinance program from a microcredit program in order to deemphasize the central role of credit in the program. It was widely recognized that the savings mobilization component was equally if not more important than the credit component in empowering rural partners to end hunger and poverty and to achieve self-reliance. Moreover, financial services for the poor should extend beyond access to a simple loan.

- While the program was originally implemented as an independent project outside of THP epicenters, beginning in 2003 the microfinance program became an integrated component of the Epicenter Strategy and was only implemented in areas identified as part of THP epicenters. Experience since that time has shown that the program is most effective when it is part of an integrated rural development strategy that emphasizes the empowerment of women.

- Seventeen government-recognized, independent and women-led rural banks had been created. In establishing these banks, many lessons emerged with regard to how to create sustainable, self-reliant and member-owned financial institutions.

- While the focus of the program remained on rural women, male partners had begun to participate. The Strategic Planning In Action (SPIA) microfinance program was the male version of the AWFFI microfinance program, and it followed the same principles and procedures.

During the THP-Africa Conference on the Epicenter Strategy and Microfinance in Addis Ababa in May 2007, Country Directors and AWFFI Project Officers reviewed the preliminary draft of the revised manual and made further recommendations on manual content. These recommendations were taken into account when finalizing the manual. Conference discussions also form the basis of Chapter 7 of the manual, Best Practices in Microfinance and Vision for the Future. Translation of the revised manual into French was also a collaborative effort between the Global Office and the francophone THP-Africa staff, and it was led by THP-Africa Program Assistant Kathryn Mahoney.
Since the writing of the revised manual in 2007, THP’s MFP has continued to evolve, as has the context in which it operates. The following are a few examples of some of the changes that have occurred:

- THP renamed the two programs. AWFFI is now known as the Microfinance Program for Women (MFP-W) and SPIA is the Microfinance Program for Men (MFP-M). The new names are more inclusive (not all loans are used for agricultural purposes), more accurate and self-explanatory.

- Some countries have developed new products and services. For example, Benin and Uganda offer microinsurance and Senegal extends larger loans to groups of women for value addition.

- In line with microfinance industry standards, the quantitative quarterly reporting format has been upgraded. The new web pages are based on the SEEP Frame Tool, and include these five sections: Ratios, Income Statement, Balance Sheet, Portfolio Data and Non-Financial Data.

- THP has reopened the debate about how long it takes to achieve self-reliance and what a truly autonomous rural bank looks like. And some countries (Ethiopia and Francophone West Africa) have new legislation that requires recognizing rural banks before THP can begin the MFP.

- A lot of research has been conducted in the field of microfinance. Of particular interest to THP, is the question about which type of community-managed loan funds work best. The World Bank’s Consultative Group to Assist the Poor (CGAP) argues that savings-led models (as opposed to those where loans are financed by an injection of external funds) have the greatest success.

- THP has developed its Monitoring and Evaluation (M&E) framework, which now includes a set of quarterly output indicators. Additionally, THP worked with consultants to finalize a Theory of Change, and the next step will be to identify associated outcome- and impact- level indicators.

With developments such as those mentioned above and countless lessons learned, an updated manual was needed to describe the proper implementation of the MFP in an epicenter. The document that follows is the updated manual, and it is the result of a large, collaborative effort between the THP-Africa Department in the Global Office and the THP-Africa staff in the eight African program countries. THP’s Africa Department hopes that this revised manual will strengthen the MFP and facilitate its effective implementation in existing epicenters and its replication across future epicenters.

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The Hunger Project
September 2011
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**Acronyms**

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<th>Description</th>
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<tbody>
<tr>
<td>AGM</td>
<td>Annual General Meeting</td>
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<tr>
<td>AWFFI</td>
<td>African Women Food Farmer Initiative</td>
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<td>BOD</td>
<td>Board of Directors</td>
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<td>CD</td>
<td>Country Director</td>
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<td>ELC</td>
<td>Epicenter Loan Committee</td>
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<tr>
<td>IGA</td>
<td>Income Generating Activity</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MFP</td>
<td>Microfinance Program</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>OSS</td>
<td>Operational Self Sufficiency</td>
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<tr>
<td>RLF</td>
<td>Revolving Loan Fund</td>
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<td>SPIA</td>
<td>Strategic Planning in Action</td>
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<td>THP</td>
<td>The Hunger Project</td>
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<tr>
<td>VCA</td>
<td>Vision, Commitment &amp; Action</td>
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<tr>
<td>VLC</td>
<td>Village Loan Committee</td>
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<td>WEP</td>
<td>Women’s Empowerment</td>
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Overview

Throughout its epicenters in Africa, The Hunger Project (THP) implements the Microfinance Program (MFP), which is a training, savings, and lending program designed principally to economically empower rural African women. Although the focus is on female community members, men also gain access to the same financial products and services. The MFP is an essential part of THP’s Epicenter Strategy, an integrated rural development approach which aims to achieve the Millennium Development Goals.

As a component of the Epicenter Strategy, the MFP will henceforward be implemented in four distinct phases: (1) Mobilization; (2) Construction; (3) Programs; and (4) Transition to Self-Reliance. Its ultimate objective in every epicenter is to establish a government-recognized, member-owned and majority women-led rural bank that is operationally self-sufficient. As such, it should provide the entire epicenter community with sustainable access to basic financial services, including loans and savings products. The following diagram depicts the implementation of the MFP across the four Epicenter Strategy phases. Additional detail on each phase will be provided in the subsequent sections.

The suggested timeframe for each phase is a maximum; some epicenters may progress faster than this. However, all rural banks should achieve self-reliance (operational self-sufficiency) within six years.

The purpose of this document is to describe the objectives and history of the MFP, and to provide a detailed explanation of how the program is implemented on the ground in the epicenters. Not only will this document ensure that across THP-Africa the MFP will follow rigorous and standardized procedures, but it may also provide a model to follow for governments, NGOs, and others seeking to implement a sustainable community-managed microfinance scheme. This manual includes the following sections:

- An Introduction, which describes the history, objectives and main components of the MFP;
- Chapters on each phase of implementation, including descriptions of how THP facilitates partner training, group formation, leader elections, product design, savings mobilization, rural bank recognition and loan disbursement, as well as policies surrounding loan repayment and security;
- An overview of the MFP Reporting System and the Monitoring & Evaluation (M&E) System;
- A chapter on best practices in the microfinance sector with specific advice for rural banks; and
- A set of Annexes.
1. Introduction

1.1 History

In 1993 THP’s Africa Department started a microfinance program in Senegal with $12,000 in order to facilitate access to credit for the women of Mpal Epicenter in northern Senegal. By 1998, the loan funds had accumulated interest and had grown to $30,000. Inspired by this success, the Africa Department began exploring how to create a larger and more sustainable microfinance program and identified the approach of creating government-recognized rural banks that are owned and managed by the women.

In order to put this approach into practice, THP-Senegal and the Africa Department met with the Ministry of Economy and Finance in Senegal, and the officials in charge of accrediting, guiding, and monitoring rural banks explained the legislation and criteria for establishing an official rural bank (which in Senegal were termed “Groupement d’Epargne et de Crédit” (GEC) or “Mutuelle d’Epargne et de Crédit (MEC).”) Conditions for government recognition included mobilization of a minimum level of capital, election and training of leadership bodies of the bank and recruitment and training of a bank manager.

The AWFFI partners at Mpal Epicenter were able to meet these requirements. To demonstrate their commitment, partners mobilized CFA 2,237,500 in savings. This sum was matched by THP, creating the bank’s initial capital of CFA 4,475,000 (=$9,000). The bank’s members elected the bank’s three leadership committees: the management committee, the credit committee, and the supervisory/audit committee, and the Ministry of Economy and Finance trained these leaders to perform their duties effectively. A bank manager was also recruited and trained.

In May 1999, the bank became operational, and in October 2000, the Ministry of Economy and Finance granted official government recognition to Mpal Rural Bank, making it the first THP created, women-led and member-owned rural bank.

As this process was unfolding in northern Senegal, the Africa Department decided that this microfinance program should be replicated in the other THP program countries in Africa.

In 1999 when the THP Global Office was considering who should be the next recipient of the Africa Prize for Leadership, it was decided that all rural African women should receive the honor and finally be recognized as co-equal partners for the end of hunger. It was time to publicize the integral role of African women food farmers in social and economic development and to advocate their empowerment. Although women grow most of the food in Sub-Saharan Africa and perform virtually all the labor to process, transport and market the food, they own only a small fraction of the land, receive a small percentage of farm extension services, and receive an even smaller proportion of small-scale credit. The Prize would bring the contribution and marginalization of African women food farmers to the forefront.

In addition to the Prize itself, THP decided to provide $1,000,000 for the creation of the African Women Food Farmer Initiative program. The program consisted of two parts:
1. A series of advocacy events in each THP-Africa country, called the National Torch Events, which would publicly celebrate African women. These events would include meetings with the Head of State in each country.

2. The creation of a rural microfinance program which would lead to the creation of rural banks, following the example of THP’s experience in Senegal.

And so on October 9, 1999 at the Africa Prize for Leadership Ceremony in New York City, the Prize was awarded to the African Woman Food Farmer. Mrs. Aisseta Nagbila from Zincko Epicenter in Burkina Faso accepted the honor on behalf of all African women food farmers. She was accompanied by THP-Burkina Country Director Dr. Idrissa Dicko. Mrs. Nagbila then took the Prize back to Burkina Faso, thus beginning the National Torch Events which would carry the Prize from Burkina Faso to Benin to Ghana to Senegal to Nigeria to Uganda to Malawi and finally to Mozambique.

The $1,000,000 grant which accompanied the Prize and subsequent grants from THP have provided the funding for the microfinance program in the aforementioned countries.

Although the AWFFI program initially began as an autonomous operation, since 2003, it has been fully integrated into the Epicenter Strategy for ending hunger and poverty in Africa. With the opening of a THP office in Ethiopia in 2004, the microfinance program has also extended there. As of December 2010, the MFP had approximately 44,000 active partners (with loans and/or savings) and total loan portfolio of $2,400,000, across 66 epicenters and 21 rural banks in eight African countries.

In order to demonstrate its commitment and partnership to the male partners in the epicenter, THP started the Microfinance Program for Men (MFP-M), which follows the same policies and procedures as the MFP-W. Because of women’s traditionally marginalized status in African society and THP’s commitment to women’s empowerment, THP continues to allocate over 80% of all loans to women.

1.2 Objectives

The MFP is designed primarily to economically empower rural African women. By providing partners in The Hunger Project (THP) epicenters with adequate training, by instilling in them the importance of saving, and by providing them with small loans, the MFP enables these women and men to engage in income-generating activities (IGAs) and to increase their incomes. MFP partners often use this additional income to invest in their businesses, pay for school fees, put nutritious food on the table regularly, purchase medicine and pay health clinic fees and make home improvements or build a new home.

Furthermore, through participation in the program, partners develop self-confidence and assertiveness and attain an elevated status at both the household and community levels. They are effectively working toward ending hunger and poverty in their households and communities and creating a new future for the entire epicenter, a future free from hunger and a future where women and men are equal partners.
In order to ensure that epicenter partners have access to financial services on a sustainable basis, the goal of the MFP is to assist the community to establish and manage its own independent rural bank. As of December 2010, the MFP had led to the creation of 21 rural banks across THP-Africa.

### 1.3 Main Components

The MFP consists of three main components, which are: (1) Training; (2) Savings; and (3) Credit.

**1. Training**

In order to increase partners’ capacities to generate income and to end their own hunger and poverty, the MFP places a strong emphasis on training and skill-building. Suggested training courses include:

- Vision, Commitment & Action;
- Women’s Empowerment;
- Literacy;
- Microfinance; and
- Income Generating Activities.

All of the trainings not only empower partners to increase their household income, but they also increase their self-esteem and promote development leadership locally in the epicenter community. Additional detail about each training topic can be found in section 2.2 on Training Partners.

**2. Savings**

The savings component of the program is critical and thus compulsory. When partners have internalized a culture of savings, they are able to accumulate wealth and reduce economic dependency. Savings enable partners to become self-reliant and to realize their visions for the future, be it sending their children to secondary school, acquiring desired assets or improving their standard of living. Moreover, savings has been proven to improve the sustainability of community-based microfinance schemes, by increasing the sense of ownership and by providing an additional source of loan capital.

To emphasize the importance of savings and establish a solid foundation for the eventual Rural Banks, THP begins by mobilizing deposits and then complementing these funds with seed capital for lending. Following this period, partners have access to loans as well as two types of savings products.

1. The first is a required savings product, through which partners must deposit 10% of their loan. Partners cannot withdraw these savings until the entire group loan has been fully repaid.

2. The second is a voluntary savings product. THP encourages partners to save regularly and deposit these voluntary savings as they repay their loans. They may be withdrawn freely.
(3) Credit

In the beginning, THP provides loans to partners that are organized into groups. Loans are granted on the group solidarity principle which demands collective responsibility for repayment. After successfully completing multiple cycles of loans, partners may be eligible for individual loans. With their capital, partners expand and diversify their income-generating activities. They may invest in appropriate technology, such as appropriate farming equipment and high yield seed varieties. Or they may choose to process food or try an activity unrelated to agriculture. Common IGAs include but are not limited to:

- Agriculture;
- Food Processing;
- Handicrafts (pottery, leatherwork, knitting, sewing and tie-dying);
- Livestock (sheep, goat, poultry, pig and cattle);
- Petty Trade; and
- Services (beauty, drinks, food and transportation).
### Summary of Microfinance Program Objectives and Methodology

**Institutional Goal**

The goal of THP-Africa is to empower its rural partners, who live in a defined “epicenter,” to end their own hunger and poverty and to become self-reliant. THP mobilizes and creates partnerships with epicenter communities to ensure the end of hunger and poverty and the achievement of the MDGs.

**Objectives**

1. To economically empower rural women so that they become economic actors in the epicenter.
2. To increase household income levels in the epicenter so that wealth and savings are created in the epicenter.
3. To create sustainable credit and savings facilities in the epicenter, through the establishment and government recognition of a rural bank.

**Methodology**

1. **Training:** Trainings in business skills, leadership, and group dynamics, combined with literacy classes and health education, build the capacity of rural partners to increase and manage income. With these new skills, partners become more confident, and many emerge as leaders.

2. **Savings Mobilization:** Requiring partners to save in order to participate in the program and sensitizing them on the importance and benefits of saving instills a savings culture in the community. When partners save, they mitigate risk and create a more secure future for themselves. Savings are a key factor in breaking out of a fatalistic mentality that one does not have control over her future and attaining self-reliance.

3. **Access to Credit:** Credit provides partners with the capital to realize their business aspirations and to generate income.
2. Implementation: Phase I

2.1 Zone of Intervention

The MFP is only implemented in rural areas identified as THP epicenters. As an organization, THP prohibits discrimination based on race, color, creed, sex, religion, marital status, age, national origin, disability, sexual orientation or any other consideration made unlawful by applicable federal, state or local laws. However, for the purposes of the MFP, anyone over the age of 18 is eligible to participate. And where not prohibited by law, at least 75% of MFP partners in an epicenter should be women.

2.2 Training Partners

To economically empower individuals and create sustainable financial institutions, THP strongly emphasizes capacity building. As such, there are five types of training offered, which are outlined below.

2.2.1 Vision, Commitment & Action

Anyone in the Epicenter that is interested in participating in MFP must attend VCA Workshops to learn about THP principles and methodology so they are well-informed about the partnership between the community and THP and understand the epicenter’s vision to end hunger and poverty. The Microfinance Program should be explained to the whole community (men and women) in general terms during these introductory VCAs, so that everyone is aware of the program’s purpose and objectives, including the creation of a government-recognized, majority women-led rural bank.

After several VCAs of the “5 Steps to End Hunger” are conducted with the whole community, the MFP Officer should hold special meetings to explain the microfinance program. The VCA approach is used to explain the MFP to community members. While the majority of participants should be women, the workshop should also be open to men. Please see Annex 8.1 (MFP VCA document) for additional detail.

In addition to presenting the goals and the three main components of the program, the MFP Officer should use the opportunity of the VCA Workshop to explain the conditions partners must meet to access credit. The complete list of conditions can be found in section 3.5.2 regarding Loan Disbursement.

2.2.2 Women’s Empowerment
To empower women and bring awareness to the epicenter community regarding women's rights, including legal, reproductive and social, the MFP Officer should ensure that anybody who wishes to participate in the MFP also attends a Women’s Empowerment (WEP) Workshop, another critical element of the Epicenter Strategy. Since WEP extends beyond the scope of the MFP, these workshops should be organized by the National Program Officer and facilitated by qualified lawyers and specialists.

2.2.3 Literacy

Given the important role a literate and numerate membership plays in the success of a rural bank, each MFP partner who does not already possess basic literacy and numeracy skills must attend training. By acquiring these competencies, partners can better manage their loans and their IGAs, as well as fulfill their duties as MFP leaders, for those who are elected. As a component of the Epicenters Strategy, literacy training may be offered by government facilitators or epicenter animators trained by THP.

THP views literacy in local language as one of the most important investments in ending hunger in a sustainable way. Functional literacy classes give partners the self-confidence and cognitive skills to make strategic decisions. For this reason, the literacy classes are a precondition for receiving credit. If at the time of first cycle loan disbursement, literacy classes have yet to be organized and offered at the epicenter, the partner may access the loan under the condition that she/he will enroll herself/himself in the class as soon as it becomes available. If the partner does not enroll herself/himself in the class, she/he will not be eligible for a subsequent loan.

2.2.4 Microfinance

Every partner must also participate in the required training sessions so that she has the knowledge and tools to successfully manage her loan and to increase her capacity to generate income. Partners must undergo trainings in the following topics:

- Group dynamics
- Project identification
- Basic business management (budgeting, planning, bookkeeping)
- Credit management

These trainings should be offered by the MFP Officer and repeated throughout the subsequent phases of implementation on an as needed basis, to ensure that the concepts are internalized and that the MFP is functioning well. Once the bank manager is hired, she should co-facilitate these trainings, with a goal of eventually empowering the rural bank staff to conduct or organize their own educational activities.
2.2.5 Income Generating Activity (IGA) Skills

While THP should never instruct a borrower as to how to use a loan, if partners demonstrate an interest in a particular Income Generating Activity (animal husbandry, food processing, etc.) in which they are not already skilled, the MFP Officer should do her best to arrange for training to be offered. This may be done by government agents or local consultants who are knowledgeable in the particular IGA.

2.3 Forming Solidarity Groups

When the first cycle of loans is disbursed, all borrowers must be organized into solidarity groups of 5 to 15 members. Under no circumstances are loans to be disbursed to individuals in the first cycle.

Because THP wants to support and empower the poor, it does not ask for collateral or a guarantee from a partner in order to access a loan; rather, THP relies on the concept of group solidarity to mitigate risk. As such, each group member is responsible for the repayment of the entire group loan. Since they are required to guarantee each other’s loans, the solidarity group members must be chosen by the MFP members themselves (self-selection). Each woman in the group may have her own economic activity, or the women may share an economic activity. Therefore, the loan that the group takes from the rural bank may be used individually or collectively by the members. Either way, all group members are responsible to ensure the repayment of the whole group. Only when the entire group loan is repaid may any of the members qualify for a subsequent loan from the rural bank.

THP also believes that the organization of groups provides countless other advantages to community development besides enabling access to credit. Group meetings become forums where members can voice and address common concerns and make decisions to take collective action on issues from education to clean water to family planning and business management. The members of each solidarity group meet together to:

1. Elect their leaders (President, Vice President, Secretary, and Treasurer);
2. Decide how often they will meet as a group;
3. Determine the income-generating activities in which members will invest their loans, the revenue of these activities, and exactly how much the member needs to pursue the activity;
4. Determine a group savings requirement, if desired; and
5. Discuss problems and provide mutual support.
All solidarity groups should present their loan requests to the elected MFP Village Loan Committees who will screen the requests before submitting them for approval to the Rural Bank Board of Directors. Please see Annex 8.2 for a sample loan application form.

### 2.4 Electing Local Leaders

In each epicenter after the MFP staff have conducted several meetings with the partners to explain the MFP, and the partners have all organized into their solidarity groups, the groups should meet to elect their Village Loan Committees (for each village or cluster of villages) and Rural Bank Board of Directors.

The VLCs should each be comprised of five members, at least four of whom should be women. A VLC may represent one village, or if the epicenter is comprised of 8 or more villages, the villages should be clustered so that each VLC represents a cluster of two or more neighboring villages. This will reduce the number of VLCs and facilitate program administration. Their main roles and responsibilities include:

- Informing people in the village about the existence of the MFP and advertising meetings.
- Meeting with solidarity group members to ensure they understand how the MFP works.
- Reviewing loan requests from the groups in the village and ensuring that the groups applying for credit are made up of honest, hard-working persons who will be able to work and repay credit.
- Recommending which groups should receive credit and the amount they should receive, especially taking into account economic activities and general capacities of the group members.
- Meeting regularly (weekly or monthly) to discuss and share certain issues and experiences (successes the women may enjoy as well as problems they may confront).
- Monitoring loan repayments from the groups on a regular, ongoing basis.
- Deciding what action to take in cases of delayed payment or non-payment.
- Acting as a liaison between the groups in the village and the Board of Directors.

Once all of the epicenter villages (or village clusters) have selected their VLCs, members of all of these VLCs should meet in an assembly to elect amongst themselves the Board of Directors (BOD). While there will be some variation from country to country based on national microfinance legislation, ideally the BOD should be comprised of one executive body and two additional subcommittees for audit and credit each with approximately five members. Where not prohibited by law, a majority (ideally 4/5 but at least 75%) of the executive body and each subcommittee should be women. In addition, every village (or cluster of villages) should be represented on the BOD.
The BOD is parallel to, but separate from, the Epicenter Committee. THP staff should explain that the leadership for the microfinance program must be distinct from local government or other local leaders, like chiefs or religious leaders. For the first elections of the MFP Village Loan Committees and the Board of Directors, MFP staff should visit each village and assist with the democratic process to ensure transparency in the election. The BOD President should also be a member of the Epicenter Committee.

The Board of Directors roles and responsibilities include:

- Ensuring that all of the villages in the epicenter are aware of the Microfinance Program.
- Reviewing the loan requests recommended from each VLC.
- Recommending the amount each village should receive in credit and maintain fairness in the credit disbursement among partner villages.
- Meeting regularly (monthly) to discuss and share challenges and successes.
- Assisting the VLCs to decide what action to take in cases of delayed payment or non-payment.
- Acting as a liaison between the MFP and the Epicenter as well as THP MFP staff.
- Hiring and firing the Rural Bank Manager.
- Drafting bylaws to govern the Rural Bank.
- Regularly reviewing all Rural Bank policies and procedures.
- Attending Annual General Meetings.

In order for the program to be successful, all elected members of the Board of Directors must attend a special training on their roles and on the governance of the rural bank. The MFP staff should identify the best partners in the country to train the rural bank leaders. In some countries the responsible ministry or parastatal has a technical assistance team to train the women in rural banking, but in others, there is a union of savings and credit cooperatives that offers a similar in-depth training. Specifically, the following topics should be covered and refresher courses should be offered on an as needed basis.

- Roles and Responsibilities
- Credit Policy and Selection
- Credit Monitoring and Recovery
- Bookkeeping
- Leadership

All local MFP leaders serve a governance function for the rural bank and thus, should be volunteers. This means that none of the members of the leadership bodies should be paid because of the potential for conflict of interest. However, given the opportunity cost of performing their roles and responsibilities,
members of the VLCs and BOD may be offered access to larger size loans as an incentive to participate. Moreover, rural banks should include governance costs, such as snacks at meetings and transportation, in their annual budgets. This will be discussed in more detail in section 3.4 on Recognizing Rural Banks.

### 2.5 Designing Products

THP emphasizes the importance of meeting local needs. To ensure this happens, the MFP Officer works with MFP leaders at the epicenters to design the financial products and services the rural bank will offer. However, THP does establish certain parameters to guide the discussion and help the rural banks become financially viable and operationally self sufficient in the long run. These are detailed below.

For all products that a rural bank offers, once the terms and conditions are established, they should be clearly articulated at meetings and displayed at the rural bank facility. This will ensure that all members and potential members are aware of the financial services the rural bank offers. Also, when a new product is developed, it should first be tested and then (if adopted) accompanied by an educational campaign, emphasizing the features as well as all of the terms and conditions of the product.

#### 2.5.1 Savings

**Minimum**
To build a sense of ownership and improve the sustainability of the rural bank, THP requires that MFP partners mobilize US$2,000 in savings before it will allocate seed capital. Together these funds will form the initial capital base for the rural bank. To meet the requirement, partners may deposit equal amounts (US$10 each for 200 members, for example) or they can deposit varying amounts according to the size of the requested loan. Either way, the MFP members must mobilize the mandatory US$2,000 in savings. If the BOD wishes to increase the initial capital base it may decide to increase the minimum target.

**Required Savings**
To continually remind members of the importance of savings, the rural bank should offer a required savings product. Members should deposit 10% of their loan principal prior to receiving the loan and should not withdraw any portion of these savings until the loan is repaid in full. Furthermore, partners should be encouraged to leave a portion of the required savings in the bank after the loan is repaid.

Although the Global Office strongly recommends that required savings are mobilized prior to loan disbursement, it may be permissible to allow partners to make required savings deposits as they are repaying their loan so that by the end of the loan cycle, the partners have met the requirement.
**Voluntary Savings**
In addition to the required savings product, rural banks should offer a voluntary savings product, which members can use to safely deposit and withdraw any amount of money, as frequently as they wish.

**Interest Paid**
Rural Banks may pay interest on savings to incentivize and reward those who save their money formally. However, this should be considered carefully because it will result in an additional liability for the bank. And the interest charged on loans must be sufficiently higher that the rate paid on deposits so that the rural bank can be sure to have adequate cash flow on a regular basis to remunerate savers.

**Reserve Requirements**
Savings can and should be lent out to members. However, legal limits regarding how much savings must be kept in reserve at the bank must always be respected. And as a general rule, rural banks should never lend out more than 70% of the savings deposits they hold.

2.5.2 Loans

THP should encourage rural banks to design multiple loan products that meet the needs of their members' business activities. However, to start they may wish to design one loan product that satisfies the majority of their borrowers. All loans should respect certain terms and conditions, identified below.

**Interest Rate**
The annual interest rate charged on loans should range between 15% and 30%, although it should not exceed the national limit. It should be calculated such that the rural bank can achieve operational self-sufficiency (meaning that it can cover all of its own operational expenses independently) in six years. The rate should be high enough to enable the capital to grow adequately thereby permitting the provision of more and larger loans, but it also should be manageable for the MFP partners so that they are able to earn profit. The interest rate may vary from country to country and also among epicenters.

**Size**
The first cycle loan should not exceed US$100. Subsequently, the loan ceiling should not exceed US$500. However, rural banks may wish to set a lower loan ceiling to allow more and poorer community members to access credit. THP recommends that rural banks disallow members to more than double their loan size from one cycle to the next. For example, the second cycle loan should not exceed US$200.
**Duration**
The length of one loan may be as short as rural banks wish, but should not exceed 12 months.

**Repayment Frequency**
Loans should be repaid in monthly installments. While each payment need not be equal, a partner should repay some portion of her loan every month to minimize the risk of delinquency and default. For some borrowers, such as those engaged in petty trade, making equal monthly repayments may work. Other IGAs, like agriculture and animal husbandry, may require interest only repayments for all but the last balloon repayment that includes principal. Furthermore, frequent repayments improve liquidity, which is important for rural banks. Thus, rural banks may request more frequent repayments.

**Penalties**
If a group does not finish payment of its loan by the end of the specified loan term, the group should pay a late penalty fee. It is up to the Board of Directors, in consultation with the MFP Officer, to design the terms of the late penalty and ensure that it is enforced and effectively deters late loan repayment.

**Conditions**
A rural bank member should meet the following conditions to be eligible to submit a loan application:

1. Join or organize a solidarity group of 5-15 members.
2. Identify an Income Generating Activity.
3. Repay all outstanding credit obligations elsewhere.
4. Attend all required training sessions (please see section 2.2 for more detail).
5. Demonstrate basic literacy and numeracy skills, or enroll in a course.
6. Enroll children, especially girls, in preschool or school.
7. Deposit 10% of the value of the loan principal as savings.

**Individual Loans**
Rural banks members should be eligible for individual loans after successfully completing (making all repayments on time and in full) three cycles of group loans. In addition to the aforementioned conditions, members who wish to take out an individual loan must also undergo additional training and submit a more detailed business plan to minimize the risk of delinquency and default.
2.5.3 Microinsurance

Microinsurance can be an important tool to help members protect the wealth they accumulate through loans and savings. While many different microinsurance products exist (ex: crop, health and life), most are highly complex to manage. Therefore, THP recommends that rural banks only consider “credit life.”

The way it works is that enrolled members pay small, regular premiums (ex: 2% additional annual interest) which are kept separately from the loan capital as a reserve fund. And in the event of death or permanent disability during the loan cycle, the loan balance due is paid out from the reserve fund.

Overall, microinsurance serves as a mechanism to protect families from the financial shock associate with death/disability and maintains the quality of the loan portfolio despite difficult circumstances.

If offered, all members should be required to participate in the program. Claims should be considered jointly by the Board of Directors and bank managers, with the supervision and support of THP staff.

If the demand exceeds supply, amounts should be paid out proportionally based on the size of loan. And after three years, if no insurance claims have been submitted, a portion of the fund may be used for community projects or short term investments. The Board of Directors should agree on these policies.

If a rural bank is interested in other types of microinsurance (ex: crop, health and life), it should consider approaching commercial insurance companies to offer these products to its membership. And where possible, THP strongly encourages rural banks that do decide to offer “credit life” insurance to establish agreements with insurance companies rather than manage the insurance product themselves.
3. Implementation: Phase II

3.1 Opening Bank Accounts

3.1.1 Country Level

When the MFP first begins in a country, a main MFP bank account should be opened near the THP office, usually in the same bank where the main THP bank account is held. The purpose of the main MFP bank account is to hold all seed capital funds that are sent from THP’s Global Office before they are disbursed to each epicenter MFP account. The main MFP account must have two joint signatories:

1. The Country Director
2. The Microfinance Program Officer

Any transfer or withdrawal of funds from the main MFP account requires signatures of both individuals.

MFP seed capital is sent to each country as part of its annual budget. The annual budget is sent to each country on a quarterly basis after the previous quarter’s THP Financial Report is reviewed by the Vice President for Africa. Once the funds transfer containing MFP seed capital is sent to the country, the Country Director should immediately initiate a funds transfer from the main THP bank account to the main MFP bank account. Funds designated as MFP seed capital should only be used for loan disbursement; they should not be used for any other purpose. All MFP operational costs (personnel, supplies, transportation, etc.) should come from the country’s main budget.

3.1.2 Epicenter Level

One MFP bank account should be opened for each epicenter. Initially, partners should deposit their savings into this bank account. Once the US$2,000 minimum balance is reached, THP should transfer US$25,000 into this epicenter MFP account. Although there will only be one bank account, the rural bank should establish certain reserve requirements. For example, where not prohibited by law, 75% of the funds should be reserved for loans to women and no more than 70% of savings should be lent out.

When the MFP epicenter account is first opened, the MFP Officer and BOD President or other executive should cosign for all deposits and withdrawals. If a country has more than 10 epicenters, this task may be delegated to a Credit Officer. In the event that THP staff legally is not allowed to handle savings, she should still be present for all deposits and withdrawals. Once the rural bank is recognized, the Bank Manager should replace the MFP Officer as cosignatory. The account must be set up such that to make any deposit or withdrawal the Bank Manager must sign with at least one BOD executive.
The epicenter MFP bank account should hold:

- Required and voluntary savings deposits;
- All shares and membership fees paid;
- The initial seed capital for loan disbursement, as well as any later additional funds;
- All loan repayments; and
- Any microinsurance premiums paid by members.

### 3.2 Mobilizing Savings

To build a sense of ownership and improve the sustainability of the rural bank, THP requires that MFP partners mobilize US$2,000 in savings before it will allocate seed capital. Together these funds will form the initial capital base for the rural bank. To meet the requirement, partners may deposit equal amounts (US$10 each for 200 members, for example) or they can deposit varying amounts according to the size of the requested loan. Either way, the MFP members must mobilize the mandatory US$2,000 in savings.

In addition to mobilizing the minimum savings target, partners should meet the required savings criteria and be encouraged to save voluntarily. The MFP Officer should constantly be sensitizing partners about the importance of saving. Two effective strategies to increase savings deposits are:

1. Encouraging solidarity groups to institute their own mandatory savings’ requirement; and
2. Using the amount of voluntary savings to determine the size of the partners’ next loan.

### 3.3 Allocating Seed Capital

The Global Office aims to allocate a minimum of US$25,000 in seed capital to each epicenter. This entire amount should be allocated to the MFP epicenter bank account once the community mobilizes US$2,000 in savings, at the time the rural bank is recognized. This will maximize the ability of the rural bank to extend loans and reach operational self sufficiency in six years. Of the total initial capital of $27,000 (minus at least 30% of the savings deposits) 75% should be reserved for loans to women.

Once the rural bank meets all the criteria THP has established to be enter Phase IV (please see section 5.1 on Achieving Self-Reliance for more detail), THP should allocate an additional US$25,000 to the rural bank. These funds will ensure that more community members have access to loans and, most importantly, that the rural bank remains solvent and able to meet its own operational expenses from the financial revenue (interest) it earns on its loan portfolio. THP should not allocate more than a maximum of US$50,000 in seed capital to any one epicenter. While this amount is inadequate to meet the demand for credit, it should help and incentivize rural bank members to save.
3.4 Recognizing the Rural Bank

Because the common vision of THP and the epicenter partners is that the epicenter ends hunger and poverty and becomes self-reliant, the ultimate objective of MFP is to assist the MFP partners to establish their own government-recognized rural bank, which may also be termed a credit union or savings and credit cooperative (SACCO). The creation of this majority women-led and member-owned institution will ensure sustainable access to savings and credit facilities for the entire epicenter community. The official recognition of the rural bank will hence forward take place in Phase II of the Epicenter Strategy, to allow the rural bank ample time to reach operational self sufficiency in Phase IV.

Throughout Phases II and III THP commits to underwriting all rural bank operational expenses, which will be detailed later in this section. In Phase IV, the rural bank must cover 50% of its own operational expenses and THP will subsidize the remaining 50%. And ultimately, at the end of Phase IV, THP must withdraw its financial support to the rural bank and allow it to become fully financially independent.

Common Bond
The creation of a savings and credit cooperative is based on a common-bond of its membership. There are two kinds of common bonds: (1) geographical, as in a defined community, and (2) affinity, such as an association or group based on a common interest. For THP, the rural banks are formed around both geographical and the affinity bonds. All members must live in the epicenter and share the common affinity bond of membership in the MFP program.

Community Access
The primary purpose of the rural bank is to provide a safe place to keep savings and to provide credit for epicenter partners, both men and women. However, because THP is committed to the empowerment of women and wishes to establish rural banks that share this objective, at least 75% of rural bank members should be female. Men living in the villages of the epicenter may also open savings accounts and apply for credit, but they should never make up the majority of the rural bank membership.

Rural Women Led
In any rural bank, membership entitles the person to open a savings account, apply for credit, vote in the elections, and stand for election to leadership roles. Given that 75% of the members should be women, the leadership of the rural bank also should be majority female. More specifically, at least 75% of the leadership positions in the rural banks should be reserved for women living in the epicenter villages. While men can stand for election and serve on the Board of Directors, this policy limit will ensure that the rural bank leadership is representative of its majority female membership.
Role of Savings
The rural bank is a **savings and credit cooperative** which is recognized by the government as a member-owned financial institution existing for the benefit of all of its members. As such, it is authorized by the government to lend its members’ savings to the members. The authorization to lend its members’ savings to the members is unique and only allowed for savings and credit cooperatives, commercial banks, and specifically defined “non-bank financial institutions.” Rural banks must ensure they comply with legal limits regarding how much savings can be lent out at any given time. And THP strongly recommends that even if legal limits allow it, no more than 70% of savings deposits be lent out at once. By using the members’ savings to extend credit to other rural bank members, the MFP rural bank plays the critical role in the communities of ensuring that the existing wealth is able to spur the creation of additional wealth, which is indeed the primary purpose of any banking system.

Individual Lending
In order to ensure the sustainability and success of the newly formed, officially recognized rural bank, THP strongly suggests that rural banks require borrowers to successfully complete (make all repayments on time and in full) three cycles of solidarity group loans before they are eligible for individual loans. Therefore, individual lending should be prohibited for a period of approximately two years of rural bank operations. Following this period, the rural bank is welcome to offer individual loan products. They should be advised to consider some of the associated risks, and put in place appropriate conditions (ex: attend additional training and submit business plans) to minimize the risk of default.

Shares and Membership Fees
All partners and community members who would like to become members of the rural bank should pay the required membership fees and purchase shares. These shares will be held in the MFP bank account. Shares are the required deposit that establishes a person’s membership in the rural bank. Shares also provide the member with “ownership” of the institution and give the member the right to vote and to stand for election for rural bank leadership. Shares cannot be withdrawn unless the person no longer wishes to be a member of the rural bank.

Bylaws and Epicenter Link
The elected Board of Directors, with the assistance of the MFP staff and government experts, should draft the rural bank bylaws, including loan policies, and any other policies or procedures required for formal government recognition. The bylaws also should include a formal link between the rural bank and the epicenter that hosts it. For example, a rural bank may propose to donate 5 – 10% of its annual profits (once it reaches 100% Operational Self Sufficiency) to the epicenter for community projects identified by the Epicenter Committee. Annex 8.4 is bylaws from Kiboga Epicenter Rural Bank in Uganda.
**Budget**
The rural bank should prepare an annual budget for all costs associated with its operations. At a minimum, this budget should include estimates associated with the following categories:

- **Personnel** (bank manager, cashier and any other staff deemed necessary and affordable)
- **Administration** (advertising, audit, communications, equipment, furniture, registration fees, security, supplies, training and transportation)
- **Governance** (meetings, shirts, snacks and transportation)

While the rural bank should include all funds necessary to govern and manage its operations properly, it should also consider that it will be responsible for covering half of all expenses in approximately four years and all of its own operational expenses after six years. Thus, the expenses should be manageable.

**Rural Bank Staff**
THP, with the assistance of the elected Board of Directors, should recruit a rural bank manager (preferably a woman) to conduct the daily management of the rural bank. The candidate must have experience in bookkeeping, accounting, banking and/or finance, and must undergo specialized training. To ensure she is qualified, the rural bank should seek candidates who have diplomas (tertiary degrees). The rural bank also should hire a cashier who has, at a minimum, completed secondary school. The role of the cashier should be to support the rural bank manager with daily tasks, like deposits and withdrawals, and ensure appropriate division of duties. Finally, the rural bank may wish to consider the feasibility of hiring additional staff, such as a loan officer, to support loan monitoring and repayments.

**Equipment & Furniture**
THP should purchase the following items so that the rural bank may be truly functional:

- A double lock safe deposit box;
- Furniture (benches, chairs, desk, file drawers, shelves, stools);
- Stationary for record-keeping;
- A bicycle for staff and/or BOD use; and
- Other supplies (ex: calculator).

**Annual General Meetings**
All persons who have purchased shares of the bank and are thereby members and owners of the bank should meet in an annual general meeting (AGM). At the first AGM, members should vote to adopt (or amend and adopt) the rural bank bylaws and budget. Subsequently, the AGM should be an opportunity to adopt new or amend existing policies, approve the annual budget and hold BOD elections. The rural bank should ensure all members are aware of, attend and participate actively in the AGMs.
Criteria
It is imperative that all MFP rural banks be successful and sustainable. For this reason, there are specific criteria that must be met before the epicenter can recognize its own rural bank. These criteria should ensure that as a financial institution the rural bank will have a solid foundation from which it may grow. First, the rural bank must meet all government conditions. In addition, THP requires the following:

- A minimum membership of 200, all of whom attended or are enrolled in mandatory training;
- Minimum savings of US$2,000;
- Minimum seed capital of US$25,000, allocated by THP;
- A majority female BOD, which is literate and has the capacity to govern a rural bank;
- A qualified bank manager; and
- A fully equipped room, located at the site of the epicenter building.

Process
Once the MFP meets all government and THP criteria to establish a rural bank, and both the MFP Officer and the CD believe that the epicenter is ready to recognize a rural bank, they should formally inform the Vice President for the Africa Region and the Senior MFP Officer at the Global Office of their intent to move into this second phase of the microfinance program. Once the Global Office accepts this proposal, the rural bank creation process may formally begin. While the process may vary from country to country, the following steps provide a general outline of how official rural bank recognition unfolds.

1. Filing Request
   The rural bank should submit all required documents for recognition and registration with the responsible government ministry or parastatal. It is imperative that the MFP rural bank meets and exceeds all of the standards set by the respective regulatory body, in terms of membership, capital, and reserve requirements, etc. The bank should receive no specialized treatment or exceptions due to its affiliation with THP; this would only jeopardize its sustainability.

2. Official Recognition
   The rural bank will be officially recognized by the government ministry or regulating agency.

3. Memorandum of Understanding
   Once the rural bank is officially recognized by the government, THP and the Board of Directors should sign a Memorandum of Understanding (MOU). The MOU should give THP staff the authority to closely monitor bank activities, provide guidance and technical assistance where needed and support the institution to a level where it can be truly operationally self sufficient. Also, the MOU should state that the rural bank will only lend to groups initially. Please Annex 8.8 for a sample MOU between THP-Uganda and Kiboga Epicenter Rural Bank. However, please note this MOU was signed under the old MFP strategy, which recognized rural banks in Phase IV.
4. Inauguration

Once the rural bank is ready to begin operating as an autonomous rural bank under the leadership of its Board of Directors and in accordance with the laws and regulations in force in the country, the bank should be inaugurated in the presence of THP and government officials. Immediately following the inauguration, it should be open during normal business hours.

As of the writing of this manual, THP had helped establish 21 rural banks across seven African countries.

Government-Recognized Rural Banks in Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Epicenter</th>
<th>Date of Recognition</th>
</tr>
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<tbody>
<tr>
<td>Benin</td>
<td>Avlamé, Dekpo</td>
<td>December 2005, April 2007</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Jald</td>
<td>March 2010</td>
</tr>
<tr>
<td>Malawi</td>
<td>Nsondole</td>
<td>November 2005</td>
</tr>
<tr>
<td>Senegal</td>
<td>Mpal, Dahra, Coki</td>
<td>April 2000, September 2001, August 2005</td>
</tr>
</tbody>
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3.5 Disbursing Loans

For all individuals who meet the conditions to apply for loans (please see section 2.5.2 for more detail), they should prepare and submit a loan application in accordance with the following guidelines.
3.5.1 Application Process

1. All solidarity groups that are interested in obtaining a loan must fill out an application form, which will be made available at the epicenter building, in the rural bank office. At a minimum, the application should ask for the following information:

   a. Date of application
   b. Name of group
   c. Name of village
   d. Loan amount for group
   e. List of group members, indicating each person’s desired loan size and IGA
   f. Signatures of all group members

   Please see Annex 8.2 for a sample loan application form.

2. All solidarity groups should submit their applications to the secretary of their MFP VLCs.

3. The Village Loan Committees review all the loan requests to determine which groups should receive a loan and how much each group should receive. The VLCs should ensure that the groups and their members are credit-worthy. Once they finish this screening process, they present the loan applications they recommend from their villages to the BOD for review.

4. The BOD, with the rural bank manager, must then review all of the loan applications that it has received from the VLCs and decide which groups should receive loan based on available funds. The MFP staff should meet with the bank manager and BOD to review and approve applications.

5. Rural banks should establish clear policies for what to do when the demand for credit exceeds the supply of funds. Examples include awarding credit on a first come first serve basis or dividing the available funds by all applications and extending smaller loans to all borrowers.

3.5.2 Disbursement Process

Once the loan applications are approved, the rural bank staff may proceed with disbursement as suggested below. Throughout Phases II and III, MFP staff should be present for all loan disbursements.
1. A disbursement meeting date is set for all of the solidarity groups that have been approved for credit. VLC members, BOD members and rural bank staff should all be present. Additionally, the President of the Epicenter Committee and the village chiefs should be invited.

2. On the disbursement date, the funds for loan disbursement should be withdrawn from the epicenter MFP bank account in the presence of the bank manager and the BOD President.

3. Disbursement should be done in front of all members of the various groups so there is transparency and accountability in regards to loan amounts received.

4. Each group must sign a loan contract that includes:
   a. Page 1 – the group name, the date of disbursement, the total loan amount, the amount of the required savings deposited, the interest rate, the term of the loan, the dates and amounts of each repayment and the late penalty. The loan agreement should be signed by the Group President; the VLC President; the BOD President, and the bank manager.
   b. Page 2 – a list of the names of all of the group members taking a loan, the loan amount each member received, the interest that each member must pay, the total loan amount that each member must repay, the required savings that each member has deposited, and the members’ signatures.

Please see Annex 8.2 for a sample loan contract.

5. Each member should be issued an individual credit & savings booklet (passbook) in which the loan amount, loan payments, and savings deposits (required and voluntary) are recorded.

6. Each VLC should maintain a list of the groups in their village (or cluster of villages) that received credit, the amount they received, and the dates and amounts of the required payments.

7. The BOD should maintain a list of all the groups all the villages that received credit, the amount they received, and the dates and amounts of the required payments.
4. Implementation: Phase III

4.1 Loan Repayment

Loan monitoring is primarily conducted by the VLC at the village level and is also supported by the BOD. This enables rural banks to minimize operational costs normally incurred by financial institutions. At least once a month, the VLC members should visit all loan group members in its villages to ensure that members are using the loans for their originally intended, productive purposes and that they will respect the repayment schedule. THP recommends that rural banks follow this repayment process:

1. Each solidarity group member should give her/his repayment, any savings deposits and individual passbook to the group treasurer. The treasurer should maintain a list for herself of the individual payments received, with the total, as well as a list of all savings deposits and a total.

2. The treasurer will then take the entire group loan repayment and deposit it at the rural bank. She will also deposit the group’s savings. The cashier should record the repayment and the savings deposit in each member passbook, sign the passbook and issue an individual receipt.

3. The cashier should update the member’s credit and savings ledger in the solidarity group file. She should also update the group loan ledger.

4. The cashier will deposit all cash into the safe at the rural bank at the end of the business day. The manager will go to the commercial bank as needed to make deposits into their account.

5. At the end of the month, the bank manager will synthesize all the loan repayments and savings’ deposits collected during the month into a monthly repayment and monthly savings summary. She will provide this information to the BOD and MFP team.

Once members become eligible for and access individual loans, they may make deposits and withdrawals directly at the rural bank, without relying upon a group treasurer as an intermediary.

4.2 Delinquent Loans

Loans shall be considered delinquent if outstanding payments remain in arrears for more than 30 days. The following measures shall be adopted to recover loans:

*After One Month*
A VLC member visits the solidarity group to ascertain the reasons for loan delinquency. Advice is rendered at this time to help resolve the matter.
**After Two Months**
A member of the MFP staff and members of the VLC visit the group together. A written reminder of the outstanding loan balance and penalty fees is sent to the partner group within five days of the visit.

**After Three Months**
The BOD and MFP office issue a joint and final written warning to the partner group which specifies that repayment must be made by a fixed date. The warning will state that if repayment is not made by this final deadline, recourse will be taken, including the contacting of local authorities.

**More than Three Months**
By this stage, the loan is considered delinquent, and the BOD and the MFP office will contact the local authorities and enlist their support to recover the remaining, outstanding balance.

**4.3 Write Offs**

While rural banks should always aim for 100% on time repayment of the loans it disburses, realistically there will be some groups and individuals who make late payments and/or default on their loans. Therefore, each rural bank must establish a policy for loan loss provisioning and write offs. To be clear, these policies will not replace the continued need to recover late loans. Instead, they will allow the rural banks to accurately financially report on their loan portfolios and anticipate eventual losses.

**4.3.1 Estimating the Impairment Loss Allowance**

Each rural bank should create a Portfolio Aging Schedule, by segregating loans into groups based on their “age,” or how many days have passed since the first payment was missed (please see Annex 8.2). Then, each category should be multiplied by a loss allowance (or provisioning) rate, which represents the perceived chance of the loan not being repaid. The sum of these calculations should be the amount set aside in the Impairment Loss Allowance and subtracted from the Gross Loan Portfolio. Each THP country has different norms and/or laws about how this process should be conducted. Please find below a table that summarizes the different rates for each THP-Africa country:

**Impairment Loss Allowance Rates**
4.3.2 Writing Off Loans

While there should be variation among countries regarding the Impairment Loss Allowance calculation, THP should strongly encourage rural banks to adopt a consistent write off policy. THP should suggest a policy to write off loans after five years. When a loan is “written off” both the Gross Loan Portfolio and the Impairment Loss Allowance are reduced, which reduces the total assets. This action is the financial representation of the belief that the loan is unlikely ever to be repaid. Of course, rural bank always should continue to seek to recover these loans until all legal and other efforts have failed.

4.3 Security

Ensuring the rural bank personnel and resources are safe and secure is of paramount importance. Therefore, rural banks should put in place procedures to protect and safeguard its assets. For example:

- THP should ensure rural banks have double lock safes, with keys for the manager and cashier.
- Rural banks should not keep more than US$5,000 in their safe before going to the bank.
- The rural bank manager should never sign for a deposit or withdrawal at the commercial bank without one executive member of the Board of Directors, preferably the President.
- Rural banks should consider budgeting for security guards and/or security escorts to the bank.
- The BOD should receive a regular list of all borrowers from the bank manager and conduct random visits to ensure that there are no “ghost loan groups” created by the management. Similarly, MFP staff should conduct random visits once per quarter in each epicenter.
- Auditors should examine individual passbooks in addition to records located at the rural bank.
- Rural banks should consider the possibility of insuring its funds with an insurance company.
5. Implementation: Phase IV

5.1 Achieving Self-Reliance

For THP to consider a rural bank self-reliant, it must meet the following criteria by the end of Phase IV.

- Demonstrate **profitability** by achieving an Operational Self Sufficiency ratio of 100%. Essentially, this means that financial Revenue must equal or exceed Expenses.

- Exhibit consistently good **portfolio quality**, as evidenced by two or more consecutive years of Portfolio at Risk over 90 Days (proportion of loans overdue) of 10% or less.

- Receive a minimum of $25,000 in **seed capital** from The Hunger Project during Phase II and have minimum **assets** of at least $35,000, at the end of Phase III. Epicenters that received more than $25,000 initially must show 50% growth (ex: if they receive $50,000, they must have assets of $75,000). THP should ensure that epicenter in Phase IV get additional funds to reach $50,000.

- Accumulate minimum **total savings**, inclusive of required and voluntary, of $5,000.

- Achieve a minimum **membership** of 500, at least 75% of whom should be **women** and 50% of whom should possess basic **literacy** skills, or be enrolled in a literacy course.

- Elect a **Board of Directors** consisting primarily of women who must in turn hire a qualified **Bank Manager** and any other personnel deemed necessary and affordable.

- Receive **government recognition** to function as a Rural Bank, local equivalent or part of a Rural Bank Network.

- Identify another institution (other than THP) to provide **technical support** and training after becoming a Rural Bank and completing the two year transition period. This could be an association, BDS Center, government office, or something similar.

- **PLEASE NOTE:** Most of these criteria should be in line with national and regional microfinance legislation. But if not, the law should always supersede THP policy.
To guide the process and ensure that rural banks are on the path to meeting these self-reliance criteria, THP suggests they follow this checklist to move from one epicenter phase to the next.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Criteria</th>
</tr>
</thead>
</table>
| Start Phase II | ✓ Members ≥ 200  
 ✓ Savings ≥ $2,000  
 ✓ Seed Capital = $25,000  
 ✓ Majority Female BOD  
 ✓ Qualified Bank Manager |
| Start Phase III | ✓ Government Recognition |
| Start Phase IV  | ✓ PAR>90$^1$ ≤ 10% for 2 Yrs  
 ✓ Asset Growth$^2$ ≥ 50%  
 ✓ Members ≥ 500  
 ✓ Savings ≥ $5,000  
 ✓ Additional Seed Capital = $25,000 |
| End Phase IV  | ✓ OSS$^3$ ≥ 100%  
 ✓ Technical Support |
| All Phases | ✓ Members ≥ 75% Women  
 ✓ Members ≥ 50% Literate |

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$^1$ PAR>90 represents the proportion of outstanding principal that is more than 90 days overdue  
$^2$ Ex: If an epicenter received $50,000 from THP Assets should = $75,000  
$^3$ Operational Self Sufficiency is 100% when Revenue = Expenses
5.2 Becoming Financially Independent

5.2.1 Partial Autonomy

Throughout Phases II and III, the rural bank will be under the close supervision of the MFP Officer. She will closely monitor the rural bank to ensure that it is in full compliance with national regulations.

During this time, the MFP Officer also should assist the bank manager and the Board of Directors in preparing any reports that they are required to submit to the regulating agency. However, over time the MFP Officer should empower the bank manager so that she can independently prepare these reports.

Also during this partial autonomy period, THP should fully subsidize all rural bank operational costs.

The MFP Officer will submit quarterly reports about the rural bank’s performance in an online database accessible by the Global Office and available to the Country Director. THP should also receive any financial reports that are submitted by the rural bank to the relevant government or regulatory agency.

5.2.2 Full Autonomy

The goal is that by the end of Phase IV, the rural bank should be operationally self sufficient. At this time, the bank should be able to pay for all operational expenses with its own financial income and should no longer receive any financial assistance from THP. However, the rural bank leadership should be encouraged to seek out additional external resources such as grants, loans, and training in order to grow their institution. Resources to support rural banks may be available from national and foreign governments and other NGOs, as well as credit union networks. Likewise, the THP country office and the THP Global Office will be always seeking to channel resources from various institutions toward the rural banks in order to stimulate and encourage their growth.

Operationally, the rural bank should no longer receive technical assistance from THP. For this reason, THP should help the rural bank identify another institution to provide training and other support after Phase IV. This could be an association, BDS Center, government office, or something similar.

Also at this point, the MFP Officer should no longer be required to submit quarterly reports about the bank’s performance via the online database managed by THP. The rural bank should however continue to submit the annual financial reports that are prepared for the government or regulatory agency. Furthermore, the MFP Officer should enter the annual data in the MFP Reporting System.
6. Monitoring & Evaluation

6.1 Record Keeping

6.1.1 Solidarity Group Files

At the rural bank, there should be a file for each group that receives a loan. This file should include:

- Group loan application
- Group loan contract
- Loan ledger for each group member
  The loan ledger records the amount that each person receives and the interest and principal payments she makes. And it reflects the balance of the loan which remains outstanding.
- Group loan ledger
  The repayment should also be entered into the group loan ledger, which will then summarize balance outstanding for the entire group loan.
- Savings ledger for each group member
  The savings ledger records the deposits to and withdrawals from each partner’s savings account. And it reflects each partner’s savings balance.

Please see Annex 8.2 for additional detail and sample forms.

6.1.2 Monthly Summaries

At the end of each month, the manager must complete and submit to the MFP Officer two summaries.

1. The monthly epicenter portfolio quality summary (Annex 8.2) will show the portfolio aging schedule at the end of the month. It should be done by group and include village subtotals.
2. The monthly epicenter savings summary (Annex 8.2) will summarize the total amount of savings deposited and withdrawn per partner and her/his savings balance at the end of the quarter.

While the repayment summary is done on a group basis, the savings summary is on an individual basis. The manager also prepares and submits a monthly village repayment summary and monthly savings summary to each VLC so that each VLC knows the repayment status of each loan group in its village.
6.1.3 Individual Savings and Credit Passbooks

Each partner should have a passbook that records both her/his loan repayments and savings deposits/withdrawals. The passbook provides each partner with both the balance of her/his loan which remains outstanding and her/his savings balance. The loan and savings balances which are recorded in the passbook should always correspond with the balances on the individual savings and loan ledgers that are held in the group file.

6.1.4 Country Office

The MFP team should keep a copy of each group loan contract at the THP office. These contracts should be organized by epicenter and by village.

Upon receiving the monthly repayment and savings summaries, the MFP team should enter this data into a database that tracks the current repayment status of every MFP group loan, in addition to each partner’s savings balance. Ideally, THP should purchase microfinance software to track these data.

At the end of each quarter, the MFP team should synthesize repayment and savings data from their database into quarterly reports which it submits via the online MFP Reporting System to the Global Office. The MFP Officer should print reports from this system and submit them to the Country Director.

6.2 Quarterly Reporting

The Global Office has created a website that collects quarterly data on the Microfinance Program. The data are now organized into five sections: Ratios, Income Statement, Balance Sheet, Portfolio Data and Non-Financial Data. The format was adapted from the FRAME Tool developed by SEEP (The Small Enterprise Education and Promotion Network). Please see Annex 8.5 for more details on the format.

Rural banks in Phases II, III and IV should report to THP on a quarterly basis. Rural banks that complete Phase IV and achieve self-reliance are not required to report quarterly. However, they should share their annual audit and accompanying financial statements, which they submit to the government, with THP.

Through the online MFP Reporting System, THP focuses on ten automatically calculated ratios. They are:

1. **Operational Self Sufficiency (OSS)**: Measures how well a financial institution can cover its costs through operating revenues.
2. **Yield on Gross Portfolio**: Indicates the ability to generate cash from interest, fees, and commissions on the Gross Loan Portfolio.

3. **Liquidity Ratio**: Indicates the degree to which the rural bank maintains cash and cash equivalents to cover short-term (may be readily converted to cash within 12 months) liabilities.

4. **Portfolio at Risk (PAR) over 30 Days**: The most accepted measure of portfolio quality. PAR>30 is the value of loans outstanding that have one or more installments of principal past due more than 30 days.

5. **Portfolio at Risk (PAR) over 90 Days**: The most accepted measure of portfolio quality. PAR>90 is the value of loans outstanding that have one or more installments of principal past due more than 90 days.

6. **Client Turnover**: Measures the percentage of partners who were at some time during the period accessing financial services but are no longer doing so. Financial institutions aim for a low rate.

7. **Average Outstanding Loan Size**: Measures the average outstanding loan balance per borrower. This is a driver of profitability and a measure of how much of each loan is available to clients.

8. **Average Loan Disbursed**: Measures the average value of each loan disbursed. This is frequently used to project disbursements. Both this and ratio #7 are often compared to GNI Per Capita.

9. **Percentage of Female Active Partners**: Indicates percentage of female rural banks members.

10. **Average Savings Balance**: Measures the average savings balance per member of the rural bank.

For rural banks that report quarterly, THP should ensure they meet certain performance targets. Ideally:

- OSS should trend upward toward 100%.
- Yield should approximately equal the annual interest rate.
- Liquidity should be low during Phases II and III.
- PAR>90 should be less than 10%.
- Client Turnover should be close to 0%.
- Average Loan Size should be less than ¼ GNI per capita.\(^4\)
- Percent Female Partners should be at least 75%.

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6.3 Output Indicators

From these quarterly data, THP should report a subset of quarterly output indicators for each epicenter:

- # Partners Trained
- # Loans Disbursed
- $ Loans Disbursed
- Av Loan Disbursed
- # Savings Deposits
- $ Savings Deposited
- Av Savings Deposit

These data will allow THP investors and MFP management to ascertain the volume of services provided.

6.4 Outcome Indicators

In addition to this continuous monitoring, the conducting of baseline and impact studies of program partners, under the direction of the Monitoring and Evaluation Officer, will enable the impact of the MFP to be better assessed. Furthermore, the creation and tracking of outcome indicators to assess the financial and social performance of the Microfinance Program will bring further credibility.

THP worked with a group of consultants to finalize a global Theory of Change framework (please see Annex 8.7), as well as maps for each Program Country where THP works. The next step is to finalize a set of quantifiable indicators that demonstrate the outcomes and impacts of the Epicenter Strategy, including the MFP. At the time of the writing of this manual, the proposed MFP indicators were:

<table>
<thead>
<tr>
<th>Livelihoods (and Microfinance in Africa)</th>
<th>1. Community partners are increasingly applying new skills to improve their livelihoods</th>
<th>2. Families are better equipped to meet household needs</th>
<th>7.1.1 % increase of partners applying new skills learned from THP to improve their livelihoods</th>
<th>7.1.2 % increase of partners using capital to expand an existing business or start a new one</th>
<th>7.1.3 % increase in average value of household assets</th>
<th>7.1.4 % increase in average household income</th>
<th>7.1.5 % increase of households with improved living conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To create better material conditions and economic opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6.5 Partner Stories

THP believes that partner stories are a powerful way to present qualitative data about the impact of the MFP on partners’ lives. The following three stories provide examples of these positive changes.

6.5.1 Mrs. Maguette Sow from Dinguiraye Epicenter in Senegal

A 47 year-old wife to a paraplegic and a mother of six children, Mrs. Sow is an active participant in the MFP program in Dinguiraye Epicenter. Mrs. Sow began her participation in the MFP program in 2002 with a CFA 15,000 loan (= $30) which she used to purchase, raise, and sell a sheep and to also begin a small business selling vegetables and condiments. She was able to make CFA 5,000 in profit (= $10) from this first loan.

Her second and third loans were for CFA 22,500 (= $45) and were used to expand her business and to continue sheep-raising. She was able to use the profits of the third and most recent loan, which was taken in September 2006 to purchase both a sheep for CFA 13,000 (= $26) and a small cow for CFA 45,000 (= $90). She hopes to take another loan of CFA 50,000 (= $100) to expand her produce stall and to intensify her animal husbandry.

In addition to the tangible economic improvements in her life, Ms. Sow has also attained an elevated social status in her village. She is a member of the MFP-W leadership at Dinguiraye. Through her participation in numerous THP trainings, she now feels comfortable expressing herself. As a result, Ms. Sow is now frequently invited to meetings and asked for her opinion on community matters.
6.5.2 Lydia Jemba from Wakiso Epicenter in Uganda

A 46 year-old married woman and mother of four children, Mrs. Jemba joined the Microfinance Program when it entered her community, Luguzi parish in Wakiso Epicenter, in 2001. At the time she was living in a small house with her husband.

After attending the initial THP VCA workshops, Mrs. Jemba became very excited about the principles and strategy of THP, especially about the women’s economic empowerment program (MFP). She immediately mobilized women in her community to participate in this program. They attended MFP VCA workshops and several other trainings in group dynamics, leadership, gender issues, book keeping, by-laws/constitution-making and savings mobilization.

Mrs. Jemba mobilized the MFP partners in the Epicenter, and they came up with a work plan to achieve the goal of opening their own rural bank. The work plan included electing leaders who would guide the community to achieve this goal. It was during this time that she was elected to the first leadership position in her life; Mrs. Jemba became the chairperson of her Village Loan Committee.

In 2002 she accessed her first loan of Ushs 200,000 (≈$122) which she used to improve her piggery project. Initially she had 2 pigs. With the loan she bought 6 more pigs and constructed shelter for them. By the end of the year, her piggery project had expanded to 14 pigs.

In 2003 she took a second loan of Ushs 250,000 (≈$152). She sold all her pigs and purchased and constructed shelter for a special breed cow. Through milk sales from her cow, she has been able to send her children to school and to ensure that they receive the health care that they need. She also uses the cow’s waste as fertilizer to improve the productivity of her gardens, a technique which she learned through her Functional Adult Literacy class.

Today, Mrs. Jemba has diversified her IGAs and has secured for herself multiple streams of income. She currently has five projects which together provide her with over $1,500 in income per year. In addition to gardening, she produces batiks, has a milk production project, and raises poultry and improved hybrid goats.
Participation in the microfinance program has greatly impacted Mrs. Jemba’s life, and she cites many achievements and improvements. Her household income has increased, and she has a personal savings account in the bank. She has further diversified her projects to include mushroom farming. Together with her husband, they have been able to construct a permanent house in which they now live (see photos below). Nutrition in her household and the entire community has improved. They can have at least three meals a day.

In 2005 Mrs. Jemba was elected chairperson of Wakiso Rural Bank, one of the strongest rural banks in her district, and the only one that is managed by women. She was recently re-elected Chairperson of Wakiso Rural Bank Board of Directors due to her strong leadership which has fostered the bank’s rapid growth and good performance. She and the other members of the Board are leading the bank to increase its membership and to develop new financial products.

Outside of the bank, Mrs. Jemba has also emerged as a strong community leader. In 2006, she entered local politics and was elected Councilor for Women in her Luguzi parish. She then proceeded to the sub-county level and was elected as Speaker for the sub-county.

Mrs. Jemba is very proud of her position on the rural bank Board of Directors and the changes which she has witnessed in her community. She declares, “It is my greatest achievement in life. I am able to serve my community diligently because of the leadership skills that I acquired through my participation in the MFP program. Leading the community to internalize a vision of rural bank creation, attaining it and managing it is not something African women could dream of, but now everybody believes that ending hunger is possible if coupled with commitment and action and that women can do as much as men can. We are very happy in our families because of all these achievements, there is a big change from what we were in the past, we have educated our children and my last born is now at the university.”
Alamii Tufaa is a 20-year old wife and mother of two. She lives in Goro kebele (village) in Jaldu Epicenter, and her family’s livelihood is based on farming.

Mrs. Tufaa is a member of one of the first loan groups to participate in the microfinance program in her Epicenter. In June 2005, she received a loan of Birr 300 (≈$35). She used this first loan to purchase two goats with Birr 240 (≈$28) and four chickens for Birr 40 (≈$5), and she used the rest of the Birr (≈$2) for medication when her child got sick.

One of her goats gave birth to two offspring twice while the other one gave birth to one offspring twice. In total, she had eight goats, including the two that she began with, within a year. After some time she sold three offspring for Birr 300 and repaid her loan.

Her chicken also produced eggs and from the sale of eggs, she joined an iqub, a traditional savings’ association, from where she earned Birr 600 (≈$70). With the 600 Birr, she purchased a cow.

Although her chickens died before any medication was given during a chicken disease epidemic, she now has five goats and a cow at her home.

She proudly says, “I can cover my children’s health expenses and clothes without any problem.” Before her involvement in the Microfinance Program, her husband covered all household expenses.

Having seen the positive results of her participation in the program, Mrs. Tufaa’s husband is very supportive of her. Her success has also drawn the interest of her neighbors, who ask her how they can join the MFP.

Mrs. Tufaa is also proud of her new savings’ culture. Prior to the program, she did not save money, but after she was organized in a loan group, she started to save Birr 2 (≈$0.23) monthly, and after one year she saved Birr 66 (≈$7.67). She says, “In the future, I am planning to propose to my group to increase our monthly saving to Birr 5 (≈$0.58). Because the money I saved there was my own money and increased my income; I can use it in the future at my needy time.”

Mrs. Tufaa plans to continue participating in the program and to expand her petty trade and goat-rearing. Her vision is to increase her income and purchase oxen and construct an iron-roofed house. She also plans to send all her children to school when they reach school-age.
6.6 Annual MFP Audit

Each rural bank must conduct an audit of its annual operations and produce a complete set of financial statements, including an income statement, a balance sheet and a statement of cash flows. During Phases II and III THP should fully subsidize the cost of this audit. In Phase IV, THP should cover 50% of the cost of the audit, and the rural bank should cover the remaining 50% of the cost. After Phase IV, once the rural bank reaches self-reliance, it should pay for its own audit.

While THP should require a copy of these annual financial statements from the rural banks, it should not consolidate the information with its other programs in one audit to submit to the Global Office. Rather, it should submit them to the Global Office separately. To be clear, on the consolidated country audit:

- **Balance Sheet**
  - MFP Cash allocated to epicenters should **not** be recorded as an Asset.
  - Only unallocated MFP Cash should be recorded as an Asset.
  - Outstanding Loans should **not** be recorded as an Asset.
  - Interest Receivable should **not** be recorded as an Asset.
  - Savings should **not** be recorded as a Liability.

- **Income Statement**
  - Interest Earned on MFP Loans should **not** be recorded as Revenue.
  - **Seed capital allocated to epicenters should be recorded as an Expense.**
  - Interest Paid on MFP Savings should **not** be recorded as an Expense.

While THP subsidizes the cost of the rural bank audit, it should select the independent auditors to conduct the process and ensure it is for the calendar year ending December 31 (Gregorian calendar). Once the rural bank pays for its own audit, it may select the auditors and the time period.

Moving forward, this policy should apply to all rural banks regardless of what phase they are in. However, for epicenters that started savings and lending activities prior to rural bank recognition (previously referred to as “Direct Credit”), THP must continue to audit the MFP. This audit should be conducted separately from the audit of other program activities, and the financial statements should summarize MFP accounts and activities across all epicenters that are still in the “Direct Credit” phase. Furthermore, the auditors should visit a sample of 1/3 of these epicenters.
7. Best Practices

This chapter discusses the “Best Practices” of the THP microfinance program across the eight African program countries and provides ideas for the microfinance program’s development in the future. The content of this chapter is the outcome of discussions during the THP-Africa Conference on the Epicenter Strategy and Microfinance, which was held in Addis Ababa, Ethiopia from May 19 – 23, 2007 as well as the Anglophone Microfinance Program Meeting, which was held in Blantyre, Malawi July 20 – 22, 2011.

7.1 Mobilizing Savings

1. THP-Malawi has a rigorous savings’ policy. To access the initial, base loan of 5,000 Kwacha (≈$37), partners must save 10% (500 Kwacha). To access larger size loans, however, the policy is different. If partners want subsequent loans to be larger than the base loan, they have to be very effective at mobilizing savings while they are repaying their base loan. Subsequent loan size is based directly on the amount of voluntary savings that partners mobilize during the current loan cycle. The formula which determines the size of the subsequent loan is as follows:

   Base loan + (2 x voluntary savings) = Subsequent loan

   For example, a partner must mobilize 500 Kwacha to access the 5,000 Kwacha base loan. For the next cycle, the maximum loan size that a partner can access is the base loan plus two times the voluntary savings that she makes while repaying her loan. So if a partner has mobilized 1,000 Kwacha in voluntary savings (in addition to the 500 Kwacha which she had mobilized to access the base loan), she may access a 7,000 Kwacha loan in the next cycle. [5000 + (2 x 1000) = 7000]. The more that a partner saves voluntarily, the larger her next loan may be.

2. In addition to mobilizing the 10% required savings to access a loan, it is also imperative that partners build the habit to save continually throughout a loan cycle. THP-Ethiopia requires that each solidarity group set and enforce a monthly savings’ requirement. The solidarity group has the flexibility to set its own target, but all members must meet the target to access a subsequent loan. After the first loan cycle at Jaldu Epicenter, all groups respected their monthly savings’ requirement, and many increased their monthly savings’ requirements for the next loan cycle. Requiring monthly savings but giving partners’ the flexibility to set their own targets has proved effective.

3. Coki Epicenter rural bank in Senegal has an effective savings’ policy. The bank has 4 types of savings as follows:
a. **Initial savings**: During the first three months of membership, a member must make regular savings deposits. Initial savings are required before a new member may apply for a loan.

b. **Required savings to access loan**: A bank member must save 1/3 of the loan amount desired before she may access a loan. This 1/3 is in addition to her initial savings. Therefore, if she has saved $10 initially and would then like a loan of $60, she must save another $20 to access the $60 loan. Required savings to access a loan cannot include initial savings.

c. **Required savings during loan repayment**: While a member is repaying her loan, she must also save. By the end of the loan cycle, she must have saved 10% of the loan amount.

d. **Voluntary savings**: Unlike the three other types of savings, these can be freely deposited and withdrawn.

4. The development of new savings products is also an effective strategy for mobilizing savings for government-recognized rural banks.\(^5\) By offering more than the traditional passbook savings accounts, a bank can attract more members and increase savings deposits. Wakiso Epicenter rural bank in Uganda has introduced youth savings’ accounts, where parents/guardians may open savings accounts for youths aged 12-17. These guardians deposit savings into the youth accounts, and the youths may access the funds only when they have 18 years of age or after a period of one year.

5. Finally, recent microfinance research has demonstrated the popularity of “commitment savings” products through which individuals agree to a target date or sum they must achieve before they can withdraw any amount of savings. The approach proved to be particularly successful with a group of farmers in Malawi, who agreed to deposit a percentage of their wages into a savings account that they could not touch until the next planting season. For more information, please see: http://www.gatesfoundation.org/financialservicesforthepoor/Documents/farmers-in-malawi.pdf.

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\(^5\) The World Council of Credit Unions (WOCCU) has produced an informative guide, “A Technical Guide to Savings Mobilization: Lessons from the Credit Union Experience”, which discusses the potential savings products that a member-owned rural financial institution may offer. Please see: http://www.woccu.org/bestpractices/techguides.
7.2 Maintaining High Portfolio Quality

1. **Strictly enforce a late penalty**: If groups do not respect a repayment date, they must be fined. Groups cannot access a subsequent loan unless they have cleared all fines.

2. **Involve local leaders** (chiefs, administrative officials, epicenter leadership): When local leaders are involved in program mobilization, training, and actual loan disbursement, this deters both late and non-repayment. Involvement includes both inviting chiefs to Microfinance VCA workshops and loan disbursement dates (THP-Malawi) and also requiring the signature of chiefs and/or local administrative officials on group loan applications and/or contracts (THP-Uganda and THP-Benin). These same local authorities may put pressure on delinquent groups to repay.

3. **Target well-established groups** where members know each other well and have a history of working collectively together (THP-Benin and THP-Burkina).

4. **Disburse loans in a timely manner** to solidarity groups: This will ensure that the loans will be efficiently and effectively used and that partners will be able to repay the loans as scheduled.

5. **Give larger loans as partners complete a loan cycle**: By providing the incentive of prompt access to a subsequent larger loan, partners will be motivated to repay their loans on time.

6. **Verify partners’ IGAs** before loan disbursement and monitor them during the loan cycle (by VLCs and BOD): Ensuring the loan is used for its originally intended purpose, should guarantee on time repayment. Also, a regular monitoring schedule that follows the repayment cycle will ensure partners are reminded as a repayment approaches and visited as soon as it has passed.

7. **Enforce Group Liability Mechanism**: Empower solidarity groups to enact their bylaws and seize property of the defaulter in order to complete repayment. Otherwise, they must repay the loan.

8. **Maintain Portfolio Diversification**: To minimize the risk of one crop failure destroying an entire balance sheet, rural banks should maintain a certain amount of portfolio diversification. THP strongly recommends that no more than 50% be invested in agricultural loans, for example.

9. **Require Regular Repayments**: As mentioned in section 2.5.2, all loans should be repaid in monthly installments, or more frequently. The amounts need not be equal but the act of making a regular repayment will minimize the risk of borrower delinquency and ultimate default.

10. **Freeze Disbursements** in a village with defaulting groups: Other groups in the village will put pressure on the defaulting groups to repay their loans so that disbursement may reconvene. This strategy is effective on a case-by-case basis. In extreme situations, where Portfolio at Risk over 90 Days exceeds 20%, management may consider a complete freeze on disbursement.
11. **Offer microinsurance**: As mentioned in section 2.5.3, rural banks should consider offering a “credit life” insurance product to cover the balance of members’ loans in the event of death or permanent disability. Overall, this serves as a mechanism to protect families from the financial shock and maintains the quality of the loan portfolio despite difficult circumstances. (THP-Benin and THP-Uganda)

### 7.3 Building Capacity

To give the rural banks the greatest chance of success, THP must build local capacity to manage and govern their daily operations as well as the strategic planning process. Specific techniques include:

1. Continuous review and repetition of VCA workshop points so that partners understand and internalize THP objectives, principles, and methodology.

2. Provision of required trainings to loan groups prior to loan disbursement and provision of subsequent refresher trainings so that partners clearly understand:
   - a. Objectives of the microfinance program;
   - b. Their rights and obligations as rural bank members;
   - c. Improved ways of doing their IGA;
   - d. What to do in case of problem or when in need of support;
   - e. How to manage their finances; and
   - f. The importance of savings.

   When the above points are reviewed and repeated, partners will more quickly achieve economic independence and self-reliance.

3. Having loan committees and loan groups establish and strictly enforce their own bylaws: The existence of bylaws strengthens committee and group activities by clearly identifying each member’s roles and responsibilities. Moreover, the creation of and adherence to bylaws prepares partners to make a smooth transition to having their own rural bank.

4. Strictly enforce the literacy requirement to receive a loan, and thus become a member of the rural bank. This will ensure an educated membership with the necessary basic skills to stand for election to the Board of Directors, receive training on roles and responsibilities and execute those duties effectively.
5. Where possibly, THP should provide microfinance software to allow rural bank management access to quality data. This will strengthen the ability of the rural banks to grow responsibly. Of course, electricity and computers are a precondition.

7.4 Establishing Satellite Banks (Kiosks)

The rural banks should provide their members relatively easy access to financial services. If a rural bank has villages that are situated more than five kilometers from the epicenter building, it may wish to consider establishing satellite banks or kiosks. THP-Uganda has found these to be very effective tools to improve on time repayment, increase membership and mobilize additional rural bank savings/shares. Their main features include:

- **Structure:** Simple metallic kiosks equipped with office furniture for book storage, a high stool and small lockable drawers. Painted with corporate colors and printed with name of rural bank.
- **Forms:** Passbooks, cash analysis books, loan disbursement books, reserve books, daily transaction sheets, membership application forms, share purchase and loan application forms.
- **Operations:** Open Monday through Friday from 9 am to 3 pm and staffed by a kiosk attendant.
- **Services:** Collect savings deposits, collect loan repayments, receive loan applications, disburse loans to members, sensitize and educate new rural bank members and mobilize communities.
- **Security:** bank manager performs daily checks and bank deposits and collects daily transaction sheets and reconciliations.

7.5 Forming Rural Bank Networks

Most francophone West African countries now require that small rural banks, like those THP promotes, form networks. There are a number of advantages to belonging to a network of rural banks within a country. First, they can share their capital available for lending, which should minimize liquidity issues. Furthermore, they can support each other to manage strong, sustainable financial institutions. Finally, they may collectively seek other sources of funding, which are mostly available to larger institutions.

THP-Benin is the first country to formally recognize a network of rural banks and therefore, prepare a set of governing policies and principles. They are included as an example in this document as Annex 8.8.
7.6 Scaling Up

Since the last update of this manual, THP-Ghana has gained valuable insight into what it takes to scale up the Epicenter Strategy effectively. In terms of the MFP, there are a few important lessons learned:

- The MFP must be staffed adequately. Given the technical skill set that is required to manage a microfinance program, THP should ensure that there is at least one Credit Officer for every 10 epicenters. And there should always be one MFP Officer to manage/oversee the Credit Officers. This should ensure sufficient oversight during the formative years of the rural banks.
- THP must take the time in Phase I to properly train all future MFP partners so that they fully appreciate and understand the objectives and principles of the program. Above all, the leaders must understand their roles and responsibilities with respect to ensuring loan repayment. For this reason, the maximum timeframe for Phase I has been extended to two years.
- THP should strongly encourage rural banks to maintain a minimum level of portfolio diversification. Investing the entire loan portfolio in agriculture is extremely risky and should be avoided. Having a diverse loan portfolio should protect the rural bank from devastating losses.

7.7 Achieving Self-Reliance

THP has an ambitious timeline to bring rural banks to self reliance (operational self sufficiency). Assuming the rural bank is recognized toward the beginning of Phase II, it has four years with THP fully subsidizing its operational expenses and two years with a partial (50%) THP subsidy. By the end of these six years, the rural bank must be able to meet all operational costs with its own financial revenue. Therefore, THP strongly recommends that:

1. Rural banks lend out the initial seed capital (US$25,000) all at once;
2. They charge an annual interest rate of at least 15%;
3. Management strictly enforce on time repayment policies;
4. THP allocate an additional US$25,000 as soon as the rural bank enters Phase IV; and
5. Rural banks require monthly repayments to maintain consistent cash flow.
7.8 Microfinance Resources

As an industry, microfinance has a lot of great resources. The following list provides a sample of consortiums and organizations that promote learning and sharing best practices throughout the sector.

- CGAP (World Bank)
  http://www.cgap.org/p/site/c/pubs/

- MicroCredit Summit Campaign
  http://www.microcreditsummit.org/e-newsletter/

- Microfinance Gateway
  http://www.microfinancegateway.org/p/site/m/

- MicroLinks (USAID)
  http://www.microlinks.org/ev_en.php

- MIX Market
  http://www.mixmarket.org/

- Rural Finance Learning Center
  http://www.ruralfinance.org/

- SEEP
  http://www.seepnetwork.org/Pages/ResourcesList.aspx

- UN Capital Development Fund Distance Learning Program

- World Council of Credit Unions
  http://www.woccu.org/

Finally, THP has an intranet site (known as TIP) where MFP staff can ask questions, post documents and share information. Staff should contact the GO for a password to access it at http://intranet.thp.org/.
8. Annexes

8.1 MFP VCA Workshop

Vision, Commitment & Action (VCA) Workshop

Microfinance Program

Like the general THP VCA Workshop, the MFP VCA Workshop is structured around the five steps to ending hunger. The themes of the workshop, however, are the credit, savings, and training program and the long-term goal of forming a government-recognized rural bank. MFP Officers should conduct the MFP VCA Workshop with the women and men in THP epicenters. The outline of the MFP VCA Workshop is as follows:

1. **Changing the mindset:**
   
   The partners must believe that hunger can be ended and that they have an important role as economic players in their households, their communities, and their country.

2. **Electing Leadership:**
   
   The partners must elect committed local leadership in the form of village-level MFP Credit Committees and the epicenter-level Board of Directors.

3. **Creating a Vision:**

   **Short-Term:**
   
   - The rural bank members must use the MFP credit prudently to raise their incomes and generate savings.
   - The members must maintain high repayment rates to ensure growth of the Revolving Loan Fund and timely access to new loans.

   **Long-Term:**
   
   - The members must operate a self-reliant rural bank within six years.
The rural bank members must reduce hunger and poverty in their households and communities.

4. **Declaring Commitment:**

- MFP partners must commit themselves to saving money, borrowing wisely, and repaying loan principal and interest on time. The women must commit themselves in solidarity to their fellow loan group members and ensure that every group member’s loan is repaid under all circumstances.

- The MFP leadership must commit itself to lending prudently. The leadership must commit itself to verifying and ensuring the viability of borrower’s income-generating activities (IGAs) and their capacity to repay loans.

- The MFP partners and the MFP leadership must be committed to working together to achieving the short-term and long-term visions.

5. **Taking Action:**

- MFP partners should form loan group, elect leaders, identify credit needs, and mobilize the required savings.

- THP will provide credit, training, and ongoing monitoring and evaluation.

- The MFP women must borrow wisely, repay their loan principal and interest on time, and continue to save. They must work hard on their IGAs and use their profits to improve their own and their families’ well being.

The MFP partners must establish their own rural bank and collectively ensure its smooth functioning, independence and sustainability.
8.2 Sample Forms

SOLIDARITY GROUP LOAN APPLICATION

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<th>Name of Member</th>
<th>Position in Group</th>
<th>Amount Requested</th>
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TOTAL REQUESTED ________

We, the members of this group, request a loan for income generating purposes. If granted, we accept collective responsibility (via signature below) to repay the loan, principal and interest, in its entirety.
### Decision of the Village Loan Committee

- [ ] Accepted
- [ ] Accepted for ______________________ (Sum)
- [ ] Refused

Reason loan is refused or reduced:

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Application Examination Date ________________________________

PRESIDENT __________________________ SECRETARY __________________________ MEMBER __________________________

### Decision of the Epicenter Loan Committee

- [ ] Accepted
- [ ] Accepted for ______________________ (Sum)
- [ ] Refused

Reason loan is refused or reduced:

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Application Examination Date ________________________________

PRESIDENT __________________________ SECRETARY __________________________ MEMBER __________________________
By this contract, the above-named group received a loan under the following terms and conditions:

Disbursement Date: ________________________________
Cycle #: ________________________________
Number of Members: ________________________________
Loan Disbursed: ________________________________
Loan Term: ________________________________ Months
Interest Rate: ________________________________ %
Total Interest Due: ________________________________
Total to be Repaid: ________________________________
Total Required Savings: ________________________________
Repayment Frequency: ________________________________
Repayment Dates: ________________________________
Repayment Deadline: ________________________________
Late Penalties: ________________________________

The members of the loan group recognize that they are collectively responsible for the complete repayment of this loan, and that no member will be eligible for another loan or to withdraw her required savings’ deposit until the entire loan, principal and interest, and all applicable penalties (incurred if the group does not pay the entirety of the sum due by the above specified dates) are paid. In addition, the group commits:
- To work in conformity to the philosophy, principles, and methodology of The Hunger Project for the sustainable end of hunger and poverty.
- To participate in all required trainings and activities that are organized by THP MFP staffs (literacy class, health education, credit management, sensitizations).
- To make efficient use of the loan received and to use the loan for its original, intended, income generating purpose.

Signed on
_____________________________________________________
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<th>Solidarity Group President</th>
<th>VLC President</th>
<th>ELC President</th>
<th>MFP Officer</th>
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**MFP PARTNER LOAN LEDGER**

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8.3 Sample Memorandum of Understanding between THP & Rural Bank

REPUBLIC OF UGANDA

AGREEMENT BETWEEN THE HUNGER PROJECT-UGANDA (THP-U)

AND

KIBOGA FOOD FARMER INITIATIVE SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD. (KIFFI SACCO LTD)

IN RESPECT OF THP’S MICROFINANCE PROGRAM –AFRICAN WOMAN FOOD FARMER INITIATIVE (AWFFI).

This AGREEMENT is made this.................day of .............2007, between The Hunger Project –Uganda of P.O. Box 26393 Kampala [herein after referred as THP] and Kiboga Food Farmer Initiative Cooperative Savings and credit Society Limited of C/o P.O. Box 26393, Kampala. [Herein after referred to as the KIFFI SACCO] 

WHEREAS THP accepts to provide technical and other logistic assistance from the African Woman Food Farmer Initiative [herein after referred to as AWFFI] and WHEREAS THE KIFFI SACCO accepts to participate and cost share in the Project activities on a cost recovery basis, NOW IT IS HEREBY AGREED AND DECLARED AS FOLLOWS:

1 OBJECTIVES OF THE AFRICAN WOMAN FOOD FARMER INITIATIVE

1.1 DEVELOPMENT OBJECTIVE (GOAL)

1.1.1 Economic empowerment of rural women food farmers in Uganda through provision of credit and mobilisation for future investment towards the end of hunger and poverty.

1.2 PROGRAM OBJECTIVES.

1.2.1 To increase food production and income generation through provision of credit to rural food farmers, principally women.

1.2.2 To increase and ensure rural food farmers’, principally women’s, sustainable access to savings and credit facilities through the creation of a women-led government recognized rural bank at THP Kiboga Epicentre.
1.2.3 To improve access to appropriate technologies, training and information through credit.

1.2.4 To increase opportunities to attain skills for self-reliance through the training programs of the Cooperative.

1.2.5 To enable Ugandan rural women food farmers to build lives of self-reliance and dignity by increasing their opportunities to participate in positions of decision making for the development of their communities.

1.2.6 To enable rural food farmers to have access to better health services through credit.

2 THP-AFRICAN WOMAN FOOD FARMER INITIATIVE (THP/AWFFI) COMMITMENT

To ensure a participatory and successful implementation of AWFFI program, THP agrees to execute the following activities:

2.1 Mandated to have patronage role to the KIFFI SACCO and as such it will be signatory to all the accounts of the SACCO for supervisory purposes until THP otherwise decides.

2.2 Provide technical support through the AWFFI PROJECT OFFICER and CREDIT OFFICER for building the capacity of KIFFI SACCO’S manager and the leaders as well as assisting them to develop operating and management information systems.

2.3 Provide backup support through the Kampala office and the Global Office to ensure smooth implementation of AWFFI by the KIFFI SACCO, built on the THP principles of partnership, self-reliance and women’s empowerment for the end of hunger.

2.4 Monitor and supervise KIFFI SACCO’s operations to ensure that they remain on course and comply with the agreed rules and procedures.

2.5 To provide some basic logistical support to help initiate and facilitate operations of the KIFFI SACCO on condition that the SACCO will have met the agreed upon operating targets/ standards.

2.6 To transfer the revolving loan funds (RLF) of the epicenter, from both AWFFI and SPIA Direct Credit, to the SACCO as part of the SACCO’s initial seed capital. These funds will be transferred in addition to members’ savings, shares, and membership fees. THP/AWFFI will remain with powers to withdraw the “seed” fund in case of non or poor performance. The Annex to this Memorandum details the value of the seed fund to be transferred from THP/AWFFI to the SACCO and provides a list indicating to whom the savings’ belongs.
2.7 Have a mandate to call a special Annual General Meeting through the office of the District cooperative officer in case of need.

3 SOCIETY’S COMMITMENTS

To ensure that the KIFFI SACCO successfully handles its operations as envisaged under the AWFFI program, the SACCO agrees to undertake the following:

3.1 To hold a special general meeting to confirm their full participation in the KIFFI SACCO.

3.2 To mobilise and explain the program to the potential participating communities surrounding the epicentre.

3.3 Receive and consider membership application from the new members of the Epicentre communities in which the KIFFI SACCO is located.

3.4 To ensure that all women members have equal opportunities to participate fully in the KIFFI SACCO operations.

3.5 The principle that the KIFFI SACCO will be owned and operated by rural women must be preserved in the By Laws/Articles of Association adopted and maintained by KIFFI SACCO by providing that only rural women may be elected to the executive committee (Board) and the key sub committees (Credit and Supervisory).

3.6 To make a firm commitment to cover its operating costs from its own resources in the future and attain self-sufficiency.

3.7 To have a committee with individuals meeting minimum levels of education requirement as will be agreed upon from time to time [e.g. chairperson to have at least Ordinary level Certificate].

3.8 To conduct and manage it’s operation in accordance with the operating procedures, policies and guidelines as will be developed and agreed upon with THP from time to time, and in line with micro finance best practices.

3.9 To allow THP’s AWFFI Programme Staff or any other partner authorised by THP/ AWFFI Programme, free and full access to its records and operating reports.

3.10 To provide THP with timely periodical operating reports prepared according to the agreed format.
3.11. To meet operating targets and standards in order to access the Program’s logistical support and facilitation.

3.12. To use any properties or support of any form received from THP according to agreed understanding and in the best interest of the SACCO.

3.13. To involve THP in the negotiations and arrangements for establishment of relationship or contraction of funding arrangements with any other intending donor or supporter.

3.14. To allow THP appointed Auditors to carry out independent audits of the Books of Accounts of the THP/AWFFI KIFFI SACCO as and when necessary.

4. OWNERS OF PROJECT PROPERTIES

Ownership of any property to the KIFFI SACCO by THP for the KIFFI SACCO’s use under this program remains with THP until THP otherwise decides.

5. COMMON COMMITMENT

Both parties undertake to abide and perform on their commitments under this agreement.

6. EXIT STRATEGY

The Hunger Project Uganda reserves the discretion to withdraw from a community on the basis of continuous non-performance after making consultations with the community, the civic and political leadership.

7. LAW AND DISPUTE

All disputes of and in connection with this agreement including it’s interpretation and liability or claim there under, shall be referred to the arbitration of the Registrar of Co-operative Societies or somebody appointed by him or a court of law.
SIGNED FOR AND ON BEHALF OF

1........................................... DESIGNATION...............
THE HUNGER PROJECT- UGANDA [Official seal and Date]

SIGNED FOR AND ON BEHALF OF

2........................................... DESIGNATION...............
KIFFI SACCO [Official seal and Date]

SIGNED FOR AND ON BEHALF OF

3........................................... DESIGNATION...............
DISTRICT COOPERATIVE OFFICER [Official seal and Date]
Annex to Agreement between THP-Uganda and KIFFI

Please find below the breakdown of all the transfers to be made from THP-Uganda to KIFFI:

**AWFFI**

Add: **Grant (Revolving loan fund):** Ush 102,238,685
Less: Account closing charges Ush 20,000
Add: **Savings:** Ush 19,617,600
  - Interest earned on savings account Ush 230,258
  - Balance on initial account opening deposit Ush 11,000
Less: Withholding tax and ledger charges Ush 48,659
  - Account closing charges Ush 15,000
Add: **Membership and share deposits** Ush 6,045,000

Subtotal Ush 128,058,884

Add: **Loans outstanding** (Direct Credit):
  - Principal Ush 6,047,250
  - Interest Ush 1,209,450
Subtotal Ush 7,256,700

TOTAL Ush 135,315,584

**SPIA**

Add: **Grant (Revolving loan fund)*** Ush 26,489,274
Less: Account closing charges Ush 20,000
Add: **Savings:** Ush 1,672,200
  - Interest earned on savings account Ush 15,436
  - Balance on initial account opening deposit Ush 11,000
Less: Withholding tax and ledger charges Ush 15,036
  - Account closing charges Ush 15,000

Subtotal 28,137,874

Add **Loans Outstanding** (Direct Credit):
  - Principal Ush 1,827,900
  - Interest Ush 365,600
Subtotal Ush 2,193,500

TOTAL Ush 30,331,374

GRAND TOTAL Ush 165,646,958
8.4 Sample Rural Bank Bylaws

SCHEDULE FORM 1

THE CO-OPERATIVE SOCIETIES REGULATIONS 1993

TO THE REGISTRAR OF CO-OPERATIVE SOCIETIES
P.O. BOX 7103
KAMPALA

Dear Sir

APPLICATION FOR REGISTRATION OF A CO-OPERATIVE SOCIETY

We the undersigned hereby apply for the society, the particulars of which are set out hereunder, be registered as a co-operative society under The Co-operative Societies Act CAP. 112.

1. Name of Society KIBOGA FODA FARMERS’ INITIATIVE SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD

2. Address of the society for the purpose of registration

3. Area of operation KIBOGA

4. Type of society SAVINGS AND CREDIT COOPERATIVE SOCIETY

5. Whether limited or unlimited LIMITED

6. Language and Character in which the books of the society and account will be Kept ENGLISH AND UGANDA

7. Name of person appointed to be secretary of the society pending the 1st Annual General meeting NAMBUJA MILLY

Republic of Uganda

Director of Co-operative Societies
CHAPTER 1

APPLICABLE LAW, NAME, PURPOSE, DOMICILE

ARTICLE 1: APPLICABLE LAW, NAME AND DOMICILE:

i) These Bylaws are made under the overriding authority of The Co-operative Societies Act CAP 112 and The Co-operative Societies Regulations 1993.

ii) The Society shall be called KIBOGA FOOD FARMER INITIATIVE

Co-operative Savings and Credit Society Limited.

KIBOGA FOOD FARMER INITIATIVE

iii) Domicile: Co-operative Savings and Credit Society limited's area of operation shall be

However, by decision of the Committee, the Savings and Credit Co-operative Society may open branches or set up any other location in Uganda, whenever economically justifiable, provided such a decision shall be ratified by the members at their general meeting.

ARTICLE 2: OBJECTS

Under the general principal of financial safety and soundness, the purpose of the Savings and Credit Co-operative society is to provide its members with:

i) Savings, deposits, and related services earning competitive rates of interest and minimizing financial risks on such savings.

- ii) Loan services at cost allowing the society to cover its costs including legal reserves, for loan losses and other required reserves

- iii) Any other necessary legally authorized and economically feasible financial services demanded by its members.

To fulfill these objects, the society may develop, promote and implement the following activities:

a) Savings mobilization programs and branding campaigns.

b) Credit programs and services based on the borrower's repayment capacity.

c) Individual as well as joint financial programs and services with other entities with similar objectives.
d) Educational programs on savings, loans and other financial services and products, their use and consumption, as well as consumer protection Programs regarding financial services and general co-operative issues.

e) For the attainment of the above objects the society may do all acts and things that are permissible under the co-operative Act the Regulations and these Bylaws.

CHAPTER 2

CAPITAL, SHARE CERTIFICATES, ECONOMIC RESOURCES

ARTICLE 3: NETWORTH: SHARE CAPITAL AND INSTITUTIONAL CAPITAL

The net worth of the society is made up of:

a) Share Capital:
The nominal value of Shares issued to the members at their par value, which is Shillings

b) Institutional Capital:
The legal and voluntary surplus reserve which shall remain undistributed.

ARTICLE 4: RESTRICTION TO SHARE HOLDING

No member shall hold more than one third of the total share capital.

ARTICLE 5: SCALE DOWN AND REINTEGRATION OF THE SHARE VALUE

With the prior knowledge of either Annual or Special General Meeting of members, the value of individual shares shall be reduced when the society's real assets value becomes lower than the aggregate liabilities. The loss shall be proportionally shared among all individual share certificates. Successive surpluses shall justify reversing the reduction process, only to the extent of the reduction.
ARTICLE 6: OTHER ECONOMIC RESOURCES

To meet its economic purpose, the society shall rely on economic resources, such as:

a) Deposits by members.
b) External loans obtained in accordance with the Act and the Regulations.
c) Unconditional Reserves approved by the General Meeting of members.
d) Any funds that lack an express condition or specified destination by the Donors should become part of the institutional capital and therefore shall remain undistributed.

CHAPTER 3

MEMBERSHIP, ADMISSION AND WITHDRAWAL FROM MEMBERSHIP, RIGHTS AND LIABILITIES

ARTICLE 7: ELIGIBILITY

a) The following persons are eligible for society membership:

Individuals who are:

i) Of good character

ii) Meeting the membership profile as defined by the society Committee.

iii) Any legal person, or similar association, whose membership which is made up primarily of individuals who also meet the eligibility requirements for the society membership.

b) Every applicant shall fill an application form for membership which when admitted will form part of the membership register of the society.

c) An applicant shall subscribe at least one share in order to be admitted as a Member.
ARTICLE 8: MEMBERSHIP RIGHTS AND RESPONSIBILITIES

Subject to the Act, Regulations, the Registered Bylaws, Policies, Standards and Procedures, a member

A) i) Shall have the right to use the society services and exercise the rights
    ii) Receive, periodic and at request statement of account
    iii) Attend and participate at General Meetings, at which each member
         Shall have one vote irrespective of the share holding.
    iv) Elect or be elected as a committee member of the society.
    v) Submit projects or initiatives to the Committee for the improvements of
       the society services.

B) A member shall have the following responsibilities: subject to the Registered Bylaws, Policies, Standards and Procedures:

i) Abide by the Act, Regulations, the Registered Bylaws, and the relevant approved Policies.

ii) Abide by the Resolutions of the members passed at a general meeting irrespective of having been absent from such a meeting or having dissented or abstained on such resolutions.

iii) Patronize the society.

ARTICLE 9: LIABILITY

The liability of a member shall be limited to 3 times the nominal value of the shares held the member

ARTICLE 10: CESSIONATION FOR MEMBERSHIP

Membership shall cease if:

i) A member whose share balance falls below the par value of the share, Provided such member is notified and allowed a calendar days within which to make good the share balance, failure of which membership shall be terminated.

ii) A member voluntarily withdraws from the society.

iii) A member dies.

iv) Such a member is dismissed from the society.
ARTICLE 11: VOLUNTARY WITHDRAWAL

i) Members with a positive balance, outstanding obligations on their accounts and no outstanding collateral or guarantees for other members’ loans may withdraw from membership, at any time, without losing vested rights.

ii) In spite of losing their status as members, individuals who have withdrawn from membership but still have outstanding loan balances or outstanding guaranties for other members’ loans shall continue being responsible for their respective obligations.

ARTICLE 12: SUSPENSION

i) The Committee may suspend a member who:
   a) Acts in any way contrary to the interest of the society.
   b) Fails to pay contributions or debts due from him/her to the society.
   c) Violates the Bylaws, policies and procedures of the society.

ii) The said member shall be allowed to present his/her defense and taking into consideration the member's defense the Committee shall initiate an administrative inquiry and take a decision on its findings within 15 days.

iii) The Committee shall report on any member suspended by it to the next General Meeting, which shall have power to expel or reinstate the member.

ARTICLE 13: SUSPENSION PROCEDURE

i) Upon formal and written announcement and proof that a member has committed a violation punishable by suspension, the Committee shall provide written notice to the member setting forth the reason for the Proposed suspension, and grant 30 days for the member to take action on his/her defense.

ARTICLE 14: PAYMENTS RESULTING FROM WITHDRAWAL, TERMINATION OR EXPULSION FROM MEMBERSHIP

i) Withdrawal, expulsion, or termination of membership will not exonerate a member from any personal or membership liability.
ii) The Society will reimburse the withdrawing member the difference between the credit and debit account balances, subject to the availability of funds and the financial results of the fiscal year before the withdrawal, termination or expulsion from the membership.

iii) In the case of a member withdrawing voluntarily, such member shall give a notice of 210 calendar days within which refund of his/her net balance in his/her favour shall be made.

iv) When membership is terminated, the society shall recover all balances in its favour from the said member.

CHAPTER 4

MANAGEMENT OF THE SOCIETY

ARTICLE 15: SAVINGS AND CREDIT CO-OPERATIVE SOCIETYS' STRUCTURE

Subject to the powers and responsibilities established by the Act and by these Bylaws the society business shall be run by:

a) The General Meeting of Members.

b) The Committee.

c) The Supervisory Committee.

d) The Manager

ARTICLE 16: GENERAL MEETING:

Subject to the Act, Regulations, and Bylaws, the General Meeting is the Society's main governing body with the most comprehensive powers to address the society's business.

There shall be General and Special General Meetings of members. The notice for a Special General Meeting of Members shall clearly specify all the issues to be discussed.

The Special General Meeting shall deal exclusively with the issues for which it was convened.
ARTICLE 17: REGIONAL MEETINGS OF MEMBERS

The Savings and Credit Co-operative Society shall have Regional Meetings of members at which delegates per members shall be elected by the members to represent them at the General Meeting.

A meeting of delegates elected at the regional meetings shall be convened within 14 calendar days after the close of last regional meeting of members.

The delegates meeting shall be responsible for conducting the business of the society normally reserved for General Meeting of members.

The delegates shall report to their respective regions on actions taken at the Delegates Meeting.

ARTICLE 18: NOTICE OF MEETING

i) The Committee shall call a General or Special Meeting of members through the media channel most accessible to the society members, at least 14 calendar days before the meeting time. Such Notice shall determine the date, time, place, and the items to be on the Agenda to be considered.

ii) In case of the Annual General Meeting the Notice shall state that the Financial Reports for the fiscal year have been made available at the society's notice board for the members information.

iii) The Annual General Meetings will be convened within 60 calendar days following the closing of each financial year.

iv) Except when convened by the Registrar, a General Meeting's quorum will be established with the attendance of .20% of the eligible members, OR by .20% members present, whichever is less.

v) In the event that the required quorum has not assembled on the meeting day, a second notice of the meeting shall be published for .4 choices. In such event the Meeting shall be validly held irrespective of the number of members in attendance.

ARTICLE 19: REQUIRED MAJORITY

i) Subject to the provisions of the Act, a 2/3 majority of the members present at the General Meeting shall approve liquidation, split, mergers, decision reducing the total assets of the society by at least 5% and amendments of the Bylaws.

ii) Any other motion shall be approved by a simple majority of votes.
ARTICLE 20: ENFORCEMENT OF DECISIONS

i) Any decision taken by the General Meeting shall be binding all members present, absent and dissidents.

ii) However, members may exercise their rights of objection and separation, about decisions related to the society's conversion into a different Organization or merger.

ARTICLE 21: CONDUCTING OF MEETING

i) The Chairperson of the Society or, in his/her absence, the Vice-Chairperson shall preside at all General Meetings of the members and at all meetings of the Committee except when convened by the Registrar or his representative. He shall perform such duties as he may be directed to perform by the Committee, not inconsistent with the provisions of the Act, Regulations and these by-laws.

ii) Where both the Chairman and the Vice Chairman are absent, the Committee shall appoint from within itself a chairman who will preside over that meeting.

iii) The Committee may make standing orders for proper conduct of business.

ARTICLE 22: NOMINATION

The Chairman shall call for nominations from the floor.

ARTICLE 23: VOTING

Voting shall be by secret ballot, and on a simple majority subject to article 21 of these Bylaws. However, by a simple majority of members present at a general meeting an alternative method may be used. An organization having membership in the society may be represented and have its vote cast by a designated member or shareholder of the organization.

ARTICLE 24: POWERS AND DUTIES OF THE GENERAL MEETING

The general meeting of members has both the right and responsibility:

a) To receive and consider the reports of the Committee and the Supervisory Committee.
b) To receive and consider management financial statements, opinion of the supervisory Committee and/or external audits regarding such statements.

c) To consider management work plans, income and expenditure budgets presented by the Committee.

d) Give direction to the Committee.

e) To decide on Committee recommendations regarding appropriation of surplus and losses.

f) To confirm the removal of Committee Members from office, denial of admission, and expulsion of members.

g) To elect the members of the Committee and Supervisory Committee.

h) To approve the maximum liability which the society may incur.

i) To decide on any other matters, other than those statutorily reserved for Special Meeting of members.

j) To approve the sale of any fixed asset of the society whose value is at least 2% of the total assets of the society.

k) To choose an Auditor for the Society as provided under the Act

l) Other powers and duties as provided under Article 8 and 21 of these Bylaws.

ARTICLE 25: SPECIAL GENERAL MEETINGS

i) Subject to provisions of Regulation 21, members, Committee or Registrar may cause a Special General Meeting to consider and resolve the following matters, which pertain exclusively to its field of competence:

a) Amendment of Bylaws

b) Liquidation of the Society

c) Reducing or increasing the value of the share certificate

d) Conversion or merger with other Savings and Credit Co-operative Societies.

e) When the Committee fails to call an annual or special General Meeting within 14 days after receipt of demand for such a meeting by members.
f) Any other business identified and agreed upon as an item for the day's agenda.

ii) A special General meeting shall be convened by the Committee on receipt of a demand of such a meeting signed by 51% Members.

iii) If within 14 days following the receipt of demand for the meeting, the Committee fails to convene the meeting such members may convene the meeting giving 7 days notice, giving reasons for the meeting and highlighting the fact that the committee has failed to convene the meeting.

CHAPTER 3

THE COMMITTEE

ARTICLE 26: AUTHORITY- CONSTITUTION

The Committee shall be responsible for overall direction of the society and the determination of its policies. The Committee shall consist of 7 members who shall include a Chairman, Vice Chairman, Treasurer, and 4 other Committee members elected by a majority of members voting at a General Meeting.

The Committee's main functions are to formulate, approve, direct, and implement operative and financial policies to ensure that the society remains solvent, receive a competitive interest rate that increases the purchasing power of their savings.

ARTICLE 27: GENERAL FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

The Committee's functions and responsibilities are the following:

a) Abide by and ensure that the society abides by the legal, Regulatory and Bylaw provisions, as well as the General Meeting resolutions.

b) To decide on the entrance fee to be paid by new members.

c) To call General and Special meetings.

d) To approve policies, guidelines and operational manuals, financial statements, annual planning and budgeting, and the salary policies. Provided, financial statements and budgets shall be ratified by the general meeting of members.
e) To establish and execute policies regarding the hiring and removal of the Society's Manager.
   Fix the remuneration of and pre-scribe the duties of the Manager and such other employees as may be necessary to carry on the business of the society.

f) To fix remunerations of and prescribe the duties of the Manager and such other employees as may be necessary to carry out the business of the society.

g) To submit to the general meeting:

   i) A report containing at least activities carried out during the financial year, results from plans and budgets, and findings of the Supervisory Committee on the financial statements.

   ii) A proposal for the disposal of Surplus.

h) Subject to Article 24(g) of these By-laws, to transact and obtain loans and finances from banking and financial institutions, individuals or Corporations; to secure loan operations by means of collaterals, Mortgages, Pledge of properties and to transact any other operation with banking Commercial and Insurance organizations.

i) To appoint a Credit Sub-Committee and other specific Sub-committees or commissions as deemed necessary; to prepare or have prepared Internal regulations or standard procedures for such committees, to determine and define their functions, to appoint or remove officers representing the credit sub-committee in other organizations.

j) To examine periodically financial statements and appoint and empower under the Managers' recommendation authorized persons to handle banking accounts for the society.

k) To move a motion or file the proposal, in conjunction with the Supervisory Committee, to the General Meeting or to the Registrar to liquidate the society whenever deemed necessary.

L) To ensure that the society undertakes an external audit each year.

m) Propose, establish and update all society policies.

n) To keep detailed minutes of all its meetings containing the discussions held, the resolutions taken, and the record of the voting.

o) To be the only body granting authority to use any society's assets as Collateral for any external loan, subject to the Statutory and Regulatory Provisions regarding maximum liability of a society.
p) To make an annual return to the Registrar, in form III set out under the Regulations.

q) To authorize loans to the society, which are equal or more than 2% of fixed assets and 5% of net institutional capital of the society.

r) To perform any other functions not specifically provided for in the previous Articles which are to be construed as not restrictive in nature and which may arise out of the scope of its functions.

ARTICLE 28: SPECIFIC FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

The committee shall be responsible for performing the following specific functions:

1) Responsible for maintaining the Supervisory Committee trained and up-to-date with the society policies and processes.

2) To evaluate independently or with a Supervisory Committee, the performance of the society against specific financial indicators developed for the Savings and Credit Co-operative Society's system.

   a) To approve, review and evaluate annually policies regarding:

      i) Asset and liability management
      ii) Investments
      iii) Cash management and liquidity
      iv) Shares, Surplus and reserve management
      v) Loans
      vi) Control of delinquency and loan collection
      vii) Marketing and business plan
      viii) Suspension of members
      ix) Personnel management

   b) To generate and review reports related to policies listed on item 2a) above

   c) To keep informed of and decide upon the loan applications of members internally linked to the society i.e. loan officers, committee members, Financial Society employees and their immediate family members.

   d) To supervise permanently and with Management, the functions and responsibilities of loan officers.
ARTICLE 29: COMMITTEE MEETINGS
i) The Committee shall meet at least once a month, on the day and time set by written resolution.

ii) The Committee may also meet regularly at the request of any of the Committee Members by a written notice of the meeting notified at least 5 days in advance.

iii) Any Committee member who misses meetings for three consecutive times, and the Committee of the view that there was no clear reason, such a member may be suspended from the Committee.

ARTICLE 30: QUORUM
5 Committee members shall be required as a quorum for the Committee Meeting.

ARTICLE 31: LEGAL REPRESENTATION
The Chairperson shall legally represent the society, or, if the Chairperson approval of the Committee, such representations may be delegated to a Manager or other Committee Member and shall have power to perform the corresponding duties.

ARTICLE 32: LIABILITY OF THE COMMITTEE:
In the conduct of the affairs of the society, the Committee and every member thereof shall exercise prudence and diligence and shall be jointly and severally responsible for the loss sustained by the society through any act, which is contrary to the Law and Bye laws of the society or the direction of any General Meeting.

ARTICLE 33: TERM OF OFFICE
i) Subject to the provisions of the Act and the Regulations, the Committee shall hold office for two year term. The outgoing Committee Members are eligible for re-election provided that no Committee Member shall serve for more than two consecutive terms.

ii) However once a period equal to the time already served has elapsed, they may be elected again.
A Committee member may be removed from office before the expiry of his term of office under Regulation 25 and for any act contrary to these Bye laws.
ARTICLE 34: QUALIFICATIONS FOR BECOMING A COMMITTEE MEMBER

Subject to the provisions of Regulation 25(2) of the Regulations of 1993, no person shall be eligible for membership on a Committee of a Society or remain a member thereon if:

i) He/she is under 18 years of age,

ii) He/she is not a registered member of the society, or if he is not a member in good standing;

iii) He/she receives any remuneration, salary or other payments from the society which has not been lawfully approved by resolution of the General Meeting;

iv) He/she is in a business competing with the society;

v) He/she is an un-discharged bankrupt;

vi) He/she is of unsound mind;

vii) He/she has been convicted in court of any offence involving dishonesty or he/she is a dismissed employee of any Co-operative Society;

viii) He/she has been removed from the Committee of a Society by the Registrar under section 51(5) of the Act.

ARTICLE 35: IMPEDIMENTS AND PROHIBITIONS

To hold office as a Committee Member a person must be free of the following impediments and prohibitions:

a) Blood relation, up to the 2nd degree, and marriage relation, up to the second degree, with any of the Savings and Credit Co-operative Society's employees.

b) After completing... years of service in either the Committee or the Supervisory Committee, a person shall not be re-elected for any position (on the Committee or Supervisory) not until the same number of years have elapsed.

c) Provided that there is no direct dependent working relationship, which is paid for by the society to such a member.
d) Commission of illegal acts, or any other act that may reflect negatively on the reputation of the Savings and Credit Cooperative Society.

e) Delinquency in the payment of contractual obligations with the society

ARTICLE 36: CONFLICT OF INTEREST: DISCLOSURE AND EXCUSE

i) Any Committee member having a potential interest or benefit, directly or indirectly, by association, partnership, or family relation, in any contract or matter involving the society shall disclose in writing, the existence of such interest and shall excuse himself from participating in the deliberations, negotiation and execution of such contract.

ii) Failure to disclose shall result in the removal of such a Committee Member from office.

ARTICLE 37: SUSPENSION FROM THE COMMITTEE

Subject to the Provisions of the Act and the Regulation, the Committee shall suspend any of its members if such Committee is satisfied that the member has:

a) Persistently violated the provisions of the Act, Regulations or these Bylaws.

b) Engaged into Business competitive to that of the society.

c) Missed 3 consecutive Committee meetings as provided under Article 29 of these Bylaws.

d) Lost any of the Qualifications or and is affected by any of the impediments and prohibitions as provided under Articles 33 and 34 of these Bylaws.

ARTICLE 38: PAYMENT FOR SERVICES, STIPENDS

i) Members of the Committee and the Supervisory Committee shall not receive any salary for services to the society; however, they may receive refund of expenses incurred while performing work for the society, consistent with Section 76 of the Act.

ii) The Committee shall propose to the General Meeting, which shall approve the maximum amount of such expenses.
I certify that the above Bylaws of KIBDGA FOOD Farmers' Initiative Co-operative Savings and Credit Society Limited are not contrary to the provisions of the Co-operative Societies Act CAP 112 Regulations made thereunder and hereby register the Society.

Registered No. 8058  Date 18/01/2007

Signature Frederick Edward Mugerwa

REGISTRAR OF CO-OPERATIVE SOCIETIES

Republic of Uganda
8.5 MFP Reporting System Format

<table>
<thead>
<tr>
<th>Ratios</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
<th>Quarter 4</th>
<th>Year to Date</th>
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<tbody>
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<td>189%</td>
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<tr>
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<td>73%</td>
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<td>45,315,570</td>
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<td>9,548,550</td>
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<td>Financial Expense</td>
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<td>Impairment Losses on Loan</td>
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<td>Value of Loans Recovered</td>
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<tr>
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### Net Operating Income (Before Donations)

<table>
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<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Change 1</th>
<th>Change 2</th>
<th>Total 2</th>
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</thead>
<tbody>
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<td>28,048,120</td>
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<td>0</td>
<td>32,154,170</td>
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<td>Donations</td>
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<td>89,469,880</td>
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<td>0</td>
<td>91,323,880</td>
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<td>Donations for Loan Capital</td>
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<td>43,000,000</td>
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<tr>
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<td>0</td>
<td>43,000,000</td>
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<tr>
<td>Other</td>
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<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Donations for Operating Expenses</td>
<td>1,854,000</td>
<td>46,469,880</td>
<td>0</td>
<td>0</td>
<td>48,323,880</td>
</tr>
<tr>
<td>The Hunger Project</td>
<td>1,854,000</td>
<td>46,469,880</td>
<td>0</td>
<td>0</td>
<td>48,323,880</td>
</tr>
<tr>
<td>Other</td>
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<tr>
<td>Net Income (After Donations)</td>
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### Balance Sheet

#### Assets

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<tr>
<th>Description</th>
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<th>Amount 2</th>
<th>Change 1</th>
<th>Change 2</th>
<th>Total 2</th>
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</thead>
<tbody>
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<tr>
<td>Account</td>
<td>Line</td>
<td>Opening Balance A</td>
<td>Lending Activity B</td>
<td>Interest Income C</td>
<td>Balance D</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------</td>
<td>-------------------</td>
<td>-------------------</td>
<td>------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Net Loan Portfolio</td>
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<td>1,465,395,090</td>
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<td>Gross Loan Portfolio</td>
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<tr>
<td>Women</td>
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<td>1,064,419,500</td>
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<td>1,064,419,500</td>
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<td>Men</td>
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**Liabilities**

<table>
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<tr>
<th>Account</th>
<th>Line</th>
<th>Opening Balance A</th>
<th>Lending Activity B</th>
<th>Interest Income C</th>
<th>Balance D</th>
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</thead>
<tbody>
<tr>
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<tr>
<td>Short-Term Liabilities</td>
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<td>Long-term Borrowings</td>
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<p>| Equity                           |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Paid-In Capital                  | 133,761,341 | 138,681,341 | 0           | 0           | 138,681,341 |
| Donated Equity                   | 1,417,109,822 | 1,506,579,702 | 0           | 0           | 1,506,579,702 |
| Donations for Loan Capital       | 1,055,267,467 | 1,098,267,467 | 0           | 0           | 2,153,534,934 |
| Donations for Operating Expenses | 361,842,355  | 408,312,235  | 0           | 0           | 770,154,590  |
| Prior Periods                    | 1,415,255,822 | 1,417,109,822 | 0           | 0           | 1,417,109,822 |
| Donations for Loan Capital       | 1,055,267,467 | 1,055,267,467 | 0           | 0           | 2,110,534,934 |
| Donations for Operating Expenses | 359,988,355  | 361,842,355  | 0           | 0           | 721,830,710  |
| Current Period                   | 1,854,000   | 89,469,880  | 0           | 0           | 89,469,880   |
| Donations for Loan Capital       | 0           | 43,000,000  | 0           | 0           | 43,000,000   |
| Donations for Operating Expenses | 1,854,000   | 46,469,880  | 0           | 0           | 48,323,880   |</p>
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</tr>
<tr>
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<tr>
<td>Loans Outstanding</td>
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<tr>
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<tr>
<td>Value</td>
</tr>
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<td>Savings Deposits</td>
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<tr>
<td>Number</td>
</tr>
<tr>
<td><strong>Value</strong></td>
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</tr>
<tr>
<td><strong>Savings Withdrawals</strong></td>
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<td><strong>Value</strong></td>
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<td><strong>Savings Accounts</strong></td>
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<tr>
<td><strong>Value</strong></td>
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<td><strong>Portfolio Aging Schedule</strong></td>
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<td><strong>Loans in Current Portfolio</strong></td>
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<tr>
<td><strong>Value</strong></td>
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<td><strong>Loans at Risk over 30 days</strong></td>
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<td><strong>Loans at Risk over 90 days</strong></td>
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<td><strong>Loans at Risk over 270 days</strong></td>
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<tr>
<td><strong>Loans at Risk over 1 year</strong></td>
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<td><strong>Value</strong></td>
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<tr>
<td><strong>Movement in Impairment Loss Allowance</strong></td>
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<td>Impairment Loss Allowance, Beginning of Period</td>
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<td>Impairment Loss Allowance, End of Period</td>
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</tr>
<tr>
<td>Number of Loans Written Off</td>
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<tr>
<td>Value of Loans Written Off</td>
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<td>Provision for Loan Impairment</td>
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### Non-Financial Data

#### Operational Data

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<th>Q3</th>
<th>Q4</th>
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<td>Number of Partners Trained in Income Generating Activities</td>
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<td>Number of Exited Partners</td>
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<td>6,074</td>
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8.6 Quarterly Report Checklist

- Check Bank Statements by Epicenter
  - Check the statements for bank logo and signature.
  - Ensure RLF closing balance matches Line 38 (Cash).
  - Ensure the Savings closing balance matches Line 50.

- Review Ratios
  - OSS should trend upward (ideally ≥ 100%).
  - Yield should = interest rate.
  - Liquidity should be low during Direct Credit.
  - PAR>90 should be ≤ 10%.
  - Client Turnover should be close to 0%.
  - Average Loan Size should be less than ¼ GNI per capita.⁶
  - Percent Female Partners should be ≥ 75%.

- Check Other Data
  - Income Statement: Donations = 0 for Self-Reliant Rural Banks
  - Balance Sheet: Cash (37) ≥ 30% Savings (50) for Rural Banks
  - Balance Sheet: Epicenter Cash (39) ≤ $5,000
  - Balance Sheet: Assets (49) ≥ Previous Quarter
  - Balance Sheet: Assets (49) = Liabilities (57) + Equity (72)
  - Balance Sheet: Savings (50) ≥ 10% Net Loan Portfolio (41)
  - Portfolio Data: Savings Accounts (81) ≥ Loans Outstanding (75)
  - Non-Financial Data: Total Loans (123) ≥ Loans Outstanding (75)

- Review Output Indicators
  - Partners Trained
  - Loans Disbursed
  - Savings Deposited

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http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD
8.7 THP Theory of Change

The Hunger Project
Africa Program Theory of Change

7/18/11
8.8 Rural Bank Network Policies & Procedures

REPUBLIC OF BENIN

NETWORK OF RURAL BANKS

RULES AND REGULATIONS

AUGUST 2010
CHAPTER I: PREAMBLE

Article 1: PURPOSE OF THE RULES

This document clarifies the rules for implementing certain provisions of Law No. 97-027 of 8 August 1997 on the regulation of the mutual or cooperative savings and credit of the implementing decree No. 98-60 of February 9, 1998 of the Act and statutes of the Union of Rural Community Banks of Benin also known as RCCR BENIN, adopted by the RCCR General Assembly held on ..........................................

CHAPTER II: MEMBERS

Article 2: MEMBERSHIP POLICIES

To be admitted as a member of the Network of Rural Community Banks of BENIN (BENIN RCCR) by the Board of Directors, one must:

- Complete an application for membership; and
- Pay a membership fee whose amount is fixed at ten thousand (10,000) francs CFA.

Purchase and release at least one share, the amount is fixed at one hundred thousand (100,000) francs CFA.

The amount of the membership fee may be amended by the General Assembly. It is paid in a lump sum at the time of admission of the member and to be used for expenses associated with one’s membership in BENIN RCCR. The fee is non-refundable in the event of resignation, death or dismissal.

Membership is established by the registration of members of RCCR and the issuance of a certificate of membership.

CHAPTER III: MEMBER SERVICES
Article 3: EXCLUSIVE SERVICES FOR MEMBERS

Services of the RCCR are reserved for members who may use them during office hours.

Article 4: COST OF SERVICES

Some services of the RCCR are available at an additional cost, in accordance with the rates set by the Board of Directors. These rates should be prominently displayed inside the local headquarters and mentioned in the RCCR register.

Cost rates for shares as established by the General Assembly and account holdings will also be displayed.

Article 5: DELIVERY OF DOCUMENTS TO MEMBERS

Subject to Article 35 of these rules the President, the Vice President, Secretary and Permanent Secretary are authorized to issue extracts or certified copies of regulations and minutes of the General Assembly and meetings of the Board of Directors.

The President and Secretary of other decision-making organizations can supply excerpts or certified copies of their minutes.

These individuals must ensure, however, the preservation of confidentiality of information.

CHAPTER IV: RESIGNATION OF A MEMBER

Article 6: RESIGNATION OF A MEMBER

Any member may resign at any time. The resignation notice should be submitted in writing to the Board of Directors of RCCR.
However, the resignation of a member of RCCR is subject to the following conditions:

- A special meeting of the General Assembly with the members of the institution from which the member is resigning to hear the reasons for resignation;
- The decision must be made by a two-thirds majority of the members present at the General Assembly considering the resignation;
- The Board of Directors of the RCCR must be invited to the Extraordinary General Assembly to provide the information necessary for understanding the situation of the delegates;
- The minutes of the proceedings of the General Assembly approving the resignation must be sent to the Board of Directors RCCR.
- The Board of Directors of the RCCR should obtain the approval of the supervising ministry;

The resignation takes effect from the date of receipt of the ministry’s approval by the Board of Directors of the RCCR.

CHAPTER V: GENERAL ASSEMBLY

Article 7: MEETINGS OF RCCR

All RCCR members should hold their General Assemblies in the time allowed by the law before the General Assembly of RCCR.

Each bank should keep minutes of the proceedings of its General Assembly listing the names of the delegates designated to attend the meeting. The minutes following the attendance list must be received at the headquarters of the RCCR before the meeting of the General Assembly.

Article 8: ANNUAL GENERAL ASSEMBLY
Under Article 31 of the Statute of RCCR, convening the Annual General Assembly is mandatory at least once a year. This requirement will not be waived for any reason whatsoever.

CHAPTER VI: PROXY VOTING

Article 9: CONDITIONS FOR PROXY VOTING

Proxy voting by members is only allowed at the discretion of the General Assembly in cases of delegate absence due to unforeseen circumstances.

A member may not receive more than one proxy vote. He must present this document before the Assembly.

CHAPTER VII: ELECTION PROCEDURES

Article 10: DESIGNATION OF MEMBERS TO THE PRESIDUM

The Presidium is composed of three (3) members: a president, a vice president and a secretary. The Presidium is responsible for conducting the elections.

Elections are conducted under the supervision of the President of the Board of Directors except when s/he is a candidate for a position. The vice president takes up the duties of the President of the Board if they are unable to serve. If the Vice President is unable to assume the duties of the Board President, the General Assembly shall elect from among the member delegates that have the right to vote on the President of the Presidium.

During the elections, the Secretary of the Board of Directors serves as the secretary of election unless s/he is a candidate for a position. In this case, the General Assembly shall elect from among the member delegates with the right to vote, a person to perform this function.

The Presidium may be assisted by two (2) tellers selected from among the delegates to the Assembly.
Elections are conducted under the supervision of the President of the Presidium. No member of the Presidium or any election observers shall be candidates.

Article 11: IDENTIFYING PAST LEADERS AND RECEIPT OF NEW APPLICATIONS

Before the elections, the president of the Presidium in place during the election, communicates the names of the outgoing leaders, first for the Board of Directors and for the Advisory Board and finally for the Credit Committee.

The Presidium then proceeds with the reception of nominations submitted by members entitled to vote.

Article 12: DISTRIBUTION OF POSTS AMONG VARIOUS SECTIONS OR HOMOGENOUS AREAS

Upon completion of the registration of candidates for one of the decision-making bodies, the election is held by distributing the posts among homogeneous areas, taking into account the number of members per area.

By homogeneous area, we mean an area where members engage with one another, in that they are either involved in similar economic activities or are from the same geographical area.

Article 13: VOTE

Voting is conducted by marking ballots or different objects of the Presidium, distributed by the election observers to those persons entitled to vote.

The voters must vote for as many candidates as there are vacancies.

Article 14: COUNTING VOTES
The election clerk, assisted by the election observers, shall proceed with counting the votes, checking the validity of the ballots or different objects submitted. They also ensure that their count does not exceed the number of ballots or different objects distributed, and that the number of selected candidates on each ballot or object is the number of vacancies. If these requirements are not met, the ballot or the object is rejected with regards to the decision-making body for which the ballot/object was submitted. The decision to reject a ballot or a different object rests with the President of the Presidium.

The results of the vote are communicated to the President of the Presidium. In the event of a tie between candidates, the president of the Presidium shall cast a deciding vote. The president however, can request a new ballot/object be submitted.

Article 15: PROCLAMATION OF THE RESULTS

For each organization, the president of the Presidium gives the names of candidates who obtained the greatest number of votes in alphabetical order, up until the number of vacancies.

Details of the poll may be communicated forthwith, at the request of an unelected candidate or the majority of the Assembly.

If when the election results are reported, a candidate or 25% of the members present during the vote request a second count of the vote, a recount of the ballots should proceed immediately.

After the communication of the results and after all disputes have been resolved, the president of the Presidium will announce final election results.

Unless otherwise decided by the General Assembly, the Secretary of the Presidium shall destroy the ballots or different objects at the meeting of the General Assembly.

CHAPTER VIII: TERM OF OFFICE AND RENEWAL

Article 16: TERM OF OFFICE
The term of office of board members is three (3) years. At the end of their term, Board Members may be reappointed for a second consecutive term.

Any member of a body that has served two (2) consecutive terms, regardless of the posting to which s/he was elected, is only eligible for re-election two (2) years after the end of her/his last term.

Article 17: CONDITIONS FOR RENEWAL

Pursuant to Article 38, the renewal of the members of each organization must take place during one of the following times:

- During a meeting of the General Assembly when they are in the end of term; or
- During a special meeting of the General Assembly in instances where members are dismissed from the organization on account of serious misconduct.

The members elected to the General Assembly or those joining the General Assembly under the adoption of statutes shall all serve a term of three (3) years. At the end of the first term, one third of board members, re-elected or not, remain in office one year, one third for a term of two (2) years and one third for three (3) years. Board members will draw straws to determine to which third they belong.

CHAPTER IX: ACTIVITY REPORTS

Article 18: PRESENTATION TO THE GENERAL ASSEMBLY

The Board of Directors, the Credit Committee, and the Advisory Board are held accountable to their mandates as set by the General Assembly. The Board of Directors must submit the annual report for the RCCR at the annual meeting of the General Assembly.

CHAPTER X: REIMBURSEMENT OF SHARES

Article 19: TYPES OF REIMBURSEMENT
Except in cases of liquidation, insolvency or dissolution of RCCR, the shares are redeemable in the order of the requests received and within six (6) months from the date of the share redemption is requested.


Article 20: ELECTION WITHIN THE ORGANIZATION

The board members elected by the General Assembly will, in turn, elect among themselves a president, a vice president, and a secretary who make up the office of the organization, except in the case of the Supervisory Board whose office consists of a president and a secretary.

The President, Vice-President and Secretary of the Board shall be the president, Vice President and Secretary of RCCR.

Article 21: THE PRESIDENTS OF THE ORGANIZATIONS

The President of the Board of the RCCR is the CEO of the institution. The President derives his authority from the Board of Directors and acts under its control.

As such, the President:

• is the representative of RCCR;
• presides over the General Assemblies and the meetings of the Board of Directors;
• is an ex officio member of all committees and structures formed by the Board of Directors, unless otherwise determined by the latter;
• ensures that the objectives of the RCCR are met and ensures that the Board’s decisions are implemented;
• performs other duties attached to his office or that are specifically assigned by the board.
The Presidents of the Supervisory Board and Credit Committee derive their authority from their respective organizations and the act under their control. As such, they are responsible for coordinating the activities of these bodies and must report to the General Assembly.

Article 22: THE VICE-PRESIDENTS OF THE ORGANIZATIONS

Vice-Presidents of the organizations within the RCCR will assume the responsibilities of the presidents if they are unable to do so. They can also act on behalf of President for certain responsibilities if the President delegates them.

Article 23: THE SECRETARIES OF THE ORGANIZATIONS

The Secretary of RCCR provides secretarial services to the General Assembly and the Board of Directors. S/he is responsible for taking down and maintaining records of decisions of the Board and the General Assembly at the headquarters of the RCCR.

The secretaries of the Supervisory Board and Credit Committee provide secretarial services to those organizational bodies and are responsible for taking down and maintaining records of decisions of their respective organizations at the headquarters of the RCCR.

CHAPTER XII: RESPONSIBILITIES OF THE MICROFINANCE PROGRAM OF RCCR-BENIN

Article 24: THE EXECUTIVE COMMITTEE AND THE TECHNICAL COMMITTEE OF RCCR-BENIN

The members of the Advisory Board and the Permanent Secretary together with the Manager of the Micro-Finance Program of The Hunger Project-Benin (THP-B) form the Executive Committee. The Executive Committee shall meet whenever the interests of RCCR require. The National Director of The Hunger Project may attend the meetings, but does not maintain voting rights.

The Technical Committee is composed of the Permanent Secretary, the Technical Managers, and the National Director of The Hunger Project. The Technical Committee meets once a month, and whenever the need arises to take stock of activities, discuss challenges, and find solutions to these challenges.

All the work of each Committee shall be recorded in minutes of proceedings which will refer to decisions from the meeting and the names of those who participated.
Article 25: POWERS AND RESPONSIBILITIES OF THE PERMANENT SECRETARY OF THE NETWORK OF RURAL COMMUNITY BANKS

The Permanent Secretary of the RCCR shall function under the authority of the Board. The tasks of the Permanent Secretary are as follows:

- coordinate all activities of the RCCR and ensure the implementation of decisions of the various bodies under the RCCR’s jurisdiction;
- create plans for the various decision-making bodies including recommendations on their objectives, develop policies and action plans of RCCR, and provide regular updates on their implementation;
- present financial statements, budgets and annual reports to the Advisory Board;
- manage human resources throughout the entire RCCR and regularly inform the Board of Directors of issues and changes to this end;
- attend meetings of the Board of Directors and Credit Committee in an advisory capacity and ensures strict compliance of meeting proceedings in accordance with rules and regulations.
- ensure the preservation of records RCCR and implementation of decisions of meetings;
- provide the information required by the various decision-making bodies while ensuring, in the case of the General Assembly, the preservation of the confidentiality of member operations and other information;
- Work with the President representing the RCCR;
- co-sign with the President of RCCR on financial documents;
- perform other duties attached to his charge which will be specifically assigned by the Board of Directors;
- perform other duties related to the position specifications.

Article 26: CONDITIONS OF EMPLOYMENT FOR EMPLOYEES OF MICROFINANCE PROGRAM

The Permanent Secretary of the RCCR cannot serve if:
• S/he participates directly or indirectly on a regular basis or occasionally in activities competing with those of RCCR and its constituent organizations;

• S/he has been a convicted of a crime and subsequently deprived of her/his civil rights, prohibiting her/him from managing an organization;

• S/he was dismissed from another institution for breach of trust.

The Board delegates to the National Director of The Hunger Project the task of hiring and of dismissal of those persons engaging in the above three activities from the program.

CHAPTER XIII: PROCEDURES FOR APPEAL AGAINST THE DECISION OF THE CREDIT COMMITTEE

Article 27: APPEAL TO THE BOARD OF DIRECTORS

The Permanent Secretary of the RCCR shall transmit to the Secretary of the Board of RCCR, the written appeal made by a member whose loan application was rejected. The Chair of the Credit Committee and the member will be invited by the Board of Directors by a notice indicating the place and date of the hearing.

Depending on the circumstances, the Credit Committee may delegate another member to replace its president.

The Board of Directors decides on the appeal and issues its decision.

Article 28: APPEAL TO THE GENERAL ASSEMBLY
The member not satisfied with the decision of the Board may refer to the General Assembly by appeal to the Secretary of the Board of Directors. The Chair of the Credit Committee and the relevant member are then called to the meeting by a notice indicating the date and location of the hearing.

Depending on the circumstances, the Credit Committee may delegate another member to replace its chairman at that meeting.

The General Assembly shall have the final ruling on the matter once it has made its decision.

CHAPTER XIV: SETTLEMENT OF DISPUTES

Article 29: ROLE OF THE BOARD OF DIRECTORS

With the exception of disputes arising from a credit application, any dispute between a member and the RCCR shall be subjected to the Permanent Secretary of the RCCR by means of a written complaint, summarizing the facts. The Permanent Secretary of the RCCR will relay this complaint to the Secretary of the Supervisory Board. The Supervisory Board reviews the merits of the complaint before refereeing it to the Board of Directors.

The Chairman of the Supervisory Board and the plaintiff are then called before the board with a notice stating the place and date of the meeting. The Supervisory Board may delegate another member to replace its president. The hearing may also be convened by another officer or employee to whom the task is delegated.

The Board of Directors shall decide the dispute and issue its decision.

Article 30: ROLE OF THE GENERAL ASSEMBLY
Members not satisfied with the decision of the Board may refer the dispute to the General Assembly by filing their complaints to the Permanent Secretary of the RCCR by the same procedure as for the referral to the Board of Directors.

Article 31: APPEAL AGAINST THE DECISION OF THE GENERAL ASSEMBLY

The member not satisfied with the decision of the General Assembly may refer the complaint to the union in accordance with Article 75 of the rules and regulations.

Article 32: COMPLAINT PROCESSING PERIOD

All claims shall receive a response within two months from the date of receipt. The complaining party will receive a written response.

CHAPTER XV: BOOKS, REGISTERS, AND EXCERPTS

Article 33: CONTENTS OF THE REGISTER

The RCCR holds at its headquarters a register containing:

- Its statutes and the corresponding acceptance rulings of the Ministry;
- Its rules of procedure;
- Its procedures for granting credit;
- The collection of its accounting procedures and management;
- The minutes and resolutions of its meetings;
- The minutes and resolutions of the meetings of the Board of Directors, Credit Committee and the Monitoring Committee;
• A list containing the names, addresses, and occupations of the members of RCCR-BENIN indicating the beginning and end of each term or the length of the term of office as appropriate.

• A list containing the company names, the names, and the addresses of the members of RCCR-BENIN;

• Details on the sale of each share and the dates of their sale, redemption or transfer;

• A list of fees charged by the RCCR for the various services it offers;

• Decisions adopted or instructions from the ministry or central bank;

• Capitalization plans and recovery of RCCR;

• The management agreements that RCCR sets with member institutions.

Article 34: OTHER DOCUMENTS – BOOKS OR REGISTERS

The RCCR shall also have at its headquarters:

• Books, registers and other records necessary for the preparation of financial statements;
• Bank statements indicating for each day, for each member, transactions carried out with the RCCR as well as their credit or debit balance.

Article 35: MEMBER ACCESS TO REGISTERS AND OBTAINING EXCERPTS

A member may consult the register of the Network of Rural Community Banks, the documents referred to in paragraphs 1, 2, 3, 4, 5, 6, 7, 9 of Article 31.

A member may also obtain excerpts or copies of the documents referred to in paragraph 1, 2, 3, 5, 6, and 9 of the same item after payment for the cost of reproduction.

Members convening a special meeting of the General Assembly may obtain a copy of the list of members. The RCCR may require payment for the cost of reproduction and transmission of these documents.
CHAPTER XVI: FINAL EXTRACTS

Article 36: ENFORCEMENT OF THE RULES AND REGULATIONS

The present rules shall enter into force upon adoption and shall supersede all previous regulation.

Article 37: ENTERING THE MODIFICATIONS INTO EFFECT

Any amendment to these rules and regulations will take effect upon its adoption, unless the General Assembly decides to delay its issuance.

Decided on ................. the ............

Signed,

All the Board Members

CERTIFICATION OF THE PRESIDENT AND OF THE SECRETARY

We the undersigned ...................................... and ...................................... respectively President and Secretary of the Network of Rural Community Banks of Benin (RCCR-BENIN) certify that these rules are adopted pursuant to Article 29 of the Statute by at least two thirds of the votes cast by members at the Annual General RCCR-BENIN held on ................. at .................

........................................, ........................................
The Secretary The President