BANKING ON THE POOR: SAVING AND LENDING GROUPS FOR THE POOR

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Introduction:

Over the past three decades 60,000,000 households worldwide have been reached through microfinance institutions but there are another 200,000,000 poor households that lack access to basic savings and lending services. Oxfam America and its partner, Freedom from Hunger[1], are developing a methodology to reach those left behind through its "Banking on the Poor" Initiative (BOP) targeting communities too distant and too poor to be reached by microfinance institutions and credit unions.

BOP is designed to meet the needs of poor and illiterate village women who often need a safe place to save more than a loan. Members save what they can and lend their savings at interest to group members who buy goods to sell at the market, grow vegetables, raise animals, purchase medicine for a sick child or pay for a funeral. This is "savings led" not "credit led" microfinance; the money lent is the money the women save themselves.

Banking on the Poor "banks on" the capacity of groups to quickly manage their own accounts. Groups receive three months of weekly training and then progressively less frequent monitoring until they can operate on their own. Gradating trained groups quickly, using staff resources to train new groups, and devolving responsibility for training to successful leaders, are the keys to the low cost of this model.

BOP builds on a savings and lending tradition that is common throughout Africa, Asia and in much of Latin America, the ROSCA (Revolving Savings and Credit Association).[2] It adds pooled saving, lending at interest and simple record

[1] Freedom from Hunger (FFH), a Davis California based microfinance and education agency, adds its extensive experience in participatory training, working with local partners and health related education to Oxfam America America's knowledge of self-help group methodologies, its extensive network of partner organizations and its capacity of fund projects. Freedom from Hunger operates its own programs in Uganda and Bolivia and operates through credit union associations throughout West Africa and the Philippines. These initiatives taken together have 400,000 borrowers.

[2] ROSCAS are known as tontines in francophone Africa, Susus in Ghana, chit funds in India, Partners in Trinidad, Tandas in Mexico and Box Hands in Guyana. All are similar with the contribution collected for one period given to each member of the group in turn until all have received their payout.

keeping to the traditional system with interest from loans building the loan fund. BOP also teaches a much requested malaria prevention curriculum designed by Freedom from Hunger. More people die of malaria every year than from AIDS.

Groups are trained through local NGOs carrying out a range of projects in poor rural villages rather than specialized microfinance institutions (MFIs). It is too expensive for MFIs to reach distant communities since credit delivery implies permanent monitoring and record keeping that rivals a bank for its complexity. Since there is no loan fund to administer BOP "animators" focus their entire effort on training groups. (Groups may choose to access credit from microfinance institutions assuming these services are available.)

The Banking on the Poor Pilot Project:

By the end of the pilot project in October 2007 the Oxfam America America/Freedom from Hunger Community Finance team will have fully tested and revised the model, established good practices, built partner projects to scale and measured impact. Assuming the Pilot Phase is successful, Banking on the Poor plans to expand according to this formula:

1,000,000 poor women (and men who want to join) trained by
1,000 field staff[3] working for
100 local partners in
10 countries
In 10 years

Oxfam America and FFH are testing the idea that an investment of $20 per woman will involve her in a well managed savings and lending group that will provide her a secure place to save and borrow. As women save and borrow, many will liberate themselves from moneylenders. Women will also build solidarity with group members, learn about malaria prevention and other health issues, increase their involvement in their communities and improve their status within their households. Progress along all these dimensions will be tracked through the monitoring and evaluation system described in the last section of this report.

Banking on the Poor is based on these principles:

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[3] The ratio of staff to borrowers in well functioning MFI programs ranges between 200 and 300 – with some successful institutions reaching more than this number and others substantially less depending on the level of business reached, the level of economic activity and the density of population. The BOP ratio of 1/1,000 after three years is based on using "village agents" recruited from the best groups to broaden outreach, and quickly "graduating" groups once they have be trained.

Use the best experiences worldwide
Important demonstrable impact
Large scale
Low cost
Efficient training and quick graduation
Replication by local institutions
“Self-propelled” group formation by trained group leaders
A commitment to learning and sharing knowledge

Oxfam America will use its most successful local partners to train other NGOs and organizations to disseminate the methodology. While reaching 1,000,000 of the world’s poor (or even a fraction of that number) would be a significant achievement, 1,000,000 is a small percentage of the potential demand.

Recognizing the generosity of institutions that have shared their learning with Oxfam America and Freedom from Hunger, the tools and systems developed by the BOP team will be freely available to those wanting to do similar work.

The institutions that have shared their manuals and systems and facilitated visits to their project sites include Pact in Nepal; Catholic Relief Services in India; the National Bank for Agriculture and Rural Development (NABARD) in India; and Care in Niger and Zimbabwe. These institutions are world leaders in the quickly developing “savings led microfinance” movement and Oxfam America is indebted to their pioneering work.

First Steps:

Over the past twelve months the Oxfam America/FFH team developed the Banking on the Poor model, created a comprehensive set of manuals and systems, and completed feasibility studies in Zimbabwe, Senegal, Mali and Cambodia. With the exception of Zimbabwe, these countries comprise the pilot phase of the project. The forty animators who will launch the first BOP projects in Mali and Senegal completed their training in February 2005.

The Banking on the Poor Model:

The savings and lending self-help group model developed through Banking on the Poor is a hybrid of the best features similar initiatives in Nepal, India, Zimbabwe, Niger and Cambodia. The scale and the strengths and limitations of these initiatives are sketched below and references are noted for those who want to learn more about each model.

MAJOR SELF HELP GROUP INITIATIVES WORLDWIDE

Program	Scale	Strengths	Limitations
Pact Nepal, Women's Empowerment Program[4]	6,500 groups 130,000 members	240 local partners, livelihood focus, literacy, empowerment, community activism, groups quickly operate autonomously	Complex records, lack of clarity in relations with partners caused difficulties
CRS India[5]	25,000 groups 400,000 members	250 partners, micro watershed management, disaster preparedness, empowerment, objective of 100% coverage, bank linkage, representation in the political structure through SHGs	Inconsistent quality, training and monitoring; groups often dependent on staff for longer than desirable
Three NGOs In Cambodia	125 groups, 2,500 members	SHGs work where there is no ROSCA tradition, Khmer Rouge destroyed local institutions, low trust	Small scale/ dependency/ poorest left out
CARE Zimbabwe	4,300 groups 30,000 members	Reaches the poorest, operates well under hyper inflation, social fund mitigates risk and pays for funerals and helps the sick	CARE staff implements the project directly. No partners.
CARE Niger/ Women on the Move[6] MMD	8,700 groups 178,000 members	Impressive scale in very poor region, groups graduate quickly, good results with very low literacy, community agents provide training at low cost	CARE staff implements directly. No partners.

The programs in Nepal, Niger and Zimbabwe use group savings and loan interest as the source of their funds. About half of the groups in India and Cambodia also use loans from banks and other sources to supplement internally generated savings. Depending on local circumstances, BOP will explore both options.

BOP groups are organized and supported by the staff of local partner organizations that are trained, supervised and monitored by Oxfam America/FFH following this sequence for introducing BOP to a new region or country:

[4] Jeffrey Ashe, Lisa Parrott. "*Pact's Women's Empowerment Program: A Savings and Literacy Led Alternative to Financial Institution Building.*" Journal of Microfinance, Spring 2003.
[5] Kim Wilson. "*The New Microfinance: An Essay on the Self-Help Movement in India.*" Journal of Microfinance, Spring 2003.
[6] William Grant, Hugh Allen. *"CARE's Mata Masu Dbara (MMD) Program in Niger: Successful Financial Intermediation in the Rural Sahel."* Journal of Microfinance, 2003.

1. Potential partners are identified and a feasibility study is carried out;

2. Partners are selected from among NGOs who participate in a BOP workshop and prepare a proposal reviewed by Oxfam America staff;

3. NGOs with the best proposals are visited in the field;

4. Selected NGOs hire a Banking on the Poor Project Manager and six to a dozen animators who are each responsible for a cluster of villages;

5. Partners receive a week of training to plan how they will implement BOP and deploy, support and monitor their animators;

6. Animators and BOP Project Managers receive three weeks of training in outreach, group training, supervision and monitoring;

7. Trained animators work with fifteen groups with fifteen members the first year;

8. In the second year, four to six of the strongest group leaders are selected by the animator and the community and are trained as “Village Agents”. The Village Agents train more groups in their own village and nearby villages at a fraction of the cost of using animators with the objective of involving 100% of the households thereby insuring that the poorest are included. By the second year groups typically start organizing and training groups on their own accord, “sell propelled expansion.”

9. Once the Village Agents are in place the role of the Animator shifts to supervising the Agents, organizing groups into associations and introducing services such as health and business education, literacy training;

10. Animators monitor group performance each meeting and a sample of groups is monitored quarterly to understand the evolution of the groups;

11. Oxfam America staff visits partners at least quarterly to assess performance and provide additional training.

As an exit strategy, Oxfam America funds partner operations in a cluster of villages in a rural region for only three years. Within three years it is expected that groups and group associations will operate autonomously with minimal outside assistance. Partners that perform well will receive funding to promote BOP in nearby rural areas. Successful partners will train other local organizations with Oxfam America guidance. The objective is to build local capacity and replicate the model as within each country with the Oxfam America role evolving from trainer and catalyst to evaluator and advocate.

ROSCAS and BOP Groups Compared:

The differences between a typical ROSCA and a Banking on the Poor (BOP) group are summarized below. The "typical ROSCA" described in the left hand column is common in Senegal and Mali and in most developing countries (with substantial local variation). A group of six to a dozen women make regular payments and the entire amount collected (the payout) is distributed to each member in turn. The group disbands when the last member receives her payment. ROSCAS have two major advantages; they spring up without an outside organization promoting them and they provide a simple mechanism to safeguard savings and a useful amount of capital as each member receives her payout. BOP assumes that the groups it trains through its partners will have several advantages. The evaluation will determine if the gains livelihood, empowerment and social capital justify the cost and effort.

ROSCAS AND BANKING ON THE POOR SELF-HELP GROUPS COMPARED

TYPICAL ROSCA	BANKING ON THE POOR SELF-HELP GROUPS
• Members wait their turn for their pay out even if they need money earlier.	• Members take out a loan when they need it (if funds are available).
• No interest charged and no return on savings.	• Group fund grows with loan interest. The return on savings depends on the interest rate and the percentage of the fund loaned out
• No review of how pay out is used.	• Members discuss how loans will be used.
• Group disbands when the last member receives her pay out.	• Group decides if it will disband and distribute the fund at the end of the cycle or continue saving to grow the groups' resources.

TYPICAL ROSCA	BANKING ON THE POOR SELF-HELP GROUPS
• The poorest are often excluded because they do not have a regular income and/or the payments are too high for them.	• Groups can suspend or decrease payments during the "hungry season" and save more after the harvest reflecting the variability in income of poor villagers. Each group in the village sets its own savings rate.
• Little flexibility because records are very simple or non- existent.	• Better record keeping makes it possible to build in variable savings, savings withdrawals and loans of different lengths and amounts.
• Groups have little formal structure other than the group leader	• Group goal setting, bylaws, electing officers, holding officers accountable and problem solving training lead to stronger groups.
• Traditional groups with poor or no records have little chance of accessing external loans.	• Well organized groups may be able to secure loans from credit unions and MFIs if they need more capital.
• Little or no link to other development inputs.	• Groups become platforms for literacy, health, business education, disaster preparedness and improved agricultural practices. Malaria prevention will be the first topic introduced to the groups. Oxfam America and Freedom from Hunger are carrying out BOP jointly
• Exchange of ideas between groups occurs informally through exchanges in markets or among friends.	• Strong groups share innovations through meetings and exchanges organized by animators.
• Each group operates independently.	• Groups are organized into associations that take on roles such as caring for the neediest or the sick, campaigns to encourage women's rights, community projects, or disaster preparedness.
• Since payouts are taken in turn, members often use money lenders for emergencies.	• Risk is mitigated through loans for emergencies; health training; business education; loan reviews; and increased cooperation between members.

Questions about the Banking on the Poor model:

Will Banking on the Poor (BOP) reach the poorest?

Those who initially join self-help groups (SHGs) tend to be the middle poor who have more resources, are better educated and are more inclined to take risks. The challenge is to how to involve the poorest. The experiences of Catholic Relief Services' SHG projects in India and CARE's project in Zimbabwe are illustrative of how BOP will include the poorest. CRS strives for 100% coverage so the poorest, by definition, are included. In Zimbabwe, CARE trains smaller groups with each group determining the level of savings they can afford. In one village, for example, those in the poorest group save $.25 per month while the better off save more than $4. This makes it possible for all to participate.

Since the poorest are more concerned with survival and their short term needs (for food, medicine, school fees and other short term uses) than business development will there be a requirement that all the loans be used for income generating activities?

Unlike most micro-finance institutions (MFIs), there are no restrictions imposed by the program on how loans are used. Groups approve loans and receive training on how to assess the quality of loan requests. Loans are typically used more for consumption and emergencies initially and then shift to income generating activities as the size of the fund increases.

How innovative will the initiative be in terms of combining a structure that promotes growth and the possibility of members exiting without penalty?

Members can leave the group without incurring a penalty. Following the CARE model, all or part of the group fund is divided among the members at the end of an eight to twelve month cycle (with members deciding how long the cycle will be). Members are free to leave (and new members are free to join) at that time. Members can also leave during a cycle (although they probably will not receive their share of the interest on their savings due to the complexity of making these calculations.). The record keeping system introduced through BOP tracks member savings so payouts can be calculated.

Will the "modernized ROSCAS" promoted by BOP pose threats to traditional saving and lending groups that may be working well for people?

Members often belong to both their traditional ROSCAS and their self-help groups to diversify their risks.

Do the very poor have a steady source of income to contribute to a savings fund?

ROSCAS require a steady steam of income so members can make regular payments. BOP self-help groups are more flexible. Many suspend or decrease payments during the “hungry season” and increase their payments after the harvest reflecting the variability of income in rural villages. Members make double and triple voluntary deposits when they have more to save. The improved record keeping system introduced through BOP makes it possible to track variable savings amounts.

ROSCAS are a way to save but members often need their money before the time for their draw. Is it profitable to invest this money in the kitty rather than fix the roof because the rains are coming in?

Since savings are pooled in a common fund, members take out loans when they need them. Voluntary saving insures that those who save more can withdraw their additional savings when the need arises without taking out a loan.

Isn’t investing in microenterprises risky?

A loan for an individual micro enterprise is risky – an animal might die, a crop could fail, and there may be no buyers for goods purchased for trade. BOP groups mitigate risks by evaluating loan proposals, providing to each other advice and support and business literacy training.

Since the groups are small most or all the loans could fail with a drought, flood or other calamity. This is an inherent limitation of the model. Large financial institutions with nationwide outreach can absorb losses better than a small group, but such institutions are rare in countries where BOP will be working, seldom serve poor rural women, and are more inclined to pull their resources from poor regions than to provide them additional resources.

Will insurance be built into the Initiative?

Life and health insurance plans have been built into advanced credit unions and microfinance institutions (MFIs) over the past few years but none of these schemes have been adapted to self-help groups. For the BOP groups risk is mitigated by reviewing loan requests, providing loans for emergencies, and organizing groups into associations where groups contribute to an emergency fund used for funerals and to care for the sick. How effective these less formal "virtual insurance" mechanisms are for mitigating risks will be documented through the evaluation. Life insurance or other forms of insurance might be appropriate once programs are well established and this option could be explored in a second phase of the project.

Beyond savings, what other components need to be added to make a difference?

Saving, borrowing, training and being part of a supportive group of friends are all part of the equation. Groups are trained over twelve weekly meetings. During this training they set objectives for their groups, elect officers, develop a constitution, learn how to keep records and learn how to evaluate loans. After the initial twelve week training, the groups are intensively monitored initially and then less frequently until they can operate on their own. This typically takes a year. The training modules synthesize self-help group training packages developed in Nepal, India, Zimbabwe and Niger and build on the experience of the CF team.

The groups receive training on malaria prevention and treatment, using a methodology developed by Freedom from Hunger, Oxfam America's partner in the BOP initiative. Other health components, literacy and perhaps even agricultural and marketing inputs added as they are developed.

How can we ensure that these small groups are strong, empowered, autonomous groups?

Every component of the BOP model reinforces the strength, empowerment and autonomy of the groups. Group strength is measured by meeting attendance, the quality of record keeping saving and lending. Empowerment is measured by the shift in household decision making among the women members and groups taking on an active role in community projects and campaigns. Group autonomy is measured by their capacity to manage their accounts and resolve group problems on their own.

What happens when groups lend outside the group? Doesn't that put the group at risk?

Groups seldom lend outside their membership, and if they do they charge a higher interest rate. When loans are made outside the group they are made to people the groups have adequate leverage over to ensure repayment.

Isn't the rate charged by these groups to their members excessive?

The groups set the interest rate. The interest paid to a BOP group builds the group fund and the savings plus interest (less any losses) is divided among the members according to the amount they saved. In contrast the interest charged by moneylenders enriches the moneylenders as it impoverishes the borrower. (Similarly, the interest charged by MFIs pays for the operating costs of the financial institution and does not return to build the group's fund.) Groups typically charge between 2% and 10% per month on for the loans to members who request them with the higher interest rates building the group fund more quickly. (Moneylenders generally charge much more.) Petty trading with high turnover and a substantial profit margin can sustain these higher rates. Lower rates with balloon payments at the end are more appropriate for agriculture.

Isn't the fund at risk if a natural disaster hits the area where a group is located?

The risks to the groups of a major drought or flood are high, but so are loans for smaller credit unions or MFIs working in a similar rural area. To hedge their bets, rural people save in animals that can be sold; buy jewelry that can be cashed in, and keep money sewn into their clothing or hidden at home.

In India, groups trained in Disaster Preparedness recover faster, an additional way that these groups help mitigate risk. Catholic Relief Services in India estimates that disaster preparedness training that leads groups to protect their water supply, store emergency food, develop evacuation plans cuts down the costs of relief efforts several fold.

Why not just organize these women into credit unions?

Although there are exceptions, credit unions typically do not reach the poorest in large numbers. BOP aims to reach into areas and to populations not reached by financial service providers. These areas are unserved because formal institutions have not found it feasible to do so. Hence, a new approach is required. In rural Mali credit unions and MFIs reach less only a small percentage of the women in the villages BOP is targeting.

This is not to say that groups do not need more money than what they can save themselves. The BOP program in each country will explore the feasibility of linking groups to lines of credit from credit unions, MFIs and banks. In India, NABARD (the National Bank for Agriculture and Rural Development) has facilitated the linkage of 1.3 million self-help groups with 20 million members to local banks in just twelve years making this the largest microfinance initiative in the world. These loans are profitable for the banks because a loan to a group of twenty poor women is often larger than a loan to a single member, and the repayment rate is much higher.) In this hybrid model, the NGOs focus on what they do best, organizing and training and the regulated financial institutions focus on what they do best, lending and collecting.

It is significant that in India thousands of NGOs train these groups and thousands of branch banks provide them loans reflecting the highly decentralized character of self help group programs. NABARD acts as the trainer, catalyst, evaluator and underwriter of this highly decentralized process with each unit operating at a manageable scale joined only by a common methodology and approach. Oxfam America's role with BOP is modeled on the NABARD experience.

Won't the amount of money these women save be too small to be of much use to them?

There is no question that the amount of money saved is small, often less than $0.50 per month. The advantage is having a place to save that is outside the reach of spouses, children and relatives and that grows to a useful amount to fulfill a long term need. This form of saving and borrowing is much more in line with the average capacity of women to utilize these funds in poor rural areas. If the group's fund is not liquidated at the end of the cycle it can grow to more than double that amount the next cycle since the savings plus the interest on earlier loans are loaned out each meeting. While groups in Africa typically liquidate their fund every year, groups in Nepal and India do not. Groups in Mali and Senegal will be trained to explore the tradeoffs of liquidating their fund at the end of each cycle.

<u>In conclusion:</u>

The Community Finance team at Oxfam America team chose this methodology because it can operate successfully through the kind of partners that Oxfam America works with that tend to be small, provide a range of services, and are not financial institutions. The methodology is relatively simple and low cost (the start up costs per member are a fraction of what the start up costs are for an MFI - $10 to $40 dollars per member compared to $200 to $400 per borrower). The initiative will likely prove to have substantial social as well as economic benefits and can be replicated by similar NGOs that lack the financial sophistication to become MFIs. The BOP program can also effectively act as a launching pad for advocacy activities of Oxfam America thereby dovetailing into Oxfam America's overall strategy.

Oxfam America would require specialized expertise of a World Council of Credit Unions (WOCCU) if it were to focus its efforts on developing credit unions, and the expertise of an *Accion* International if it were to develop microfinance institutions. Oxfam America/FFH can, however, be a pioneer in the emerging self help group microfinance field. Oxfam America's value added is its grass roots orientation, its strong partner base, its capacity to fund projects and its approach that is based on the best projects of many institutions and a strong commitment to documentation. There are many thousands of local, multi service NGOs serving some of the world's poorest. The self-help group approach will enable these organizations that already have a presence in the community to provide quality savings and lending services.

Over two thirds of the households in Senegal, Mali and Cambodia (the three BOP pilot project countries) lack access to institutional credit after decades of investment in MFIs and credit unions, and most of those left out are too poor and too isolated to become viable clients of regulated financial institutions (or even unregulated MFIs focusing only on credit delivery). Banking on the Poor, by building on existing traditions of saving and lending, and by using NGO partners that have access to villages can reach those traditional financial institutions cannot. After the groups have shown their capacity to manage their funds, these organized and trained groups will be excellent candidates for receiving loans as a group from an external credit source.

Except for a handful of countries the great majority of the very poor who need savings and lending services have no access to them. Oxfam America's Banking on the Poor Initiative has the potential to help define how to access this vast unserved market.

OBJECTIVES OF THE BANKING ON THE POOR PILOT PROJECT:
<u>Objective 1: Deliver Banking on the Poor Services:</u>

Local partners deliver quality Banking on the Poor services at a declining cost per member initially through their animators and then increasingly through village agents. Most groups are capable of operating autonomously in less than two years and the program is designed to graduate these groups in one year. Groups share innovations, are formed into associations to receive educational messages to improve health practices and undertake community improvement projects and campaigns. Groups increasingly take on the responsibility for forming new groups. Animators meet or exceed performance objectives. Partners regularly collect monitoring data and report to the BOP staff. Partners take a major role in training new partner organizations.

Indicators of a successful outcome:

- Each animator trains groups with 200-300 members or more;
- Village agents are selected and trained to assist animators to recruit, train and supervise many more groups.
- Partner costs per member and per group trend downward year by year.

- Groups receive staff support for less than two years and are graduated and operate autonomously and manage their own accounts;
- Groups share innovations, jointly resolve group problems and build a network of mutual support through village-to-village visits and other means.
- Groups are organized into associations that provide advanced group training, educational messages and undertake community projects.
- Some graduated groups train new groups on their own initiative.
- The BOP Project Manager and the animators meet performance standards and develop quality groups. Group quality is defined as operating autonomously in less than two years and with regular savings by 90% of the members, 80% or more of the group fund on loan, 80% of loans current and less than 5% of loans defaulted.
- Partner staff collects the monitoring data requested by BOP, the quality of which is rated as "generally accurate" by the Oxfam America staff;
- At least one partner organization in each country takes responsibility for training new partner organizations with Oxfam America assistance.

These Results will be Accomplished Through:

Objective 2: Developing the Oxfam America CF Team:

Oxfam America will have a well qualified and well trained team in place in Boston, the West Africa Regional Office (WARO), and the East Asia Regional Office (EARO) capable of identifying, selecting, training, advising, monitoring and evaluating the partners delivering Banking on the Poor services. (Assuming the pilot project is successful there are proposals to expand BOP to Ethiopia through Oxfam America's Horn of Africa Regional Office; to South Africa and Zimbabwe through its Southern Africa Regional Office; to Mexico and Central America through its Mexico/Central America and the Caribbean Regional Office; and to Ecuador and Peru through its South America Regional Office.)

Indicators of a successful outcome:

- Partners are capable of carrying out successful projects that grow quickly to scale, where groups are of high quality and function on their own after a partner organization phases out their assistance to a cluster of villages;
- A comprehensive set of training materials and systems are developed and that continue to improve with field experience.
- Training effectively guides the implementation of BOP projects.
- Visits from Oxfam America staff resolve partner problems so staff can deliver quality services to a growing number of groups.
- Timely monitoring tracks project performance and provides Oxfam America staff and partner managers the data they need to improve performance;

- Strong partners receive additional funding to expand their operations as weak partners are phased out;
- Baseline studies provide appropriate data for evaluators and the team arranges for external evaluations.

Objective 3: Mobilizing Funding:

This year Oxfam America will invest in grants to underwrite the costs of BOP projects and also continue to underwrite the costs of the headquarters based core staff. In addition, the Stromme Foundation (based in Norway) will provide grants to partners to launch the Mali initiative over four years. The CF team will be on the lookout for other sources of funding in all three pilot project countries. Banking on the Poor has received a positive reaction from donor focus group discussions, indicating that BOP can attract additional funding for Oxfam America

Indicators of a successful outcome:

- CF will mobilize half or more of direct partner support costs from foundations and other funding sources within pilot phase countries.
- CF will work closely with the Oxfam America Resource Development team to raise money from foundations, corporations and major donors that is earmarked for underwriting the bulk of the remaining partner support budget and some percentage of the CF team support costs.

Objective 4: Launching Banking on the Poor in the Pilot Phase Countries:

Over the past several months the CF team has identified partners and arranged for funding in preparation for the launch in Mali, Senegal and Cambodia:

Indicators of a successful outcome:

- 35 animators, two BOP Project Managers (one for each partner) and one coordinator for Mali, and 6 animators and one BOP Project Manager for Senegal completed their training March 1.
- By July 2005, the team will have trained 20 or more animators, between one and three BOP project managers and a livelihood officer in Cambodia.

Each animator is expected to have trained groups with 300 group members her first year and then recruit an average four village agents from the best of the groups the second year so the number reached by the animator/village agent team should have increased to 600 by the end of the second year and 1,000 by the third year.

New animators and partners will be added in the second and third year as funding and the capacity of partner organizations permits. The groups trained in 2005 will have been in place long enough to measure program impact by 2007.

Objective 5: Designing and Implementing a Monitoring and Evaluation System:

The CF team has designed a detailed monitoring and evaluation system to track the performance and the impact of Banking on the Poor:

Monitoring:

Data will be collected monthly by the animator from the groups she is responsible for to measure these hoped for results:

- Number of groups
- Average group size between 15 and 30
- Percentage of women members 80% or more
- Percentage attendance at group meetings 90% or more
- Ninety percent make regular mandatory savings deposits and 20% make voluntary savings deposits
- Deposits per member growing
- Regular education sessions scheduled
- Most of planned education sessions held
- Percentage of borrowers increasing
- Number and total amount of loans increasing
- Average loan amount increasing
- Number of defaulted loans less than 5%
- Percentage group fund loaned out 80% or more
- Size of group fund increasing

In addition, each three months the animators will track the progress of the groups as they move through the training, monitoring and graduation phases. The Banking on the Poor Project Manager and/or Coordinator will verify these performance indicators for a sample of groups for an independent assessment of the progress the groups are making along these dimensions.

- Holding regular meetings
- Holding regular education sessions
- Sharing learning
- Attendance at meetings
- Saving regularly
- Orderliness in the process of collecting and recording savings deposits and loan payments

- Quality of record keeping
- Increasing levels of borrowing
- Increasing levels of group fund on loan
- Decreasing percentage of loans overdue (and less than 5% of loans defaulted)
- Ability of a group to function on its own
- Participation in associations and community projects
- Training of another group

The BOP Project Manager and/or Coordinator will also track measures of efficiency every three months including:

- The number of months and visits to the group it takes to graduate a quality group;
- The percentage of groups that start new groups on their own accord;
- The ratio of groups and group members per animator/village agent;
- Total partner costs and the cost per group and member for a cohort of groups and for the partner overall;
- Total Oxfam America, FFH and other support costs per partner, per group and per member.

The BOP Coordinator who will oversee all the partners in a country will asses the performance of each partner quarterly and the Coordinator and the partner team will work together to develop strategies to improve performance, better reach the poor, and accelerate the graduation of groups. Those partners that meet performance objectives will receive additional funding to expand their efforts.

Evaluation:

Evaluation data will be collected for a random sample of groups including baseline and follow-up data for:

- Proportion of clients among the poorest, the emerging poor, and the better off (based on a wealth-ranking tool);
- Change in household income;
- Change in other indicators of poverty, including changes in assets (livestock, productive assets for business or agriculture and household items), housing, diet, health, and number of children in school;
- Change in savings rate;
- Change in number of members with a business;
- Change in quality of businesses, including sales trends, diversity of activities and lower failure rate;
- Change in use of moneylenders;

- Change in empowerment/leadership of women, including changes in confidence level, decision-making, family relations, physical violence;
- Change in health practices and the level of health knowledge;
- Change in level of mutual assistance among group members;
- Changes in community involvement, including participation in community projects/social justice campaigns, interaction with officials, civic participation.
- Changes in literacy

In addition CF will carry out or contract specialized studies on at least some of these topics to understand:

- The replication of groups by other groups;
- The informal rippling out of information about BOP through interactions with members in markets and their other travels;
- The efficacy of self-help groups compared to traditional ROSCAS (tontines), etc.;
- The functioning of graduated groups (The project is designed to train and monitor a group for less than two years. After that period the group will be monitored periodically, and the group will stay directly affiliated with BOP through its participation in the group associations.);
- Innovations initiated by groups, animators and partners and their implications for the design of the project;
- The sharing of knowledge and innovations between groups and communities through community exchanges;
- Innovations in group formation;
- The reasons for groups disbanding;
- The profile of those within communities who do not join groups;
- The characteristics of those who join these groups early compared to those who join later;
- The strategies used by highly successful animators to create large numbers of high quality groups compared to those who are less successful;
- The efficacy of using village agents to do outreach and train groups (each animator, on average will supervise four village agents);
- The role of associations of groups and the evolving capacity of these organizations as they take on an active role;
- The process and the impact of linking groups to external sources of credit to build the loan fund;
- The difference in performance of groups of women, mixed groups and men.

Much of the evaluation will be contracted to local organizations and universities that have a demonstrated capacity to carry out quality work under close Oxfam

America supervision. Other resources include interns, graduate students interested in the field, Community Finance and other Oxfam America staff as a training opportunity.

At a later stage randomly assigned villages that receive the Banking on the Poor package of services will be compared to villages that did not receive this assistance. Measurement will not only measure the progress that individual group members made since they joined the group, but the progress of those with similar characteristics that did not participate in the program at all.