ENHANCING THE CAPACITY OF EARDP-COMMUNITY INITIATIVES TO PROVIDE SUSTAINABLE AND RESPONSIVE QUALITY MICRO-LENDING SERVICES IN PATANDI VILLAGE, ARUMERU DISTRICT - ARUSHA REGION.

“SUBMITTED IN PARTIAL FULFILLMENT OF REQUIREMENTS FOR THE MASTER OF SCIENCE IN COMMUNITY ECONOMIC DEVELOPMENT”
SUPERVISOR CERTIFICATION

I, Verhan Bakari has read the project, and found it to be in a form acceptable for review.

Signature.............

Date....................20-9-2007
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DECLARATION BY THE CANDIDATE

I, Mshinwa Edith Banzi, do hereby declare to the senate of the Open University of Tanzania and Southern New Hampshire University that the work submitted here is my original work and that it has not been submitted for the similar degree award in any other University.

Signature: [Signature]

Date: 21/9/2007
ABSTRACT

Rural Micro financing remains very challenging and in developing countries it is generally weak, despite the efforts of different donors, Governments and Private investors to improve it. However, important lessons are emerging from these experiences that provide useful guidelines on how to expand and make more effective the provision of rural financial services.

Globally the evidences and arguments suggest that microfinance interventions may increase incomes, contribute to individual and household livelihood security, and change social relations for the better.

EARDP – Community Initiatives in Patandi village Arumeru District Arusha Region implements micro credit and poverty alleviation programs that support small scale entrepreneurs. The organization has highlighted the importance of considering capacity strengthening of rural micro – finance set up. Major outcomes of the project involved establishment of job functions, procedures for loan tracking, grants contract from McKnight, reviewed loan portfolio, book of accounts and financial procedures as well as launching of VICOBA groups.
ACKNOWLEDGEMENT

It would not have been possible to write this project paper without the help of several people. I take this opportunity to thank all who made this possible. I would like to thank FLORESTA for the permission to join CED program, for provision of tuition fee, moral support and prayers throughout my course. Sincere and special thanks are due to all staff from CED Program in Tanzania for their tireless support and instructions. I appreciate the close supervision from my supervisor Mr Verhani Bakari for perusal of the project paper, guidance and all supporting materials he provided to me.

It won’t be fair not to recognize the assistance provided by Mr Nyansambo, Kajimbwa of MS - TCDC, and Jacky a Volunteer from CCS who was attached at EARDP-CI during the final stages of my project.

Lastly but no least my heartfelt appreciation are due to my entire family, that is, my husband, children, parents, brothers and sisters.
LIST OF ABBREVIATIONS:

BEST  Business Environment Strengthening for Tanzania Program
BOT  Bank of Tanzania
BRAC  Bangladesh Rural Advancement Committee
BRI  Bank Rakyat Indonesia
CMS  Credit Management System in Zambia
DALDO  District Agriculture and Livestock Development Officer
EARDP-CI  Enterprise and Rural Development – Community Initiatives
FGM  Female Genital Mutilation
FSRP  Financial Sector Reform Program
IGAs  Income Generating Activities
MRCSW  Monduli Rural Credit Scheme for Women
MFI  Micro Finance Institution
OCA  Organizational Capacity assessment
NMB  National Micro finance Bank
NSGRP  National Strategy for Growth and reduction of Poverty
NGOs  Non Governmental Organizations
PRA  Participatory Rural Appraisal
SACCOS  Savings and Credit Cooperative Societies
SEDA  Small enterprise Development Agency
SWOT  Strengths, Weaknesses, Opportunities and Threats
VICOBA  Village Community Bank
EXECUTIVE SUMMARY:

This project paper is about enhancing the capacity of a small and new micro lending scheme in Patandi Village, Arumeru District in Arusha Region. EARDP - Community Initiatives is an organization which operates in Arumeru District since its inception in 2003, main activities being training and accessing small loans to entrepreneurs in Patandi village and neighbourhoods. To date more than 500 loans have been delivered to community members.

The target community includes women, men and youth residing at Patandi Village in Arumeru District, Arusha Region. Most of these residents depend on agro based businesses and resides in remote areas where many services are limited.

Community needs assessment done within the project area highlighted the main problem associated to this community being inadequate micro lending services provided by EARDP - CI and other institutions. In Arumeru District, most of the Micro finance institutions are small, new and lack enough capacity to operate effectively and efficiently. A great deal of capacity building is required to bring them to the level at which they can operate with large outreach, quality services and profitable operations. Although efforts towards establishment of rural lending schemes have been taken by EARDP – Community Initiatives yet it has not been able to adequately satisfy the needs of its clients.
The main goal of the project is to contribute towards organizational development of EARDP - Community Initiatives as a rural micro lending program. Specific objectives were to have institutionally strengthened capacity of the organization in micro lending programs as well as increasing access of poor in micro lending services.

Most of the activities planned to make sure the above objectives are achieved were accomplished. In the case of institutional capacity strengthening a training program was instituted to make sure that staff and board members are well equipped with necessary skills for better performance.

Detailed analysis of the organization performance was done and clients were interviewed to get clarifications on different issues that were observed. Despite other problems, EARDP – CI program has proved to be a successful rural micro lending scheme in the past three years. There is a great potential for becoming a reliable and among the best micro-lending programs in future.

Recommendations for portfolio management, financial management and fund raising, were given and capacity strengthening plan was developed that will be used by organization to improve its performance.
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<thead>
<tr>
<th>No.</th>
<th>Job Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Executive Director</td>
</tr>
<tr>
<td>2</td>
<td>Program Manager</td>
</tr>
<tr>
<td>3</td>
<td>Credit Officer</td>
</tr>
<tr>
<td>4</td>
<td>Logistics Assistance</td>
</tr>
</tbody>
</table>

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CHAPTER ONE

1.0 COMMUNITY PROFILE

1.1 Geographical Location

Arumeru is one of the six districts in Arusha Region; other districts are Ngorongoro, Arumeru, Monduli, Karatu, Arusha and the newly established Longido district. It is bordered by Monduli to the north and west, to the east by Kilimanjaro Region and central part of the district is bordered to the Arusha District. The big portion of the district is in rural remote area, one of the densely populated district in Arusha region, located between latitude 36.5° and 37.5° east of Greenwich Meridian and between longitude 3.5° and 3.7° South of Equator. The district has a total area of 2,966 square kilometers, covering about 3.6% of Arusha region whose total area is 82,428 square kilometers. (Source: Tanzania census in Government website 2002)

The project is located at Arumeru District; initial activities are carried out at Patandi Village and neighboring villages. This project resulted from the needs that were identified by organization immediately after establishment of the credit fund from members own contributions. Patandi village is an active place and a lot of entrepreneurial activities are conducted in this village. The village is surrounded by large coffee and flower farms, tourists’ hotels, and mining area in – Mererani. There is a big market taking place twice every week (Wednesday and Saturday) and people do come from different places in Arusha for buying and selling purposes. Business transactions are there, but due to the lack of MFIs around entrepreneurs had no place to get a required access to information, skills, capital to boost their businesses and
many other important services required. Therefore establishment of this organization was highly appreciated with the community around.

**Fig.1  Map of Arusha showing location of Arumeru District**

1.1.1 Administrative unit

Administratively Arumeru District is divided into 6 division, 37 wards and 144 villages as shown in the table below.

**Table 1: Administrative units in Arumeru district**

<table>
<thead>
<tr>
<th>Names Of Divisions</th>
<th>Number Of Wards</th>
<th>Number Of Villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Poli</td>
<td>8</td>
<td>34</td>
</tr>
<tr>
<td>2. Moshono</td>
<td>6</td>
<td>21</td>
</tr>
<tr>
<td>3. Enaboishu</td>
<td>8</td>
<td>31</td>
</tr>
<tr>
<td>4. King'ori</td>
<td>6</td>
<td>21</td>
</tr>
<tr>
<td>5. Mukulat</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>6. Mbuguni</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>144</strong></td>
</tr>
</tbody>
</table>

*Source: Tanzania national website (2003)*
1.1.2 Climate and altitude

Arumeru district is situated in the Northern - East part of Tanzania. It lies between 800 meters and 4,500 meters above the sea level. The amount of rainfall varies between 500 mm in lowlands and 1,500 mm in highlands per annum, and temperatures ranging from below 16° c to 28° c per annum, depending on the year.

Table 2: Climatic factors in Arumeru district

<table>
<thead>
<tr>
<th>Rains:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>500 – 1,500mm</td>
</tr>
<tr>
<td>Short rains</td>
<td>October – December</td>
</tr>
<tr>
<td>Long rains</td>
<td>March – June</td>
</tr>
<tr>
<td>Temperature:</td>
<td>16 – 30 Celsius</td>
</tr>
<tr>
<td>Evaporation per year:</td>
<td>150 – 200mm</td>
</tr>
</tbody>
</table>

Source: Conservation agriculture case study (2006)

1.1.3 Population dynamics

The United Republic of Tanzania population and housing census of 2002 indicates that Arumeru has a total population of 514,651 whereby 251,687 (49%) are male and 262,964 (51%) are female. The average size of the household is 4.4 people and majority of families have low income and poor. Mean per capita household monthly income in nominal terms is Tsh 17,902, and minimum distance to bank is 16.7 kms.

(Household budget survey 2000 / 1).
Table 3: Population of selected wards where EARDP-CI lenders resides.

<table>
<thead>
<tr>
<th>Ward</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Hh/ward</th>
<th>Average size /Hh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kikatiti</td>
<td>6,556</td>
<td>6,624</td>
<td>13,180</td>
<td>2,743</td>
<td>4.8</td>
</tr>
<tr>
<td>Kikwe</td>
<td>5,070</td>
<td>4,756</td>
<td>9,826</td>
<td>2,165</td>
<td>4.5</td>
</tr>
<tr>
<td>Maji ya Chai</td>
<td>9,601</td>
<td>9,627</td>
<td>19,228</td>
<td>4,138</td>
<td>4.6</td>
</tr>
<tr>
<td>Usa-River</td>
<td>8,382</td>
<td>8,565</td>
<td>16,947</td>
<td>4,264</td>
<td>4.0</td>
</tr>
<tr>
<td>Nkoaranga</td>
<td>6,463</td>
<td>6,857</td>
<td>13,338</td>
<td>2,881</td>
<td>4.6</td>
</tr>
<tr>
<td>Poli</td>
<td>4,393</td>
<td>4,266</td>
<td>8,659</td>
<td>1,866</td>
<td>4.6</td>
</tr>
<tr>
<td>Singisi</td>
<td>4,234</td>
<td>4,431</td>
<td>6,665</td>
<td>1,893</td>
<td>4.6</td>
</tr>
<tr>
<td>Akheri</td>
<td>6,175</td>
<td>6,068</td>
<td>12,243</td>
<td>2,741</td>
<td>4.5</td>
</tr>
</tbody>
</table>

(Source: Tanzania census 2002)

1.1.4 Ethnic and religious groups

Arumeru is composed of three ethnic groups, which are Maasai, Waarusha and Wameru. The three groups have strong culture that insists on high level of moral standards, human respect and dignity. Most of these populations are Christians and there is a rapid growth of Muslim community.

1.1.5 Economic activities

According to Arumeru district office records, arable farming and dairy husbandry are the main economic activities for the majority rural residents. Arumeru is known as coffee banana zone, where more than 90% of the people are engaged in agriculture producing both food and cash crops. Most farmers’ practices rain – fed cropping,
while few settlers owning flower and vegetable farms under irrigation farming. Other economic activities involve trading of goods between Kenya and Tanzania, tourism and mining industries (mainly Tanzanite). The gross domestic product (GDP) for the district is Tshs. 2,787,500,000 with a per capital income of Tshs. 64,716 per annum. (Source: Arumeru District profile 2002).

Other economic activities include: wage employment and individual small businesses as it is shown in the figure below;

Figure 2: Major Occupation

![Pie chart showing major occupations]

Source: Survey findings, Arumeru district 2006.

1.1.6 Markets

There are several urban markets in Ngaramtoni, Oldonyosambu, Kisongo, Tengeru, USA River, Maji ya Chai, Kikatiti and Kilimanjaro International Airport. Most of the food crops produced is sold in one of the open weekly markets which operate at least everyday in different location. Other cash crops like coffee, flowers and vegetables
from the large-scale farms are sold and marketed through private buyers or cooperatives. *(Source: Daldo Arumeru District 2005).*

Most of the perishable crops are sold at very low price due to poor quality, lack of knowledge in storage and processing has been a big drawback to the rural farming community of Arumeru. Infrastructures is also among the biggest problem like in any other poor country in the world, this has resulted to low food security, weak market linkages and increased bargaining power to middleman.

**Table 4: Different post harvesting prices.**

<table>
<thead>
<tr>
<th>Crop</th>
<th>Selling Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Immediately after harvest</td>
</tr>
<tr>
<td>Maize</td>
<td>Tshs. 10,000 – 12,000 per 100kg</td>
</tr>
<tr>
<td>Lab lab</td>
<td>Tshs. 40,000 – 50,000 per 120kg</td>
</tr>
</tbody>
</table>

*(Source: Conservation agriculture case study 2006)*

**1.1.7 Basic infrastructure and communication**

In Arumeru, like most of rural areas in Tanzania it has mostly rough roads and few tarmac roads, which results to poor access to the villages and lots of difficulties for farmers to market their produces. Hired tractors, ox-cart, donkeys, pick-up, trucks / Lorries, bicycles, handcarts and wheelbarrows are the most common forms of transport used by farmers during harvest. Most farmers do not own machinery in the rural areas due to low returns obtained from the agriculture production.
1.1.8 Social Services

In comparison to other districts in Arusha Region, Arumeru district seems to be fairly developed in terms of social services.

1.1.9 Access to Education

There exists about 164 pre and primary schools out of which 145 belong to the government while 19 are privately owned.

The public primary schools have population of 110,602 pupils with 2,022 teachers. The number of pupils in a classroom stands at 78, exceeding the Government standard of 45 pupils by more than 70% equivalent to the teacher: pupil ratio of 1:54, which brought very negatively the quality of education offered. *(Source Arumeru District Council: 2005)*.

Currently there are 43 Secondary schools in the district (26 public and 17 private owned), whereby 25 schools were constructed through community contributions and later handed over to the government for administration purposes.

The District runs Adult Education Programme with total of 167 Adult Education centers, having total enrolment of 55,029 (male 24,446 and female 30,583). According to Population and Housing Census of 2002, literacy rates for males and females are 75% and 70% respectively.

1.1.10 Access to Health Services

Arumeru district has three (3) referral hospitals two of which, are privately owned and one belongs to the public. Other health facilities include six (6) health centers 79
dispensaries (34 public ones, 9 owned by Institutions, 30 owned by NGOs and 6 are privately owned). In addition, there are 54 Mother and Child Health (MCH) Clinics which provide services throughout the district.

Like most places in Tanzania the condition of health facilities and services rendered are generally low. However, the availability of medicines and drugs has improved greatly with the introduction of cost sharing and health insurance.

1.1.11 Access to Water

It is estimated that the District have a total of 92 water points supplying clean and safe water to 318,445 people which is equivalent to 61.9% of the district population. There are 84 gravity schemes, 4 short boreholes 13 deep boreholes, 6 dams, 10 water charcos and more than 18 rainwater harvesting tanks. In addition, there are 44 water users funds totaling to Tshs. 55,000,000/=, which is administered by water users Committee responsible for organizing the operation and maintenance of the water supply systems.

1.1.12 Access to Food

The food situation in the district varies depending on the year. For year 2005-7 the food situation was generally fair. However, the 2003 / 2004 cropping season was very negatively affected by bad weather condition, which resulted into food shortage. For example, maize production amounted to only 25% of the expected level while only 10% of beans production was realized. For the 2003 / 2004 season shortage of grains
amounted to 56,396 metric tons while that of pulses summed up to 18,818 metric tons. As a result of this shortage, the market prices of maize short up from Tshs. 2,000/= to Tshs. 5,000/= per 20 kg tin while that of beans increased from Tshs. 5,000 to 12,000/= for the same volume. About 71,485 people from 14,297 households were seriously affected by hunger and they were assisted by getting relief aid maize of about 6,860 tons, and 2000 tons of pulses from the government. (Arumeru District Council: 2005).

1.1.13 Beliefs, customs and habits

The major tribe in Patandi village is Meru and Maasai / Waarusha, who have similar perception in culture and taboos. This was concluded in regard to elements like clothing, eating habits, respect and recreation. These traditional and customs portray both positive and negative effects to the community members both women, men and children. Traditions like Female Genital Mutilation (FGM), early marriages, male domination in decision-making, ownership over resources, alcoholism were regarded as outdated and the general feeling is that they should be abandoned or abolished. They create gender gap, women subordination and retarded development. On the other hand traditional and culture such as cooperation, generation groups emphasized to be maintained by the community. When looking at reality women are contributing about 75% of productive work in the coffee farms, dairy husbandry, food crop production and many others. Men are not responsible for taking care of their families and waiting to spend what has been obtained from women hands.
Dependency syndrome - this can be mainly due chiefdom leadership system as well as Ujamaa mentality, where the members of society were not required to question the ruling system that was not considering the agreed rules and regulations. Majority of people are not innovative and do not want to work and find out solutions to their problems. Otherwise the community members if well facilitated they are had working and good survivors.

1.2 Organization Profile

1.2.1. Profile of the host organization “Enterprise and Rural Development – Community Initiatives” (EARDP - CI).

Enterprise and Rural Development - Initiatives is a not for profit Non Governmental Organization (NGO) based in Arumeru District Arusha Region, this organization was formed initially by seven women in 1996 and registered on the 23rd October 2001 (registration number: 130605).

1.2.2 EARDP - CI Vision statement:

Rural communities fully participate and contribute in sustainable livelihood programs.

1.2.3 Mission statement: In partnership with others EARDP - CI will promote participation of rural communities in sustainable livelihood activities (agriculture, environmental conservation and health care) through credit intervention.
1.2.4 Goals and objectives

The overall project goal is to improve the economic and social status of women, men and youth in Patandi village. The project aims at strengthening the capacity of the community through economic empowerment of female, male and young entrepreneurs' activities by providing them with loans for small businesses.

The objectives are:

ii. To organize, support and encourage development projects with income generating activities for the rural community members with special emphasis to women and dis-advantaged girls.

iii. To strengthen the capacity of organization

iv. To organize groups of women entrepreneurs

v. To conduct training in group formation and leadership

vi. To conduct business management and gender training to women group

vii. To promote new income generating ideas

viii. To provide business advisory services

ix. To provide small credits to small scale women entrepreneurs

x. To build up a sustainable micro-finance system for the rural settings.

1.2.5 Structure of the Organization.

EARDP - CI is governed by the Board of Directors comprising of eleven members and the management is run by employed staff led by the Executive Director. Currently the organization has four staff, and all are women. The staff comprises of the
Executive Director, Program Manager, Credit Officer, and logistics officer. When there is high pressure of work the organization hire part time staff for a particular activity (more detailed structure see annex 3).

1.2.6 Location:

EARDP - CI is located in Patandi Village, Arumeru District in Arusha Region just opposite to the market open space, P.O Box 176 Duluti. Mobile +255 754 426389 / +255 754 507346; email eardp_ci@yahoo.com. Contact Person Executive Director or Credit Officer

1.2.7 Funding:

EARDP - CI has received funding from Dutch Oak Foundation of the Netherlands and McKnight Foundation of the USA. Currently it is only McKnight that has extended its support for the next two years. The organization is currently mobilizing funds for sustainability purposes.

The organization has a plan to diversify sources of funds through fundraising both internal and external and search information for potential donors and write programme / project proposals to different donors for organizational and programme sustainability purposes. EARDP – CI staff and volunteers will continue to develop project proposal that are demand driven and responding to local realities to address critical community needs and issues. CED student participated fully in developing McKnight proposal that secured funding in April 2007. Other proposals and concept papers were developed for future funding from different sources.
1.3 Community Needs Assessment

The author and EARDP – CI facilitated a need assessment of EARDP – CI that was carried in the end of 2005.

1.3.1 Community needs assessment

Community need assessment was conducted at Patandi village. Main concern was to establish the needs of EARDP – CI and find out means of improving the services provided by the micro lending scheme to Patandi community.

Research methods used during Community needs assessment were:

1. SWOT analysis of EARDP – CI for its endeavors to provide loans.
2. Organizational Capacity Assessment (OCA) was carried at organization level to identify the gaps that need to be filled within EARDP - CI.
3. Survey whereby the main tool used was Questionnaire

1.3.2. SWOT analysis

SWOT analysis provides information that is helpful in matching the firms resources and capabilities to the competitive environment in which it operates. As such it is instrumental in strategy formulation and selection.

SWOT stands for Strengths, Weaknesses, Opportunity and Threats. This is a strategic planning tool used to evaluate the strength, weaknesses, opportunities and threats involved in a project or business. It can be used with conjunction with other tools for auditing and analysis of organization. It can be basic straight forward model that
provides direction and serve as a basis for the development of market plan in any business or organization.

Strength and weaknesses are considered internal factors that can be controlled with organization itself, while Opportunities and threats are considered to be external factors with little control from the organization.

For EARDP - CI the SWOT analysis was done through interviews and literature review. These allowed the researcher with assistance of EARDP - CI staff to come up with SWOT analysis matrix as indicated in table 5.
Table 5: SWOT analysis – for EARDP - CI lending scheme:

**Strengths:**

1. Loan portfolio:
   - The Number of loans is increasing (from 5 loans in 2003, to 597 loans at the end of 2006).
   - Loan repayments rate is high (90% and 98% in individual and group loans respectively).
   - There is an increase in capital investment (started with 1.2m in 2003 – 15m in December 2006).
   - Good retention of clients
   - Increasing number of profitable income generating activities

**Weaknesses**

- Insufficient monitoring of credit
- Loan disbursement procedures are not followed
- In-adequate skills for staff
- No staff training program
- Insufficient financial management skills among EARDP-CI staff
- Inadequate entrepreneurship skills among the clients
- Job description not clearly explained.
- Lack of fundraising strategy

**Opportunities**

- EARDP - CI receives Volunteers from time to time
- The strategic plan of the organization is in line with policies on Micro finance institutions and millennium development goals (MDGs), National strategy for growth and reduction of poverty (NSGRP).
- Existence of donors in the area of Micro finance
- Vicinity to Urban area where there

**Threats**

- EARDP – CI is the only Rural MFI NGO in Arumeru District based in rural set up.
- Competitions with other MFI institutions offering low interest rates
- Mixing up of business training and loan provision.
- Unreliable MFI donors
are significant number of micro finance institutions.

- Recent emphasis and support of the Government on strengthened MFI services especially the SACCOS
- The area is potential for diversified income generating activities

1.3.3 Organization capacity assessment:
Organizational capacity assessment is a tool that guide an organization through a capacity self assessment process. The tool allows the facilitator to lead discussion and asks follow up questions depending on answers received from each question. It involves representatives, personnel managers, and board members. This tool has seven issues that were analyzed as it follows:

i. **Governance:** Looks at the provision of leadership and direction to an organization

ii. **Management Practices:** Analyzes the mechanisms intended to coordinate the activities and facilitate processes within an organization.

iii. **Human Resources:** Looks at the availability and welfare of management, staff, members, volunteers, communities, founders and board members who have the skills, motivation and opportunity to contribute to an organization.

iv. **Financial Resources:** Discusses about resources required to purchase goods and services needed to conduct an organization's affairs, record
and account for financial transactions and monitor and report on its financial status. It involves adequate resources and necessary cash flow, a diverse resource base and long-term plans for meeting resource needs.

v. **Service Delivery**: Analyzes programmes and services carried out by NGOs that are appropriate, cost-effective and of high quality.

vi. **External relations**: Involves programmes and services carried out by NGOs that are appropriate, cost-effective and of high quality.

vii. **Sustainability**: In this aspect the long-term continuation of an organization, programme or project was analyzed. Identifies and measures the extent to which local partners of an NGO will continue to pursue and support the objectives after a project is over and involves the continuation of programmes, institutions and funding.

Each of the above components emphasizes on importance for survival, success of organization, its urgency, resource availability, as well as human resource management.

In the case of EARDP - CI this tool was used to get clear understanding from the management and staff on different issues that were raised during SWOT analysis. The process was so interesting and participatory as organization itself was full involved to analyze their performance in the organization

Issues like financial inventory control, Program benefit sustainability, Impact
assessment, Supervisory practices, staff roles, Program reporting, administration procedures, knowledge management had rated as weak and hence needs immediately action. Most of these issues showed up in SWOT and hence verifies the weak areas of organization.

It was good opportunity for both for the whole team to learn in depth the weaknesses and get the true picture of their organization. The tool allowed them to set priorities as for what problems needs more attention.
<table>
<thead>
<tr>
<th>Sub – component</th>
<th>%</th>
<th>strength</th>
<th>priority</th>
<th>Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. GOVERNANCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Board</td>
<td>73%</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>2. Vision/Mission</td>
<td>62%</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>3. Beneficiaries</td>
<td>63%</td>
<td>M</td>
<td>M</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td>4. Leadership</td>
<td>78%</td>
<td>L</td>
<td>H</td>
<td>CED student</td>
</tr>
<tr>
<td>5. Legal status</td>
<td>83%</td>
<td>S</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td><strong>B. MANAGEMENT PRACTICES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Organization structure</td>
<td>70%</td>
<td>M</td>
<td>M</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td>2. Knowledge Management</td>
<td>50%</td>
<td>W</td>
<td>H</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td>3. Administrative procedures</td>
<td>33%</td>
<td>W</td>
<td>H</td>
<td>CED student</td>
</tr>
<tr>
<td>4. Personnel (see C. Human resources)</td>
<td></td>
<td></td>
<td></td>
<td>outsourcing</td>
</tr>
<tr>
<td>5. Planning</td>
<td>75%</td>
<td>M</td>
<td>H</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td>6. Programme development</td>
<td>67%</td>
<td>M</td>
<td>H</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td>7. Programme reporting</td>
<td>57%</td>
<td>W</td>
<td>H</td>
<td>CED student</td>
</tr>
<tr>
<td><strong>C HUMAN RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Human resource development</td>
<td>60%</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>2. Staff roles</td>
<td>56%</td>
<td>W</td>
<td>H</td>
<td>CED student</td>
</tr>
<tr>
<td>3. Work organization</td>
<td>80%</td>
<td>S</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>4. Diversity issues</td>
<td>87%</td>
<td>M</td>
<td>H</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td>5. Supervisory practices</td>
<td>50%</td>
<td>W</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>6. Salary benefits</td>
<td>78%</td>
<td>M</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td><strong>D FINANCIAL RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Accounting</td>
<td>67%</td>
<td>M</td>
<td>H</td>
<td>CED student</td>
</tr>
<tr>
<td>2. Budgeting</td>
<td>67%</td>
<td>M</td>
<td>M</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td>3. Financial / Inventory control</td>
<td>56%</td>
<td>W</td>
<td>H</td>
<td>CED/EARDP-CI</td>
</tr>
<tr>
<td>4. Financial reporting</td>
<td>78%</td>
<td>M</td>
<td>H</td>
<td>CED/EARDP-CI</td>
</tr>
<tr>
<td>5. Equipment</td>
<td>100%</td>
<td>S</td>
<td>L</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td><strong>E. SERVICE DELIVERY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Sectoral expertise</td>
<td>83%</td>
<td>S</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>2. Beneficiaries ownership</td>
<td>59%</td>
<td>M</td>
<td>H</td>
<td>EARDP-CI</td>
</tr>
<tr>
<td>3. Output</td>
<td>83%</td>
<td>S</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>4. Impact assessment</td>
<td>33%</td>
<td>W</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td><strong>F. EXTERNAL RELATIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Beneficiaries relations</td>
<td>89%</td>
<td>S</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Score</td>
<td>Scale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------</td>
<td>-------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Inter-NGO collaboration</td>
<td>83%</td>
<td>S</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Government collaboration</td>
<td>100%</td>
<td>S</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Donor collaboration</td>
<td>100%</td>
<td>S</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Public relations</td>
<td>78%</td>
<td>M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Private sector</td>
<td>67%</td>
<td>M</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**G. SUSTAINABILITY**

<table>
<thead>
<tr>
<th></th>
<th>Score</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Programme/Benefit sustainability</td>
<td>60%</td>
<td>W</td>
</tr>
<tr>
<td>2. Organization sustainability</td>
<td>83%</td>
<td>S</td>
</tr>
<tr>
<td>3. Financial sustainability</td>
<td>78%</td>
<td>M</td>
</tr>
</tbody>
</table>

Strength:

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% to 60% = Weak (W)</td>
<td>2005-</td>
</tr>
<tr>
<td>61% to 79% = Medium (M)</td>
<td>2007-</td>
</tr>
<tr>
<td>80% to 100% = Strong (S)</td>
<td>2008-</td>
</tr>
</tbody>
</table>

The outcome of OCA highlighted the following as areas of high priority: Programme Development, program reporting, Supervisory practices, Staff roles, Accounting and financial management issues.

There were similarities between SWOT and OCA findings. The weaknesses obtained in SWOT analysis are quite related to the scores from OCA which shows that leadership strengthening is of high priority. The issue of reporting, staff roles, financial reporting, and beneficiaries’ ownership for sustainability purposes are highlighted both in OCA and SWOT analysis.
1.4. Research Methods

1.4.1 Introduction

Research method used was survey. The survey design focused on the methods of collecting information from the community through Participatory Rural Appraisal (PRA) and interviewing of selected groups and individuals. Most of the respondents had literacy skills and thus were provided with questionnaires to fill. This exercise was conducted with the view of collecting the relevant data, which explain how EARDP - CI facilitate the community to access the MFI services.

1.4.2 Research instruments

Several data collection methods were used in this study. The research tools used were based on:

- Acceptability by different users
- Time limitations
- Resources to be used
- Flexibility and reliability
- The knowledge and education levels for both interviewers and interviewee

The instruments used include:

1.4.2.1 Interview with key informants

Interview with key informants of EARDP - CI and active clients was done using prepared checklists. This method was used in order to understand the people's
underlying motivations and attitudes and to document their reasons for their actions and their understanding of issues.

1.4.2.2. Review of official records and documents:

Document study and perusal of other official documents in the EARDP - CI was carried out during the first week of the study. The documents studied included; the project document, quarterly reports, assessment reports, financial reports and loan disbursement procedures. Indeed a lot of information was gathered from these documents.

1.4.2.3 Focus group discussion and other PRA methods

Several sessions of PRA methods were conducted mainly with the clients (target group). The method was very instrumental to reveal the qualitative information, especially those related to the how and why aspects of the project. Care was taken in order to ensure that groups were homogenous as possible as to create a favourable environment for participants to air out their views.

1.4.2.4 The questionnaire

Another method used was a questionnaire. Before being administered, the questionnaire was pre-tested. This made it possible to make the necessary adjustments.
1.4.2.5 Direct observation:

In order to countercheck the information provided by the stakeholders, direct observation were made. The advantages of observation method are two-fold, it provides a direct information about behavior of individuals and groups, and permit the researcher to understand the actual situation / context, provide good opportunities for identifying unanticipated outcomes and catch issues as, exist in natural, unstructured, and flexible settings.

The information collected was analyzed using computerized Statistical package for Social Science (SPSS), interpretation of data was done and hence the findings were used to prepare this project report.

1.4.3 Sample selection

Sampling procedure was random, stratified and very purposive in some cases. In this case 71 clients out of 291 clients from 2005 – 7 were sampled. Clients were picked from the loan data base. The questionnaires were distributed to selected individuals living in Patandi Village aiming at providing information on levels of satisfaction in regard to the MFI services from EARDP - CI. The questions were planned to reveal all the research questions regarding EARDP - CI lending scheme.

1.4.4 Reliability and validity of research instruments.

Reliability and validity of information provided were measured by comparing information obtained from respondents and discussions with individual members.
Similarly, the physical observation method used ascertained the validity and reliability of the responses. By directly observing the operations and activities, the researcher developed a holistic perspective, i.e. an understanding of the context within which the project operates.

1.4.5 Survey administration
The survey was administered by researcher (a student of Masters of Science in Community Economic Development). EARDP-CI staff assisted in conducting interviews and collection of data. Data were analyzed by the researcher with assistant of a volunteer who was working with EARDP – CI. This activity was done from April to May 2006.

1.5 Data analysis Findings and Discussion
The survey provided some information from clients that contribute in low performance of EARDP – CI in her day to day activities. It answers the solution for the problems and suggests the ways of improving the micro lending activities conducted by EARDP-CI. In this case its only questionnaire that were used to interview clients who have been accessing loans and entrepreneurial assistance from EARDP – CI.
1.5.1 Findings from the Respondents

1.5.1.1 Sex of the respondents

Out of 71 clients interviewed females were 47 (66.2%) and male 24 (33.8%) (Figure 1), 53 (75%) out of them were married, 9 (13%) singles, 6 (8.0%) separated and 3 (4.0%) were widowed (Figure 1)

Figure 3: Sex of the respondents.

(Source: Own Survey 2006)

1.5.1.2 Marital status of the respondents

Seventy five percent 53 (75%) of the respondents were married, while 9(13%) were single, 6(8%) were separated, and 3(4.2%) were widowed.

Figure 4: Marital Status of respondents

(Source: Own Survey 2006)
1.5.1.3 **Education**

Majority of respondents were Primary school leavers 46 (66%), while 19 (27%) had secondary education, 2 (3%) adult education, 2 (3%) above secondary education and 1 (1%) informal education (Figure 3)

*Figure 5: Education level of respondents:*

(Source: Own survey 2006)

1.5.1.4 **Type of businesses of respondents**

There is existence of different types of businesses among the respondents. Those selling vegetables were 18 (25.7%), sellers of grains 15 (21.4%), owners of retail shops were 13 (18.6%) second hand clothes 3 (4.3%), eggs and cooking oil 3 (4.3%), food vendors 3 (4.3%), fish and sardines 2 (2.9%), owners of pool table 2 (2.9%), tailoring 1 (1.4%), other businesses 10 (14.3%) (Table 4)
Table 7: Type of business of respondents

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling Vegetable</td>
<td>18</td>
<td>25.7</td>
</tr>
<tr>
<td>Selling Grains</td>
<td>15</td>
<td>21.4</td>
</tr>
<tr>
<td>Retail shop</td>
<td>13</td>
<td>18.6</td>
</tr>
<tr>
<td>Second hand clothes</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>Eggs and cooking oil</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>Food vendors</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>Fish and sardine</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td>Pool table</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td>Tailoring</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Others business</td>
<td>10</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>70</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Own Survey 2006).

1.5.1.5 Duration of clients in business

Majority of respondents have been doing small businesses for five years 31 (43.7%), 14 (19.7%) have been in business for more than five years, 12 (16.9%) have been in business for two to three years, 5 (7.0%) not more than two years, and 8 (11.3%) not more than six months.

1.5.1.6 Sources of information about EARDP - CI loan portfolio

Most clients obtained information about credit from friends 33 (46.5%), 21 (29.6%) from EARDP-CI office, 14 (19.7%) from their neighbours, and 3 (4.2%) from family members. About 50 (71.4%) found the organization efficiency to be very good, 12 (17.1%) good, 6 (8.6%) fair, and 2 (2.9%) bad (Table 5).
Table 8: Source of information about EARDP - CI loan

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friends</td>
<td>33</td>
<td>46.5</td>
</tr>
<tr>
<td>EARDP - CI</td>
<td>21</td>
<td>29.6</td>
</tr>
<tr>
<td>Neighbors</td>
<td>14</td>
<td>19.7</td>
</tr>
<tr>
<td>Family member</td>
<td>3</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Own Survey 2006)

1.5.1.7 Frequency of loan accessed

28 (43.8%) of respondents have accessed loans only once, 20 (31.3%) have accessed loans twice, 11 (17.2%) three times, 2 (3.1%) four times, 3 (4.7%) five times and above.

Figure 6: Frequency of loan access by respondents

(Source: Own Survey 2006)

1.5.1.8 Type of loan accessed

43 (64.2%) have accessed credits through groups, 21 (31.3%) as individuals while 4 of the respondents have not accessed any loan.
1.5.1.9 Amount of loan acquired per person

46 (69.7%) have been accessing loans from Tsh 50,000 - 250,000; 10 (15.2%) between 251,000 - 500,000; 5 (7.6%) had loans between 501,000 and 1,000,000m while 5 (7.6%) have loans between 1001,000 and 2,000,000m. The highest loan was 2m accessed by only five respondents.

1.5.1.10 Repayments trend

47 (88.7%) of respondents did not have problems with repayments while 5 (9.4 %) agreed to have difficulties in repayments, 19 (26%) did not respond. Clients admitted that they don’t have problems with repayments if they could access loans without a lot of inconveniences.

1.5.1.11 Follow-up training needs

27 (39.7%) of respondents needed more advice on capital investments and business management, 22 (32.4%) needed big loans of above 2 million Tshs, 16 (23.5%) needed to have savings services, while 2 (2.9%) were comfortable with the current services. (Table 8)

Table 9: Follow-up training needs

<table>
<thead>
<tr>
<th>Need</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advice on capital investment and Business management</td>
<td>27</td>
<td>39.7</td>
</tr>
<tr>
<td>Big loan above &gt; Tshs 2000000</td>
<td>22</td>
<td>32.4</td>
</tr>
<tr>
<td>Saving Services</td>
<td>16</td>
<td>23.5</td>
</tr>
<tr>
<td>Comfortable with current services</td>
<td>2</td>
<td>2.9</td>
</tr>
</tbody>
</table>

(Source: Own survey 2006)
1.5.1.12 Readiness to contribute savings

56 (80%) of the respondents are ready to contribute and participate in raising the capital investment of the organization, while 10 (14.3%) are not ready and 4 (5.7%) are not sure of what they want to do. (Table 7)

Table 10: Readiness to contribute savings

<table>
<thead>
<tr>
<th>Readiness to Contribute Savings</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ready</td>
<td>56</td>
<td>80</td>
</tr>
<tr>
<td>Not yet ready</td>
<td>10</td>
<td>14.3</td>
</tr>
<tr>
<td>Not sure</td>
<td>4</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Own survey 2006)

1.5.1.13 The unique characteristics of EARDP - CI

41 (66.1%) agreed that EARDP-CI has unique characteristics compared to other lending organizations, 15 (24.2%) are not sure, and 6 (9.7%) they did not see any advantage or uniqueness (Table 9).

Table 11: Unique characteristics of EARDP - CI

<table>
<thead>
<tr>
<th>Unique Characteristics of EARDP-CI</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique characteristics</td>
<td>41</td>
<td>66.1</td>
</tr>
<tr>
<td>Not sure</td>
<td>15</td>
<td>24.2</td>
</tr>
<tr>
<td>Do not see uniqueness</td>
<td>6</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Own survey 2006)
1.5.1.14 Clients visited by Credit Officer

23 (41.1%) have never been visited by credit officer, 14 (25%) have been visited 2-3 times, 7 (12.5%) 4-6 times and 5 (8.9%) have been visited once.

Table 12: Clients visited by Credit Officer

<table>
<thead>
<tr>
<th>Clients Visited by Credit Officer</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Visited</td>
<td>23</td>
<td>41.1</td>
</tr>
<tr>
<td>Visited 2-3 times</td>
<td>14</td>
<td>25</td>
</tr>
<tr>
<td>Visited 4-6 times</td>
<td>7</td>
<td>12.5</td>
</tr>
<tr>
<td>Visited once</td>
<td>5</td>
<td>8.9</td>
</tr>
</tbody>
</table>

(Source: Own Survey 2006)

Table 13: Summary of what should be done

<table>
<thead>
<tr>
<th>Area Of interventions</th>
<th>Possible Interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization development / Capacity building</td>
<td>Staff training, Hiring of more capable staff. Fundraising, establishing monitoring system.</td>
</tr>
<tr>
<td>Economic Development</td>
<td>Development if more IGAs to the lenders, Establishment of rural credit schemes</td>
</tr>
<tr>
<td>Formation of Linkages</td>
<td>Conducting stakeholders meeting with other MFIs in Arumeru and Arusha</td>
</tr>
</tbody>
</table>
CHAPTER 2

2.0 PROBLEM IDENTIFICATION

This chapter focuses on problem identification. The major components of this chapter include; problem statement target community, stakeholders involved, host organization (EARDP-Community Initiatives), CED project goals and objectives.

2.1 Problem Statement

From the need assessment conducted during the internship attachment with EARDP-CI in Arumeru District, it was found that majority of the loan scheme clients were women involved in agro based small businesses. Most of these women are married and hence having major responsibility of taking care of the family. Clients form EARDP-CI has been involved in small businesses for 2-5 years.

Problems identified were;

Firstly, EARDP-CI is the only NGO providing small loans to farmers in Patandi Village and the nearby villages with special emphasis to women and young ladies. Therefore the organization is not able to meet demands of that community in terms of loan provision.

It was very clear from the SWOT analysis that there were insufficient visits for loan monitoring. The credit office is the one responsible to conduct all activities related to training, credit provision as well as monitoring of client. Therefore she become too stretched and not have enough time for going through each individual. The need for
more technical staff was clearly established to assist in building capacity of the organization.

Other issues were inadequate knowledge on financial skills management, poor job description, and lack of funding strategy.

Further investigation of the organization problems showed that leadership was not strong, reporting systems was poor, staff roles was not well explained and followed by the staff, and beneficiaries ownership were ranked as high priority for organization strengthening strategies,

In Arumeru District majority of the population especially in the rural areas lack access to capital. Although NMB and other banks around Arusha Municipality has started a micro-credit programme for lending money to small-scale traders, the difficult conditionalities of the loan coupled with high interest rates makes many small-entrepreneurs unable to access the loans. Enhancing the capacity of small micro lending schemes like EARDP-CI can be among the alternatives solutions to sustainable and responding micro lending schemes in Patandi area as well as Tanzania at large.

2.2 Target Community

The target group in this community is poor men women and youth from Patandi Village and neighbourhoods in Arumeru District Arusha region, community participation is highly encouraged to allow enough room for sustainability. Due to the
fact that the background of most Tanzanians were much dependants to donors and
government, it is still difficult for the majority of people from rural areas to realize the
roles that they need to play to bring fast development and reduce the level of poverty.

2.3 Stakeholders

Major stakeholders in this project are DISTRICT COUNCIL, WAMATA, WODSTA, BEST and HHH Inc. Their roles, concerns, and expectations are summarized in the table below:

**Table 14: Stakeholders summary**

<table>
<thead>
<tr>
<th>Name of stakeholder</th>
<th>Their roles</th>
<th>Concerns</th>
<th>Expectations from this project</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAMATA</td>
<td>Its NGO working with HIV-AIDS issues. They support families with people affected by HIV AIDS</td>
<td>Have concerns on how they can assist families establish income generating activities and have sustainable earnings to orphans and caretakers of HIV-AIDS patients</td>
<td>Having good quality micro-lending schemes in rural areas might be one of the supports to different business activities initiated by WAMATA.</td>
</tr>
<tr>
<td>WODSTA</td>
<td>Creating awareness on Gender issues</td>
<td>Mainstreaming Gender on credit schemes as well as businesses and family issues.</td>
<td>Family involvement in credit issues will be the key factor to the development and reduction of poverty at household level.</td>
</tr>
<tr>
<td>BEST</td>
<td>Entrepreneurship skills development</td>
<td>Training of Entrepreneurship skills to small entrepreneurs.</td>
<td>Entrepreneurs need to be equipped and knowledgeable.</td>
</tr>
<tr>
<td>Hearts Helping Hands (HHH)</td>
<td>Assisting small scale farming community</td>
<td>Providers of small tools and farming implements.</td>
<td>Strong lending schemes can support farmers with different inputs.</td>
</tr>
<tr>
<td>District Council</td>
<td>Host of all NGOs in the District.</td>
<td>Responsible for all development programs</td>
<td>Ell capacitated financial bodies will enhance development of the District.</td>
</tr>
</tbody>
</table>
2.4 Host organization

This special project was hosted by EARDP – CI which is located at Tengeru town in Patandi village. The host organization was EARDP – CI, there were no other organization that were affiliated to the project. The role of the host organization was to facilitate researcher with information, as well as other resources required for the success of the project.

Researcher’s roles were:

- To conduct needs assessment
- To prioritize problems together with clients and host organization
- To implement identified problems leading to solve problems and increasing efficiency of the organization
- To prepare job description and staff roles
- To develop monitoring system and sustainability program of the organization.
2.5. Project Goals and Objectives

Table 15: Summary Project Objectives

2.5.1 Project Goal

To contribute towards organizational development of EARDP – Community Initiatives as a lending organization.

2.5.2 Project Objectives

- To have institutionally strengthened capacity of EARDP-CI in micro lending programs
- To have increased access of poor communities of Patandi Area to micro lending services.

Output for Objective 1

1. Improved effectiveness and quality of services of EARDP-CI.

Activities for objective 1.

1.1 To conduct organization capacity assessment (OCA) and SWOT analysis of EARDP-CI
1.2 To develop an organizational capacity strengthening plan for EARDP-CI.
1.3 To train EARDP-CI staff on organizational development; project planning; management and leadership; project monitoring and evaluation; financial management, customer care; lobbying and advocacy and other identified theme during OCA.

2. Increased efficiency of credit officers in loan issuing

2.1 Self assessment for credit officers concerning services delivered to Patandi Community.
2.2 To conduct training of Credit Officers on credit management and loan appraisal

3. Increased efficient of management of EARDP-CI

3.1 To train the board on fundraising skills
3.2 To train the management on customer care.
4. Improved participatory monitoring of businesses of micro-entrepreneurs.

Output for Objective 2:
1. Increased access to credit fund facility
2. Promoted income generating activities among small scale entrepreneurs
3. Strengthened entrepreneurship management skills among small scale entrepreneurs.
4. Established networks with other micro-finance development actors

Activities for objective 2.
1.1 To assist in proposal writing
1.2 Tracking of unpaid loans
2.1 To identify new IGAs
2.2 To disseminate brochures and manuals among entrepreneurs on new income generating activities and related support.
3.1 To conduct training on small scale business management skills for entrepreneurs
3.2 To make follow up of training and provide advisory services accordingly.
4.1 To develop an inventory of institutions providing microfinance services in Arumeru District
4.2 To network with microfinance institutions working in Arumeru and outside
4.3 To link the target group with potential microfinance institutions

4.1 To create awareness to the clients on business monitoring
4.2 To develop and operationalise a participatory monitoring system
CHAPTER THREE

3.0 LITERATURE REVIEW

Literature review is based on performance of rural microfinance around the world. It comprises of theoretical, empirical and policy review in regard to performance and capacities of micro lending schemes that works in poor areas.

3.1 Theoretical Aspect

In the late 1970s, major criticisms of the old Rural Financial paradigm crystallized, and semi-formal microfinance providers such as NGOs and credit unions emerged. They targeted the unbanked poor, who had been left out by the huge investments made in financial market development. These microfinance institutions (MFIs) eventually revolutionized traditional views by showing that that poor are bankable, but that the standard banking technology fails to serve them. Indeed, these MFIs modified the informal lender technology found in rural and urban areas with respect to interest rates, collateral, and collection methods. (Joanna Ledgewood 2000).

Their efforts gained momentum during the 1980s and solidified by the 1990s with the documentation of generalized best practices. Today the microfinance revolution continues to evolve in key areas, such as the development of new products aimed at serving wider and deeper markets; commercialization to find alternative sources of funds other than donors; use of improved technology to reduce costs; and alternative methods of regulation, including self regulation, to discipline the sector.
To date, most MFIs, especially the new and small ones, offer only micro credit. A typical micro loan is very small and made for a short term at interest rates higher than most commercial bank rates. These loans are often secured only by peer guarantees but some MFIs also accept as collateral household goods and other assets of high value to their clients. Loan payments are collected frequently to ensure close client monitoring. Incentives are built-in, and clients who maintain good repayment records are rewarded with larger (almost automatic) repeat loans. For some lenders, the size of the first and repeated loans is set according to a pre-determined formula.

According to African Centre for Investment Analysis (2002), Sustainable lending programs must charge enough fees and interest to cover their costs, have to recover at least 100% of their loans and must be innovative to keep operating expenses low. They should develop deposit services that allow the financial systems to perform its most important function.

Financial services generally include savings and credit; however, some microfinance organizations also provide insurance and payment services. In addition to that many MFIs provide social intermediation services such as group formation, development of self confidence, training in financial literacy and management capabilities among members of a group (Joanna Ledgerwood 2000).

Micro finance activities involve:

- Small loans, typically for working capital
- Informal appraisal of borrowers and investments
- Collateral substitutes, such as group guarantees or compulsory savings
• Access to repeat and larger loans, based on repayment performance
• Streamline loan disbursement and monitoring
• Secure savings products.

According to Care International (2002), a good financial service requires:

1. Product that suits the poor's capacity to save their needs for lump sums so that they can:
   • Save or repay in small sums of varied value as frequently as possible
   • Access lump some (through withdrawals or through loans) when they need them

2. Product delivery system that are convenient for the poor and are:
   • Are local, frequent, quick and flexible
   • Are burdened with paper work and other transaction costs
   • Are transparent in a way that is easy for illiterate people to grasp

3. Institutions adapted to delivering good products that are
   • Committed to serving the poor
   • Cost effective

MFIs can be Non Governmental organizations, Savings and loan cooperatives, credit unions, government banks, commercial banks or non bank financial institutions.

3.1.1 The role of Government in MFIs

It is important to recognize that the state has a role to play in regulation and development (at policy level) and in support infrastructure but it should not be a
'player' especially in loans. The regulatory framework has constrained the development of full financial services microfinance institutions. However, within this regulatory framework, mainstream banks and microfinance institutions can work as partners and this perhaps is the way to the future (Tanzania MFI policy 2000).

Government often has little or no experience with implementing microfinance programs and no incentive to maintain long term sustainability. The Government role is to create enabling environment for the success of both micro-enterprises and private sector, MFI organizations and that it should not directly lend fund to the poor. In Tanzania, Government involvement includes the capacity to disseminate the program widely and obtain political support, ability to address broader policy and regulatory concerns and then capacity to obtain a significant amount of funds (Tanzania MFI policy 2000).

Successful MFIs with rural coverage acknowledge that rural operations are expensive and risky, so cross-subsidization with robust urban operations may be required. MFIs that are successful in serving rural populations appear to follow the same basic best practices established for microfinance (Gonzalez-Vega, 2003b). Their clientele is not concentrated only in agriculture, but is diversified into non-farm households and enterprises. These MFIs address idiosyncratic risks by relying on income diversification strategies of the households. They do not condition loans for specific purposes, they rely on individual and detailed screening and offer flexible terms and conditions to suit household cash flows, and they require higher borrower equity participation to reduce moral hazards. Finally, they assess loan applications
not just on average cash flows but also based on cash flows during the worst periods and future forecasts.

3.1.2 The role of donors in MFI

All donors, including bilateral, multilateral, governments and local and International NGOs support MFI activities in some ways. Susan Johnson and Ben Rogaly advice that local NGOs investigate on who is the user of the services, assess the internal capabilities, knowledge and skills required to provide financial services themselves, understand local, social and economic structures and consider how the provision of services can be sustained in the long term.

Donors provide assistance in the following ways:

- Grants for institutional capacity building – majority of donors that have shown interest in MFI activities support capacity and institutional development of these organizations so that they become sustainable at the end of day
- Grants to cover operating shortfall - A good example of his kind of support is the grant that EARDP - CI obtained from McKnight for the purpose of covering operational costs as the organization has not yet reached the sustainability stage
- Grants for loan capital or equity: This kind of grant is specifically for boosting the loan capital of the MFI or lending scheme.
- Guarantees for commercial funds: This kind of grant is used to guarantee commercial funding in case of loss or any hazards.
• Technical assistance: some grants are specialized for provision of technical support and capacity strengthening for the young organization.

3.2 Micro-Financing Approaches

3.2.1 Rotating savings and credit associations (ROSCAs)

Basic characteristic of ROSCAs is that each individual member have equal amount in share at regular periods. At each meeting one person receives the total contribution and the cycle continues until all the members have received their share.

3.2.2 Grameen solidarity group:

Grameen solidarity system is making use of social collateral, the model involve group of five members with similar economic background. Membership is restricted to assets worth less than half an acre, every weekly they meet once and contribute a compulsory amount of money, loan is made to two members at a time and repayment is done in equal installments over 50 weeks. All transactions are openly conducted at centre meetings (Susan Johnson and Ben Rogaly 2002). PRIDE Tanzania practices the same model groups are formed with five people of similar economic condition enjoy mutual trust and confidence. All these people has to reside from the are not more than 5km from PRIDE Offices. SEDA is another MFI in Arusha area, which follow the group lending scheme what is unique with SEDA is that clients are required to practice UPATU / ROSCAs, and members has to own a joint bank account for saving. Groups are trained to build a saving and credit organization on its own.
3.2.3 Village community banks

In Tanzania the model was established by CARE International’s Village Savings and loan program in Africa (Hugh Allen 2002 Tanzania). It is a self managed system of the purest form of financial intermediation. Based solely on member savings and small, self managed groups of thirty members who meet weekly, save their money and providing interest bearing loans as group capital become available. In Northern Tanzania this model is practiced in Marangu Moshi, Manyara region, and Arusha areas.

3.2.4 Savings and credit cooperative societies

A co-operative is a group of people who work together. These include groups of people who contribute their savings and acquire loans voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise.

It is a cooperative society with members mostly of same category e.g. farmers, workers etc who joins together with aim of increasing their voices in different issues like policies and regulation that affects their working environment. (Source: http://www.hakikazi.org/papers/Cooperatives.pdf 2006)

EARDP - CI follows two models, it started by Grameen group lending model and then decided to add Village Community Bank (VICOBA) model for the purpose of meeting the demand of rural MFI services. The two models are run at the same time, the previous one for the people living in urban area while the second one is mainly
for the rural set up. All systems operate quite nicely and the organization is looking forward on having more VICOB A groups in the rural set up.

3.3 Designing and Monitoring Financial Products and Services

A successful designed credit product that meets the needs of micro-entrepreneurs is a necessity for any MFI. It is important that people who provide and evaluate lending services understand the different elements of lending products and the way in which these elements affects both borrowers and the viability of the MFI. It is necessary that the designed product meets clients needs, based on the belief that micro-entrepreneurs value access to financial services and act in a responsible manner when they are treated as clients rather than beneficiaries.

3.3.1 Practical approaches of risk management

Micro finance Best practices seminar 2002 highlights the following as issues that may enhance MFIs to incorporate Risk management into micro-lending scheme:

- Peer lending and structure disbursements

  Peer group lending reduces credit risks by spreading the risk of lending without collateral over large number of borrowers within the group.

- Character assessment and graduated loan system: MFIs must develop expertise at assessing the characteristics of their borrowers and become familiar with characteristics that reduce loan default rate. One way of developing this expertise before granting a loan is - demand good track of
record of loan repayments, saving habits, progress on business enthusiasm and enterprise development, Attendance of group meetings for the individual borrowers.

- Forced savings or group guarantee: Although it is said that there is no collateral in micro credit loans, forced savings and group guarantee act as the surrogates for formal collateral. K – Rep from Kenya forces client to save for 8 weeks before they get the loans, which is backed by a 20% saving for the first loan. This amount is locked until full repayments of the loan (MFI best practices April 2002).

- Small loans size: The small loan sizes and huge numbers of borrowers in MFI are a way of diversifying risk for the MFI. Micro credit loans have a standard size, this helps to spread the risk of default through diversity of clientele.

- Term structure of loans: To reduce liquidity risk a MFI should design loans with different and flexible term lengths both short and long term. Common short term periods are weekly, a month, six weeks, three months, and six months.

- Loan approval process: Loan approval process is the key driver of portfolio quality. As the loan size increases, an MFI should move towards a credit committee appraisal system (asses, appraise, approve). This reduces the chances of making poor decisions resulting to dishonest and problematic clients. It removes the bias in selection and increases the control for loans that pose a greater financial risk to the institution.
- Centre collection: To avoid and eliminate transactions and fraud risks, the credit officer should not handle clients' money. Groups had to collect money and deposit on the joint group account and only discuss the bank slips.

EARDP - CI strategies on risk reduction include character assessment which is done together with local leadership to get proper information and behavior of clients, small loan sizes and huge number of borrowers. In future when the VICOBA system will be working properly EARDP - CI intends to use center collection strategy as VICOBA members works in groups of 30 individuals, the organization is working out on how it can improve the loan approval process as the loan sizes of old clients is increasing.

3.4 Credit and Saving Monitoring Systems

There is no specific program for loan tracking. Each software program designed has its own approach to the information that is tracked, the kind of report needed and most important the kind of futures that are included. Key features that causes variations are the type of lending model, such as (group, individual, or village banking), the interest and fees, the frequency and composition of loan payments and the format of report. This is a challenge when it comes on how to improve the loan management component. Decision on the best system to follow depends on the size of the MFI. It is advised to work on the simplest system of loan tracking (Care International: 2002).
3.5 Tools for Predicting the Success of Young MFIs

According to Women World Bank participants in the expert group (2005), it is important that smaller, younger MFIs have the support that they need if they can demonstrate strong potential to provide efficient, responsive services to substantial numbers of low income entrepreneurs. The core elements that help predict the likely successes of smaller MFIs are:

- Strong vision, strategy, and plan for growth.
- Strong knowledge of and connection with low income clients.
- Solid governance, dynamic top management, and a strong management team.
- Well-designed core products tailored to client needs.
- Robust risk assessment methodology, good systems.
- Focus on hiring and building line managers and loan officers.
- Positive trends in outreach and performance.
- Growth potential in competitive environments.
- Legal structures that enable solid governance and expanded financing (Source: WWB 2005).

3.6 Empirical Literature

Micro-credit schemes are thought to be potent agents of social change in impoverished settings where women lack access to resources. In Bangladesh, the first experiments with group-based lending were conducted by Grameen Bank in 1978, and this approach has proved to be an effective mechanism for offering collateral-free credit and ensuring high repayment rates. More than three million poor Bangladesh women are estimated to have been recipients of small loans in mid 1995
Programs for similar schemes are expanding rapidly, not just in Bangladesh, but in other developing countries where women are similarly disadvantaged.

3.6.1 Micro-financing in Asia

Micro lending has progressed to the greatest extent in the Asian region. An innovative approach that has been used successfully by Grameen Bank's credit-delivery system is "peer-group monitoring" to reduce lending risk, although some studies have suggested that the reason for the Grameen Bank's high repayment rates is also partly due to the practice of weekly public meetings at which attendance is compulsory for the repayment of loan installments and the collection of savings. It is reported that the meetings reinforce a culture of discipline, routine repayments and staff accountability. Not all microfinance institutions use peer-group monitoring. Other institutions such as the Bank Rakyat of Indonesia, which serves 2.5 million clients and 12 million small savers, rely on character references and locally recruited lending agents in place of physical collateral. An India experience reminds organizations to look on organization capacity building and that Micro finance needs particular skills, resources and time. It is important to accept that it may not be able to see results of Bank Rakyat of Indonesia efforts because group dynamics or running group economic activities is not a simple thing. It is highly complex operation hence MFI by itself is no solution to the poor problems faced by rural India. The consumer lies in production and successful marketing of goods and services that will fetch the small producer a reasonable return, hence we need to look beyond Micro finance (Susan Johnson and Ben Rogaly 1997)
3.6.2 West Africa experience

In West Africa, where microfinance institutions are still in their infancy, a World Bank case study of nine microfinance programmes concluded that all nine of these programmes are very much in the mainstream of best practice in the field of microfinance. In terms of sustainable lending to micro entrepreneurs, the study gave high marks to the programmes on the following basis: all nine programmes are located near their clients and in the largest catchments areas possible; they use lending technologies that are simple, well-tailored to the cultural environment and inexpensive for both lender and client; they have employed effective techniques for obtaining high repayment rates; most include savings, which meet a critical need of many people, and they price their loans far above commercial lending rates, though not at full cost recovery. (World Bank working group 1999).

3.6.3 Innovations and lessons earned from credit management services (CMS)

Zambia

The World Bank Group in 1999 produced findings from Africa Region on Micro financing issues and highlighted experiences of Zambian micro credit Management scheme (CMS). The success of CMS is to a large extent attributable to its innovative approach to micro-credit delivery. The innovative techniques which CMS has used include the following:

- Portfolio diversification: A diversified program portfolio across various aspects of agricultural finance and enterprise development has enabled CMS
to achieve and maintain profitability at a time when some programs were operating at a loss.

- Use of existing institutions: CMS has successfully built on informal financial systems already being used by micro-entrepreneurs through existing women's clubs. This has made it easier for clients to accept the methodology.

- Transparent management information system: CMS has an elaborate MIS that includes loan transaction documentation, in which clients actively participate. This openness has inspired confidence and trust at all levels, resulting in the observed high loan repayment rate of 98 percent.

- Regular club meetings: The weekly club meetings enhance group solidarity and are an underlying factor in the success of the solidarity group lending methodology.

The CMS management has over the three-year period of implementation of its microfinance programs learned the following lessons.

- High potential for rural savings: CMS has been able to mobilize substantial savings from poor rural entrepreneurs.

- Close supervision improves performance: Active involvement in credit monitoring by senior head office staff has improved portfolio performance.
- Women are a lower credit risk: The CMS experience with women clients has been good, and high loan repayment rates of around 98 percent have been sustained over the period.

- The value of strict contract enforcement: Strict contract enforcement, supervised by a staff lawyer, has enhanced loan recovery rates.

- Critical minimum loan size: Loan sizes have to be above a certain critical level to achieve a positive change in the status of recipients. *(World bank group 1999).*

There are so many ideas on MFI approaches that can be learnt from Zambian experience, EARDP – CI could work on diversification of portfolio to make sure that the organization utilizes the agriculture enterprises opportunities available, another approach is maximum utilization of existing institutions, EARDP - CI has not been able to utilize effectively the existing institutions in MFI sector. So for the organization to be progressive linkages and close collaboration with other MFI organization will be of high value to EARDP-CI.

### 3.6.4 Case study of PRIDE in Tanzania

PRIDE Tanzania had big successes in the first phase and hence donors decided to commit themselves for another five years. In 1997 PRIDE was able to meet only 40% of its operational cost, and the remaining 60% rely on the donors. Currently PRIDE is able to cover 80% of the operational cost and it is almost reaching the
sustainability stage as an organization. If all the costs will be adhered PRIDE can reach its sustainability (*Bart Speelman 1998*).

### 3.6.5 Small enterprise development agency (SEDA) in Tanzania

According to Bart Speelman (1998), main problem faced by SEDA were:

- Loan tracking (how to track the loans, who borrowed, how much was borrowed, etc).
- Group mobilization as it requires SEDA staff to go to the field with social worker in order to reach their target groups.

Sustainability: due to high operational expenses the program was projected to be sustained within 5-7 years.

### 3.6.6 Monduli rural credit scheme for women (MRCSW)

The evaluation report for MRCSW (1998) highlighted the following weaknesses:

- Need to maintain cohesive savings and credit groups
- Continued education and reinforcement on the saving concept, though the concept is understood there is still need for regular saving to be instituted on weekly / by monthly basis in order to enable clients increase their savings beyond tsh 5000/=.

The common phenomena in all these organizations are that they all provide loans in stages; first loan is small and the amount increases depending on repayment trend of the individuals. Most of the time savings are set as pre-requisite for getting loans.
3.7 Policy Implication

There have been different initiatives of the Government of Tanzania in promoting MFIs as follows:

3.7.1 Tanzanian national policy for micro-finance:

In May 2000, the Government of Tanzania approved a national microfinance policy. The Government recognized that microfinance systems are and will increasingly become integral parts of the country’s financial system, with the potential of better financially serving the people, the majority of who reside in rural areas. The policy formulation process began in 1996 with a comprehensive review of the microfinance market. The review was followed by a joint Government - donor review mission, along with participatory input from MFIs and other stakeholders. The policy identifies three categories of implementation strategies: regulation and supervision, development and maintenance of standards, and capacity building.

The policy is supervised by Ministry of Finance and it has been giving more attention to the informal financial sector to incorporate part of this sector to formal regulated sector. Although it is too early to access the impact of this policy, it does reflect the recognition of microfinance as a formidable economic sector among national policy makers.

Ministry of Finance in collaboration with Ministry of Cooperative, Bank of Tazania (BOT), and World Bank had formed the “Financial Sector Reform Programme (FSRP), aiming at changing the financial sector into a stable, competitive liberal
financial market that is accessible to the majority of people. The project focuses in capacity building of those players interested in MFI (Tanzania MFI Policy 2000).

3.7.2 Microfinance and millennium development goals:
Access to permanent and relevant financial services creates the local foundation for achieving nearly all of the Millennium Development Goals. Evidence confirms that access to financial services significantly impacts the lives of the poor:

**Goal 1:** Eradicate extreme poverty and hunger:
Empirical evidence shows that, among the poor, those who participated in microfinance programs were able to improve their living standards both at the individual and household level much better than those without access to financial services. For example, the clients of BRAC, formerly known as the Bangladesh Rural Advancement Committee, and the largest NGO in the world, increased household expenditures by 28% and assets by 112%. In El Salvador, the weekly income of FINCA clients increased on average by 145%. *(Microfinance Wikipedia: Free encyclopedia Dec 2006)*

**Goal 2:** Achieve universal primary education:
Impact studies show that, in poor households with access to financial services, children are not only sent to school in larger numbers including girls but they also stay in school longer. In Bangladesh, almost all girls in Grameen client households had some schooling, compared to 60% of non-client households. *(Microfinance Wikipedia: Free encyclopedia Dec 2006)*
Goal 3: Promote gender equality and empower women:
Access to financial services and the resultant transfer of financial resources to poor women can lead women to become, over time, more confident, more assertive, and better able to confront systemic gender inequities. Microfinance enables poor women to become economic agents of change by increasing their income and productivity, accessing markets and information, and decision-making power. In Indonesia, female clients of Bank Rakyat Indonesia (BRI) were more likely than non-clients to make joint decisions with their husbands regarding allocation of household money, children’s education, use of contraceptives and family size, and participation in community events. Microfinance (Wikipedia: Free encyclopedia Dec 2006)

Goal 6: Combat HIV/AIDS, malaria, and other diseases:
In many cases, disease prevention is more cost-effective than disease treatment; however, funding of the capital costs is often required. The World Bank estimates that malaria costs Africa millions of lives a year and $12 billion in lost productivity. Economic advisor Jeffrey Sachs estimates that malaria can be controlled for $3 billion a year. A simple mosquito net costing $2-$5 is effective in preventing malaria for a household; however, this capital cost is often considered unaffordable by a farmer who may earn ~$250 per year. In cases where preventative measures exist, micro financing can help make these solutions more affordable to all. Microfinance. (Wikipedia: Free encyclopedia Dec 2006)
3.7.3 Micro-finance and BEST

BEST is abbreviation for Business Environment strengthening for Tanzania, Programme is designed to provide businesses with the enabling environment they need, thereby enhancing economic growth and achieving sustainable poverty reduction. The goal of the BEST Programme is to reduce Poverty through enhancing the growth and development of businesses in Tanzania, particularly micro and small firms in sectors that affect the majority of the poor. BEST program is particularly important for small scale businesses as it has an impact on employment and poverty reduction. The purpose is two fold:

- To reduce the burden on businesses by eradicating as many procedural and administrative barriers as possible.
- To improve the quality of services provided by Government to the private sector, including commercial dispute resolution.

Beneficiaries are private businesses from small traders in the informal to large companies to foreign and indigenous investors. BEST promotes a well functioning commercial justice system that can encourage lenders to provide capital necessary for business growth and will allow businesses to deal outside restricted networks based on kinship or established practices. (*Tanzania Government website 2006*).

Experience shows that microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change (*MFI gateway 2006*).
3.7.4 Tanzania national strategy for growth and reduction of poverty (NSGRP 2005)

Cluster one of NSGRP strategy which looks on Growth and Reduction of Income Poverty, goal number four under this cluster is discussing on Poverty reduction of both men and women in rural areas.

While income poverty has generally declined between 1991/92 and 2000/01 as revealed by the 2000/01 HBS, the reduction has been relatively higher in urban than in rural areas. Efforts will be stepped up to reduce the proportion of the rural population below the basic needs poverty line from 38.6 percent in 2000/01 to 24% by 2010. The following strategies under this objective that are in line with MFI provision are:

- Enhancing life skills and entrepreneurship training for rural population
- Increasing access to rural micro-financial services for subsistence farmers, particularly targeting youth and women, promote and sustain community based savings and credit schemes such as SACCOS and revolving funds.
- Strengthening cooperatives and export credit guarantee Fund for cooperatives and other farmers organization (Tanzania Government website - NSGRP 2005).

The present report reviews current mode of operation and highlights the strengths and weakness of the rural micro lending approach, including the administrative difficulties and limited linkages with other services for the poor. The report also contains suggestions for strengthening operations, and makes a particular plea for ensuring that this project is established in a broader context of support to the small
enterprise sector. With affordable sources of Micro loans small businesses will be able to sustain, creating more jobs and contributes to poverty alleviation strategies.

3.7.5 Savings and credit Cooperatives Development Act 2002

3.7.5.1 Cooperative Financial Institutions

Government regards cooperative financial institutions as an important alternative to the commercial banking system. The reasons for this are that cooperatives can encourage saving and thrift. Also, loans from cooperatives are not tied to collateral requirements as is the case with commercial bank loans.

Importantly, most cooperative societies are themselves considered uncredit worthy by the commercial banks, so the establishment of cooperative financial institutions is essential to their long-term development and that of the cooperative movement.

So, the Government wants to encourage the formation of cooperative financial institutions such as:

3.7.5.1 Savings and Credit Cooperatives Societies (SACCOs)

Government recognizes that the pace of growth of SACCOs has been slow, especially in rural areas. Most have been established in urban areas and workplaces. As a result, members of rural primary societies have been unable to access adequate credit. To improve this situation Government plans to encourage the development of SACCOs in all rural areas. Advice will be made available at District level regarding setting up SACCOs and technical assistance will also be provided to all existing SACCOs to strengthen their capital base and development.
3.7.5.2 Cooperative Banks

The establishment of new cooperative banks and the strengthening of those already existing will be an important part of the creation of a system of strong cooperative financial institutions. However, the cooperative system does not at present have the expertise to set up full-scale banks.

Therefore, Government promises in the policy document to encourage and assist the movement in the establishment of cooperative banks. In the medium to long-term the Government may consider the development of a National Cooperative Bank in order to encourage cooperatives to establish a stable financial base.

3.7.6 The Role of Government

In the past, the Government took a very active role in the cooperative movement. It was heavily involved in the provision of inputs, finance and training. It also provided the main market for most forms of produce.

The old system of Government involvement in all aspects of cooperative life was too expensive for the country. At District level the District Cooperative Officer will represent the Registrar. However, following the introduction of open market economics, the Government sees itself as responsible only for the creation of an environment where the cooperative movement can prosper. The main engines of growth will be the members and managers of the cooperatives themselves. The aim is to produce cooperatives that are independent, democratic, member-based and economically viable. *(Source: Cooperative act 2002)*
The following chapter will show how the project was implemented and it will provide enough information on how EARDP - CI performs, some obstacles, and show how this project has helped in solving some of the immediate problems of this organization.
CHAPTER FOUR

4.0 IMPLEMENTATION

4.1 Background of the Project

This chapter highlights the implementation process of the project. It gives the details of the products and outputs obtained, staffing plan, and budget and shows how the activities were implemented (see table 12) for more details. EARDP - CI together with CED student conducted research between April and May 2006. This research was part of the problems that were identified by the CBO that required a researcher to work with clients and come up with real problem as well as suggestions for solutions. The core problem was the question that if addressed can improve the performance of the lending scheme for the organization. During the design of this project EARDP-CI capacity was characterized by low performance in reporting, financial reporting, monitoring and issues of staff roles. Researcher recommended that EARDP-CI needs to give special attention on capacity strengthening for better performance.

4.2 Products and Outputs

Generally output of this project will be the following:

- Developed job functions for key staff.
- Analysed Loan portfolio and annual estimates developed for budgeting purposes as well as planning for sustainability.
- Developed and submitted Proposal to McKnight.
- Developed client monitoring system.
- Launched VICOBA scheme.
4.3 Outputs:

Output for Objective 1
1. Four Board members and two staff attended trainings in financial management, Proposal writing, and monitoring and evaluation.
2. Reviewed loan procedures.
3. Developed client monitoring system.
4. Training in Organization development.
5. Participatory monitoring and evaluation training to clients.

Output for Objective 2:
1. Number of new clients has increased from around five to ten groups (25-50 people) per month.
2. Five new income generating activities among small scale entrepreneurs were promoted.
3. Three entrepreneurship management training conducted.
4. Established networks with CRDB LTD, PRIDE, BRAC Foundation, BEST and SEDA.
4.4 Project Planning:

4.4.1 Project implementation plan:

OBJECTIVES:

- To have institutionally strengthened capacity of EARDP-CI in micro lending programs
- To have increased access of poor communities of Patandi Area to micro lending services

Table 16: Project implementation chart:

<table>
<thead>
<tr>
<th>Activities for objective 1.</th>
<th>Project Month</th>
<th>Resources needed</th>
<th>Person responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 To conduct organization capacity assessment (OCA) and SWOT analysis of EARDP-CI</td>
<td></td>
<td>-EARDP-CI staff and Board</td>
<td></td>
</tr>
<tr>
<td>1.2 To develop an organizational capacity strengthening plan for EARDP-CI.</td>
<td></td>
<td>-CED student</td>
<td></td>
</tr>
<tr>
<td>1.3 To train EARDP-CI board and staff on organizational development; Proposal writing / fundraising strategy, project</td>
<td></td>
<td>Stationeris</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
planning; management and leadership; project monitoring and evaluation; financial management, customer care; lobbying a OCA.

2.1 Self assessment for credit officers concerning services delivered to Patandi Community.
2.2 To conduct training of Credit Officers on credit management and loan appraisal

3.1 To train the board on fundraising skills
3.2 To train the management on customer care.

4.1 To create awareness to the clients on business monitoring
4.2 To develop and operationalise a participatory monitoring system

| Facilitation by CED student |
| Stationeries, training materials, facilitator |
| Transport, Training materials, stationeries, Facilitator |
## Activities for objective 2:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Responsible Parties</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 To assist in proposal writing</td>
<td>Fund raising materials</td>
<td>Transport</td>
</tr>
<tr>
<td>1.2 Tracking of unpaid loans</td>
<td>Loan records</td>
<td></td>
</tr>
<tr>
<td>2.1 To identify new IGAs</td>
<td>Entrepreneurs, EARDP-CI</td>
<td></td>
</tr>
<tr>
<td>2.2 To disseminate brochures and manuals among entrepreneurs on new income generating activities and related support.</td>
<td>Brochures, EARDP-CI staff</td>
<td></td>
</tr>
<tr>
<td>3.1 To conduct training on small scale business management skills for entrepreneurs and initiate VICOBA.</td>
<td>Clients, EARDP-CI</td>
<td></td>
</tr>
<tr>
<td>3.2 To make follow up of training and provide advisory services accordingly.</td>
<td>Credit officer, transport</td>
<td></td>
</tr>
</tbody>
</table>
4.1 To develop an inventory of institutions providing microfinance services in Arumeru District

4.2 To network with microfinance institutions working in Arumeru and outside.

4.3 To link the target group with potential microfinance institutions

| 4.1 To develop an inventory of institutions providing microfinance services in Arumeru District | CED student Credit Officer |
| 4.2 To network with microfinance institutions working in Arumeru and outside. | EARDP-CI Management |
| 4.3 To link the target group with potential microfinance institutions | EARDP-CI, Management |
4.4.2 Inputs

Project required different items like training materials; human resources as outlined in table 12 above. The inputs used were obtained within the organization. Human resource includes facilitator, Director, Credit Officer, and office supervisor.

4.4.3 Project Staffing pattern:

Project needed facilitator to carry out different activities. Facilitator brings expertise on management and running of micro lending program. The NGO Director served as coordinator for all activities in which assumes supervisory role. Staffing pattern depends on programs and availability of funding. Currently the funded program is economic empowerment; this has payments to Director, Credit officer, accountant, and office supervisor. There were no funding for other programs and proposals have been sent to different donors looking for funds for other activities.
4.4.4 Budget:

**BUDGET FOR CREDIT FUND**

Table 17: Organization budget for five years

<table>
<thead>
<tr>
<th>Item</th>
<th>Year 2006</th>
<th>Year 2007</th>
<th>Year 2008</th>
<th>Year 2009</th>
<th>Year 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Facility development</td>
<td>17,000</td>
<td>35,000</td>
<td>70,000</td>
<td>100,000</td>
<td>135,000</td>
</tr>
<tr>
<td>1. Credit fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Salaries and operation</td>
<td>3,400</td>
<td>7,000</td>
<td>14,000</td>
<td>20,000</td>
<td>27,000</td>
</tr>
<tr>
<td>costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Transport</td>
<td>500</td>
<td>700</td>
<td>1400</td>
<td>2,000</td>
<td>2,700</td>
</tr>
<tr>
<td>4. Training staff</td>
<td>2,000</td>
<td>4,000</td>
<td>6,000</td>
<td>8,000</td>
<td>10,000</td>
</tr>
<tr>
<td>5. Business visits</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
<td>4,000</td>
<td>5,000</td>
</tr>
<tr>
<td>6. Follow-up visits</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
<td>4,000</td>
<td>5,000</td>
</tr>
<tr>
<td>7. Reporting</td>
<td>600</td>
<td>1,200</td>
<td>1,800</td>
<td>1,400</td>
<td>2,000</td>
</tr>
<tr>
<td>monthly/quarterly/Annual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Computer and internal</td>
<td>6,000</td>
<td>4,000</td>
<td>3,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>networks/internet services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>31,500</td>
<td>56,400</td>
<td>102,200</td>
<td>141,400</td>
<td>188,700</td>
</tr>
</tbody>
</table>
4.5 Project Implementation

4.5.1 Objective 1: Improved effectiveness and quality of services of EARDP – CI

Among the activities implemented were SWOT analysis and Organization capacity assessment that were meant for organization to realize its weaknesses. The quality of the services rendered has improved greatly after tackling the identified gaps during the period of this project. The project facilitated trainings for staff and board on organizational development; project planning; management and leadership; project monitoring and evaluation; financial management, customer care; lobbying and advocacy and other identified themes during OCA. Credit Officers on were trained in credit management and loan appraisal procedures, and customer care.

4.5.1.1 Activities accomplishment

Table 18: Accomplishments of activities for objective one.

<table>
<thead>
<tr>
<th>Activities for objective 1.</th>
<th>Level of accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 To conduct organization capacity assessment (OCA) and SWOT analysis of EARDP-CI</td>
<td>Done</td>
</tr>
<tr>
<td>1.2 To develop an organizational capacity strengthening plan for EARDP-CI.</td>
<td>This activity was implemented and budget for future training was set.</td>
</tr>
<tr>
<td>1.3 To train EARDP-CI staff on organizational development; project planning; management and leadership; project monitoring and evaluation;</td>
<td>Trainings conducted were fundraising skills, project monitoring, monitoring and</td>
</tr>
<tr>
<td><strong>financial management, customer care; lobbying and advocacy and other identified themes during OCA.</strong></td>
<td><strong>evaluation, others will be done in next financial year 2007/2008</strong></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>2.1 Self assessment for credit officers concerning services delivered to Patandi Community.</strong></td>
<td><strong>Done and has improved and changed the working style of the staff</strong></td>
</tr>
<tr>
<td><strong>2.2 To conduct training of Credit Officers on credit management and loan appraisal</strong></td>
<td><strong>Not done to be accomplished in 2007/8</strong> Board training was done and has increased the knowledge of board on organization responsibilities.</td>
</tr>
<tr>
<td><strong>3.1 To train the board on fundraising skills</strong></td>
<td><strong>Board training was done and has increased the knowledge of board on organization responsibilities.</strong></td>
</tr>
<tr>
<td><strong>3.2 To train the management on customer care.</strong></td>
<td><strong>Board training was done and has increased the knowledge of board on organization responsibilities.</strong></td>
</tr>
<tr>
<td><strong>4.1 To create awareness to the clients on business monitoring</strong></td>
<td><strong>Done</strong></td>
</tr>
<tr>
<td><strong>4.2 To develop and operationalise a participatory monitoring system</strong></td>
<td><strong>Done in a participatory way and was very useful as clients understand their role for the betterment of the services.</strong></td>
</tr>
</tbody>
</table>
4.5.2 Objective 2: To have increased access of poor communities of Patandi Area to micro lending services

During project period on proposal was developed and succeeded. This has increased the amount of loan disbursed from 6,000,000 per month (2005) to 11,000,000 per month (2007). Increase in amount means increased access to loans. The number has increased from 15-28 per month receiving amount from 50,000 to 250,000 per month. Many entrepreneurs have improved their businesses and new enterprises have been developed as a result of increased loan access. Several trainings for clients were provided by entrepreneurship skills. EARDP Community Initiatives has established links with FAIDA, SEDA, BEST and CRDB micro finance department.

Table 19: Accomplishment of activities for objective two.

<table>
<thead>
<tr>
<th>Activities for objective 2.</th>
<th>Level of accomplishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 To assist in proposal writing</td>
<td>Done and funding obtained for 2007-2009</td>
</tr>
<tr>
<td>1.2 Tracking of unpaid loans</td>
<td>Initiated, it is an ongoing activity</td>
</tr>
<tr>
<td>2.1 To identify new IGAs</td>
<td>Three IGA were developed, brick making, Milk processing, and Small kiosk for lubricants.</td>
</tr>
<tr>
<td>2.2 To disseminate brochures and manuals among entrepreneurs on new income generating activities and related support.</td>
<td>Not done, planned for 2007/8 activities</td>
</tr>
<tr>
<td>3.1 To conduct training on small scale business management skills for</td>
<td>Continuing activity</td>
</tr>
<tr>
<td>entrepreneurs</td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>---</td>
</tr>
<tr>
<td><strong>3.2 To make follow up of training and provide advisory services accordingly.</strong></td>
<td>Continuing activity</td>
</tr>
<tr>
<td><strong>4.1 To develop an inventory of institutions providing microfinance services in Arumeru District</strong></td>
<td>Done see table: 11 above</td>
</tr>
<tr>
<td><strong>4.2 To network with microfinance institutions working in Arumeru and outside.</strong></td>
<td>This was done and collaborative meeting planned to be done in 2007/8 budget</td>
</tr>
<tr>
<td><strong>4.3 To link the target group with potential microfinance institutions.</strong></td>
<td>EARDP –CI was linked to BEST, CRDB Ltd, and EXIM banks. Further efforts are made to have many linkages that will help in growth of MFI.</td>
</tr>
</tbody>
</table>

**4.5.3 Implementation limitations**

Funding and facilitators time was a limit to the implementation of the activities. This project requires fulltime supervision and management of facilitator. This was not possible due to the nature of CED program. It was agreed that facilitator provides assistance when needed even after completion of CED classes.
CHAPTER FIVE

5.0 MONITORING, EVALUATION AND SUSTAINABILITY

5.1 Introduction

This chapter explains how monitoring were done. It describes the purpose, processes and components of monitoring and evaluation; Monitoring was routinely done to gather all the necessary information regarding the project. This enabled the student to:

- Analyze the organization current situation,
- To help in identification of problems and find ways of solving them
- To keep track on the project activities schedule
- To measure progress towards objectives
- To measure decisions about human, financial, and material resources.

5.1.1 Research Methodology for Monitoring:

The research was conducted to analyze the effectiveness, efficiency, relevancy and sustainability of the project.

The following were research questions for the monitoring activity:

- Is EARDP - CI micro lending programme relevant to its clients? How well does it address the needs of beneficiaries?
- Is EARDP - CI undertaking programme activities efficiently and effectively?
- How are the services rendered by EARDP - CI sustainable to its clients?
- Is the approaches and implementation mode of EARDP - CI conforming to Tanzania MFI policy?
Questionnaire, interviews, checklists, group discussion and observation were the major tools used in the project monitoring. Other tools were review of the reports, and financial books, and loan portfolio books. Information gathered was used to improve the efficiency and effectiveness, of the project activities.

5.1.1.2 Justification of the methodology and tools used:
In most cases observation was used to determine the outcomes of the project. In all monitoring visits researcher was able to see the differences and changes from one client to another. Group discussion was also relevant in cross checking on issues discussed at individual level.

5.2 Management Information System:
In order to ascertain whether the project is implemented as planned, project outputs are useful and relevant, compare actual change caused by the project against set objectives and to assess whether efforts are worth continuing with or there is a need to adjust procedures, it is inevitable to set a good system of monitoring and evaluation. This is built in at several levels.

At the level of beneficiaries, each step in the implementation of an activity involves an element of monitoring. Beneficiaries and their committees were facilitated to monitor and evaluate their progress themselves. These committees meet once a month to monitor activities and to discuss progress of the different components of development in their communities. The committees compiled reports and submitted to EARDP - CI. All specific sessions (training, workshop) are evaluated at the end.
Progress at project level was tracked by EARDP – CI in collaboration with the project implementer. A sound and comprehensive monitoring and evaluation system were developed prior project implementation. In order to ensure that all these happen, EARDP - CI was asked to provide a full-time Planning, Monitoring and Evaluation Officer for the purpose of this project only. The monitoring and evaluation system not only track progress at the activity level but mostly at result levels in order to reveal the broader economic, technical, and social consequences and effects of the project.

On annual basis an audit has to be conducted to ensure that implementation of activities and utilization of funds is inline with the set objectives and expectations. The audit guarantees proper application of accounting procedures, adherence to allocated budgets and proper administrative procedures. Indeed, on site visits of beneficiaries in their homes, fields or businesses allows direct monitoring and immediate action.

Main monitoring questions were; are the loans provided as it was projected? How many people access loan each month? Are the training done as required? What kinds of businesses are done by clients? Finally has the EARDP-CI performance improved?
Table 20: Monitoring log frame for established micro lending program

<table>
<thead>
<tr>
<th>Monitoring question</th>
<th>Direct Indicator</th>
<th>Indirect indicator</th>
<th>Data collection tools</th>
<th>Responsible person</th>
</tr>
</thead>
<tbody>
<tr>
<td>How many people access loans in every month?</td>
<td>No of people accessed loans</td>
<td>Application of loans to household development</td>
<td>Loan report</td>
<td>Credit officer</td>
</tr>
<tr>
<td>What type of training done per month</td>
<td>-Type of training</td>
<td>Conduct of the business</td>
<td>-Follow up visits, observations -Interviews</td>
<td>Researcher EARDP -CI staff</td>
</tr>
<tr>
<td>What kinds of businesses are done by clients?</td>
<td>-Type of businesses</td>
<td>Ability of clients to diversify their capital</td>
<td>Interview, observation, visits</td>
<td>Researcher/ Credit officer</td>
</tr>
<tr>
<td>Has the EARDP-CI performance improved?</td>
<td>-Reports availability -monitoring system in place</td>
<td>-staff roles</td>
<td>Observation</td>
<td>Researcher</td>
</tr>
</tbody>
</table>
### 5.2.1 Monitoring Questions and Monitoring Indicators

The following are the monitoring questions and indicators that were used to monitor this project.

#### Table 21 Monitoring Questions and Indicators

<table>
<thead>
<tr>
<th>What to be monitored</th>
<th>Monitoring Indicators</th>
<th>Monitoring Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results</td>
<td>• Coverage of the project&lt;br&gt;• Type of training for beneficiaries&lt;br&gt;• Training delivered to management</td>
<td>• How many villages are involved in the project?&lt;br&gt;• What kind of training do beneficiaries receive?&lt;br&gt;• Have the training provided enhanced the Capacity of the EARDP-CI staff?</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>• Quality of services</td>
<td>• Has the loan issuing procedures improved?</td>
</tr>
<tr>
<td>Efficiency</td>
<td>• Is the project using scarce resources wisely</td>
<td>• Is the number How many training is has been conducted.</td>
</tr>
<tr>
<td>Relevance</td>
<td>• Does the project address the needs?</td>
<td>• How do people benefit from the micro loan.</td>
</tr>
</tbody>
</table>
5.2.2  Monitoring results:

5.2.2.1 Improved effectiveness and quality of services of EARDP - CI.
Several training was done to build the capacity of EARDP - CI staff. Training sessions included Organizational Development, Proposal writing, and Financial Management. This has improved the quality of records kept as well as procedures to be followed in purchasing and all other payments done.

In- house training were conducted to the staff on documentation of records, data entry in excel sheet, customer care and marketing strategies and monitoring skills. These training have improved the effectiveness and quality of service of EARDP-CI. There is increasing number of repayments over the past six months.

5.2.2.2 Increased efficiency of credit officers in loan issuing, and monitoring
After having knowledge on record keeping, as well as loan monitoring, the credit officer has been able to have clear indication of how much can be disbursed as credit in every month, this has enabled smooth conduct in loan issuing.
From the table there is a great drop out of loan disbursement in June 2006, the loans were provided to few individual clients as the group had not been able to finish all the required components for loan approval.

5.2.2.3 Increased efficient of management of EARDP-CI

Generally the organization efficiency has improved as every one is aware of what s/he is responsible for. This has been possible after establishment of job descriptions. The level of accountability has increased and some confidence growing is among the staff. Reporting system was established and quarterly reports are available.
5.2.2.4 Improved participatory monitoring of loans and micro-entrepreneurs businesses

Figure 8: Expected Loans repayments Vs Actual Repayments

(Source: EARDP-CI 2006)

The above graph presentation shows the differences in the actual repayments as compared to expected repayments. As it is shown in the graph, from Jan 2003 - July 2004 this was the time when new clients were recruited. As such they were required to start with small loans and majority of the clients were opting for double repayments to enable them to finish the first loan and access the second or even the third which are higher than the previous. When they started obtaining big loans the problem started, as it is shown the repayment level was lower than expected. Experience shows that there is a big problem in repayments especially for the fourth loans and above. This is mainly due to the fact that some of the clients do not take
loan for the purpose stated, and another reason is that the clients are used to the system and therefore create a tendency of negligence. In most cases there are delays in payments though most of the loans get repaid. Strict contract enforcement, which is supervised by a staff lawyer, has enhanced loan recovery rates.

Table 22: Individual loan repayment TRENDS 2003-2006

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ARREARS</th>
<th>FULLY PAID</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1</td>
<td>55</td>
<td>56</td>
</tr>
<tr>
<td>2004</td>
<td>7</td>
<td>119</td>
<td>126</td>
</tr>
<tr>
<td>2005</td>
<td>19</td>
<td>90</td>
<td>109</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Grand Total</td>
<td>27</td>
<td>266</td>
<td>293</td>
</tr>
<tr>
<td>Percentage</td>
<td>9.22%</td>
<td>90.78%</td>
<td></td>
</tr>
</tbody>
</table>

(Source: EARDP-CI 2006)

The information obtained shows that individual repayment rate is 90.78% while the group repayment stands at 98%. The trend is shown in table 11 and figure 7.

Figure 9: Loan Repayment Trend

(Source: EARDP-CI 2005)
### 5.2.3 Summary Monitoring table

**Table 23: Summary Monitoring and evaluation table plan for project progress**

<table>
<thead>
<tr>
<th>Category</th>
<th>What to monitor/indicators</th>
<th>What record to keep</th>
<th>Who collect data</th>
<th>Who uses the data</th>
<th>How to use information</th>
<th>What decision can be made</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work plan Activities</td>
<td>- Timing of activities, availability of personnel</td>
<td>-Monthly/quarterly work plans -work schedules</td>
<td>Project manager, credit officer, CED student</td>
<td>Project manager, credit officer, CED student</td>
<td>Convincing the donor, sharing with partners</td>
<td>Reschedule activities, resources</td>
</tr>
<tr>
<td>Costs and expenditures</td>
<td>Budgeted amount, expenses, over expenses, and cash available, balance per activities.</td>
<td>Amount loaned, amount received per month Ledges of expenditures,</td>
<td>Accountant and credit officer</td>
<td>Program, manager, board, donors, auditor</td>
<td>Ensure funds are available to execute activities</td>
<td>Authorize loans, Revise the budgets and activities, Determine</td>
</tr>
<tr>
<td>Staff and supervision</td>
<td>Knowledge, attitude and skills of staff, -education level of staff -salaries and benefits Job performance</td>
<td>Receipts Bank transactions</td>
<td>Programs manager CED student</td>
<td>Executive Director</td>
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</tbody>
</table>
|                       | Performance reviews -Job description- Resumes of staff -Training feedback and implementation plans | compliance within funding regulations | -Motivate staff-Resolve employment problems -Advice staff on career | Training needs Salary increments Disciplinary actions | needs for more money.
| Service delivery | No and type of Training delivered | Monthly loans Disbursed Receipts Data entry books-loan ledger Follow-ups reports | Credit Officer Programs Manager CED student | Ensure availability of services -Ensure quality services | Improve quality Increase no of training Flexibility in timings Revise objectives Revise project strategy and approach |
|------------------|----------------------------------|---------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Loans            |                                  |                                                                                 |                                |                                                   |                                                   |
| Follow-ups       |                                  |                                                                                 |                                |                                                   |                                                   |                                                   |
5.3 **Evaluation**

At the end of the project an evaluation was done. The objective was to analyze achieved results of the interventions, assess its impact, draw lessons and identify good practices for grassroots poverty eradication. The project stakeholders jointly defined terms of reference of the evaluation and chose the evaluators among themselves.
Table 24: Evaluation log frame

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Activities</th>
<th>Indicators</th>
<th>Data source</th>
<th>Tools</th>
<th>Person responsible</th>
<th>Time frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>To improve the efficiency and effectiveness of the organization by Dec 2006</td>
<td>Staff, board and management trainings</td>
<td>Number of trainings conducted</td>
<td>EARDP-CI</td>
<td>Observation</td>
<td>EARDP-CI management</td>
<td>Dec 2006</td>
</tr>
<tr>
<td>To train 150 entrepreneurs in business management from Patandi village and Neighbourhood</td>
<td>Entrepreneurship trainings conducted</td>
<td>Training report</td>
<td>Clients</td>
<td>Interviews</td>
<td></td>
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<tr>
<td>To provide 100 loans to new clients and 200 from the on-going clients from Patandi by</td>
<td>Training</td>
<td>No of Entrepreneurs trained</td>
<td>EARDP-CI, Clients</td>
<td>Field visits, office</td>
<td>Credit Offices</td>
<td></td>
</tr>
<tr>
<td>end of 2006</td>
<td>To evaluate the conduct of ongoing clients</td>
<td>Training reports</td>
<td>No of New clients obtained loans</td>
<td>Office records</td>
<td>C/Officer</td>
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<tr>
<td>To establish at least two VICOBA groups b end of 2006</td>
<td>Mobilization and training of new</td>
<td>No of visits conducted</td>
<td>Monthly reports</td>
<td>Researcher</td>
<td>Credit officer</td>
<td></td>
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<tr>
<td>vicoba groups</td>
<td>No of VICOBA groups established</td>
<td>No of ppt</td>
<td>Groups records</td>
<td>Credit office,</td>
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</table>
5.3.1 Formative Vs Summative Evaluation

Formative evaluation is a method of judging the worthiness of project activities on day to day basis. This kind of evaluation is done throughout the project life. It focuses on the process and it is used for assessing the project as it progresses to find the extent of implementation as well as determining improvements or adjustments needed for the success of the project objectives. Formative evaluation is part of implementation and hence done by the project management.

Summative evaluation is the method of judging the worthiness of the project at the end of the project lifetime. It focuses on the output and mainly looking at the extent into which the project objectives were achieved. This can be used to determine whether the project components should be revised for the second phase, or whether the project has to continue or terminated.

EARDP – CI evaluation was formative as it was done based on the implementation plans. Most of the activities are going on hence it's a matter of adjustments and revisiting some objectives.

5.3.2 Research methodology

Research question for evaluation was “Is the EARDP – CI efficiency and effectiveness improved? The method and tools used aimed at generating information that could have answered the question. Direct observation, interview with clients and review of office reports were among the tools that were used to measure the performance of the organization and financial status of the project.
5.3.3 Justification of the methodology and tools

Methodology and tools used in the evaluation was relevant to the project. Observation, interviews, group discussion, documentary review and financial analysis were vital tools for this project. Field visits were also done to see some of the businesses and see the reality.

5.3.4 Performance indicator

Evaluation of EARDP-CI micro lending scheme was done to determine whether the implementation of various activities took place and whether the performance of organization has increased. It was in a form of review to measure the progress and determine the existence of procedures and regulations, skills that helps in improving the performance of micro-lending schemes in rural areas. Evaluation looked at the quality and quantity of the services rendered, measuring monthly loans provided, type of training provided to clients, the frequency of monitoring and existence of support / donors that are willing to assist in long term.

- **Input indicators**: describes what goes into the project, such as number of hours of training, no of people trained, amount of money spent, and number of loans disbursed.
- **Output indicators**: describe project activities such as number of local facilitators trained, number of new enterprises available, and number of new women, young ladies enrolled.
- **Impact indicators**: measures the actual entrepreneurs change in attitude, income, living standard etc.

Due to the nature of this project it was not able to measure the impact indicators.
Table 25: Evaluation summary:

<table>
<thead>
<tr>
<th>Project Goal</th>
<th>Project Objectives</th>
<th>Performance Indicator</th>
<th>Expected Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>To contribute towards organizational development of EARDP-CI in micro lending programs.</td>
<td>1. To have Institutionally strengthened capacity of EARDP-CI in micro lending programs</td>
<td>Guiding documents like Human resource manual, Accounts manual, training manuals, etc -timely loan disbursement -Timely training sessions</td>
<td>-improved quality of services -increased efficiency of credit officer in loan issuing -increased efficiency of management -improved participatory monitoring of businesses of micro entrepreneurs.</td>
</tr>
</tbody>
</table>
| 2. To have increased access of poor communities of Patandi area to micro lending scheme | - No of people registered to obtain loans  
- no of new IGAs  
- Number of loans disbursed  
- No of households accessed with loans  
  No of new IGAs initiated,  
  No of trainings provided in entrepreneurship management  
- No of networks existing. | - increased access to credit fund facility  
- Promoted income generating activities among small scale entrepreneurs.  
- Strengthened entrepreneurship management skills among entrepreneurs  
- established networks with other MFIs. |
5.3.5 Project sustainability

Sustainability was a major consideration guiding the strategy, approaches and set-up of this project. The major focus was on sustainability of micro credit services to micro entrepreneurs (youth, women and men) and promoted EARDP – CI as an institution. To achieve sustainability of needed services, the project puts substantial efforts into individual, community and institutional capacity building.

The project was on the forefront on establishing committees to oversee the project interventions. These committees were also supported with relevant capacity building services to equip them with necessary skills to undertake their roles. The committees are the key responsible institutions for monitoring implementation of activities. During project implementation a close collaboration will be established among the committees and relevant government departments (cooperative, community development, etc.). Committee members remain linked with local government and the EARDP - CI through exchange meetings and contacts. Also there is an increased networking and collaboration between the government and other actors in the intervention areas.

The emphasis was also given on capacity strengthening of EARDP – CI as an activity of the project. Specifically institutional development support (training of staff and the board) was structurally integrated in the project. This together with the fact that the EARDP – CI has the project activities central to its mission and further
strengthened their capacity and basis during project implementation, it is clear that it will continue to implement similar activities in broader defined or different locations. Operational sustainability was realized by involvement of the target group in all phases of the project cycle and installing the sense of ownership and that EARDP – CI was only facilitating the process. The target group was advised and linked to other micro finance institutions so that they undertake appropriate economic ventures. Special focus is given to gender balance and collaboration with other development actors. EARDP - CI keeps close relationship with other institutions and develops new business opportunities for the target group, in the case of organization it is looking forward to work as business rather than a development organization so as to maximize its profit and become fully sustained.

This will successfully be observed when the loan portfolio will be in the position of meeting at least seventy seven percent of its operational costs and accrue profit out of the capital invested.
CHAPTER SIX

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion:

Informal and small-scale lending arrangements have long existed in many parts of the world, especially in the rural areas, and they still survive. Good examples in developing countries are schemes in Ghana, Kenya, Malawi and Nigeria ("merry-go-rounds", "esusus" etc.). They provide the rural population with access to savings within the local area and with a certain cushion against economic fluctuations, and they encourage a cooperative and community feeling. The groups formed provide joint collateral and serve as instruments for spreading valuable information that is useful for economic and social progress. Tanzania initiatives in micro financing have also shown good results. EARDP - CI is one of the programmes that operate in rural areas and it has proved to be a success in the past three years. Having shown an interest in improving the quality of the products provided, there are great chances of this institution to become one of the best organizations that provide micro-finance services in future.

If well promoted, EARDP – CI will realize Tanzanian policy of addressing poverty line, and will operate efficiently with minimum support from outside.
6.2 Recommendations:

6.2.1 Portfolio management

Under portfolio management it is recommended that the monthly management reports should be produced. These will provide information indicating loans that have stayed over six months old and lastly the current loans with payments not updated.

6.2.2 Review credit monitoring process

- The credit office has to schedule visit to clients who are not up to date, this will remind them of their responsibilities in repayments.

- Schedule visits to clients with big loans over 1,000,000, seems not to be serious. They need close supervision to make them active and responsible with repayments and timing.

- Group leaders should provide monthly updates on progress when payments are made, and in case of groups the leaders have to meet at EARDP - CI offices every month to discuss the progress and if there is any problem to find out the appropriate solution.

- Follow - up post loans approval, immediately after loan approval there must be follow up sessions that will help to know exactly if the loan is used in appropriate way and see how the businesses performs.
6.2.3. Streamline loan process

1. EARBP – CI should provide training at key points of the process to successful applicants only
2. Ensure applicants successfully complete all stages in the process
3. Review criteria for individual loans

6.2.4 Clients data management

- Review data captured at each loan process stage to ensure their relevancy, consistency and usefulness.
- Capture data to measure community impact and if there has been any change in economic status of the clients?

6.2.5 Training

Install a strategy to measure the effectiveness of training by having:-

- Feedback form to enhance the organization to understand the feelings of the clients and comments on further development of training sessions.
- Prepared training materials, leaflets for different topics / skills

6.2.6 Financial management

Keeping accounts:

- The organization needs to be assured if the Chart of accounts exists and are updated all the time.
• It is important to have financial manual as the organization grows and channeling different sources of funding from different donors as well as individuals.

• The organization budgets must be followed or adjusted as per regulations and intended purpose.

• Budget monitoring – The organization is advised of designing a special form for budget monitoring.

3. Internal control system

• Procedures for issuing money and materials should be developed.

• Internal control policy for all transactions and movement of items should be established.

6.2.7 Financial strategy

The following are the strategies which EARDP - CI should implement in order to increase its finances for its activities:

• Resource mobilization through proposal writing and submission to different donors.

• Reserves from current donor funding

• Charging fees i.e. application fees, training fees from clients.
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