

**CARE's
MATA MASU DUBARA
(MMD) PROGRAM IN NIGER**

**Successful Financial Intermediation
in the Rural Sahel**

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October 2002

Abstract: CARE's Mata Masu Dubara (MMD) project is a women's time bound accumulating savings and credit association (ASCA) program in rural Niger. Over the past decade, CARE has facilitated the creation of over 5,500 active women's groups with over 162,000 members that are providing the purest forms of financial intermediation to their members in some of the poorest parts of Niger. Working from a very simple and appropriately adapted savings based product, sustainability and replication of the associations is easy to achieve. Due to the overwhelming demand for the product, CARE's role has evolved from service provider creating the associations to a facilitator that trains local animators who are then paid by the village women to train them. CARE estimates that there is a minimum of 200,000 practising members with over \$3 million in savings. This article examines the nature of markets for rural financial services in the Sahel and the characteristics of the MMD model that respond so well to that market. It also reviews the limitations of the model, as well as some of the adaptations that CARE has introduced in successfully replicating the program in numerous other countries in Africa.

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INTRODUCTION – SETTING THE SCENE:

For decades, governments and donor agencies have been trying to establish viable financial systems to meet the productive needs of the populations in the rural areas across Africa. For a variety of reasons, few institutions have succeeded in sustainably delivering financial services to this target market. This is particularly true in the poorer and less densely populated countries of the Sahel in West Africa, especially in the rural areas where there is less economic activity.

In the face of this poor track record for creating viable financial services, one program has had phenomenal success. Over the past decade, CARE Niger has developed and implemented the Mata Masu Dubara (MMD) program, a self managed system of the purest form of financial intermediation. Based on own savings and self-management, CARE's MMD is now a membership based program directly servicing about 162,000 rural women in one of the poorest countries in Africa.ⁱ MMD is not a single institution, but rather is an amalgamation of 5,500 stand-alone groups, each with about 29 members. In addition, due to hands off replication methodologies sponsored by CARE, they estimate that for every village where CARE has taught the MMD method, there is at least one additional group that has formed on its own. This brings the total number of women practising the approach to about 200,000. Total savings are estimated at \$3 million. While each MMD group has its own by-laws, sets its own interest rate, and the life of the group is fixed, nearly all of the MMD groups operate in identical ways. Though independent, the women in MMD groups across the country identify with the methodology and consider themselves "MMD".

This article will review the origins of MMD the reasons the program has been successful, its limitations, and the benefits to the members. CARE has replicated MMD in other countries, whose performance will also be reviewedⁱⁱ.

Some theoretical background

Understanding why MMD has succeeded where so many others have failed starts with an understanding of financial services in rural markets in Africa. This includes the relationship between the cost structure of the institution relative to the carrying capacity of the clients, as well as the appropriateness of the financial services to the needs of the people. MMD, as will be shown, has developed a product for its clients that fits client needs since it allows the clients to be the managers and designers of the products and services. In addition, the institutional structure is light and affordable to the clients.

While the focus of most governments and donors has been on productive credit, this population needs a range of services. These include savings as well as credit, both for consumption and social purposes as well as economic activities. MMD starts with savings since, from the perspective of the poor, savings are usually more important than credit. Credit increases risk while savings reduces it. Since the poor are risk averse, they have greater demand for savings services than for credit.

The demand for savings services is apparent across West and East Africa, but the challenge is to make those services profitable. While savings and credit unions in West Africa have many members and the SHDF in Zimbabwe has had 250,000 members – sustainability has proved elusive. Meanwhile, credit granting institutions, while seeking to cover their costs, often provide too much credit to the poor which can increase their vulnerability. Since interest charged on the loans pays for operating costs, liquidity is drained out of the rural areas. MMD has managed to find the right mix of savings and credit services that allows the poor to save while making productive use of these resources in the community.

Delivering sustainable financial services in the rural areas depends on developing an organization that meets the needs of the market and generates enough income to cover costs.

Some of the factors that lead to increased costs of providing rural finance in remote rural areas include:

- Isolation and poor road and communications infrastructure;
- Low productive capacity that reduces the profitability of business investments;
- Smaller loan sizes and high fixed costs, which are often exacerbated because of the distance;
- Seasonality of cash flow that requires larger cash reserves and lump sum repayments that also increase the risk of bad debt;
- The risk of poor harvests that can affect the entire client base in a region; and
- More barter transactions that can make collection more difficult.

Government involvement in the sector has led to a number of problems. Repayment histories have been problematic, based largely on the poor track records established by large government rural credit schemes that have forgiven the loans in years of poor production, ingraining bad repayment habits. Traditions of interest rate ceilings and subsidized interest rates have kept profits low and have not provided incentives to financial institutions to voluntarily enter the market.

A review of rural financial institutions carried out during 1999 and 2000ⁱⁱⁱ classified market areas or client groups by their market potential that dictated the type of structure of a financial institution that could be viable in that geographic market. Broadly, these indicators were: (a) the productive capacity of the region; (b) the seasonal nature of activities; (c) the level of monetization in the area and market access; and (d) social and organizational strength in the community. Five broadly different types of markets were identified:

Table 1: Market characterization

Area	Type of market	Productive Capacity	Seasonal nature of activities	Monetisation	Social and Organizational strength	Economic potential
1	Isolated rural semi arid	Low	High	Low	Strong solidarity	Weak
2	Landlocked rural with food-producing potential	Medium	High	Medium	Strong solidarity	Weak / Medium
3	Rural accessible with cash crop production activities	Medium /high	Medium	Medium /high	Strong solidarity	Medium / High
4	Peri-urban area	High	Low	High	Impersonal	Medium / High
5	Urban areas	High	Low	High	Very impersonal	High

The few successful microfinance services in West Africa operate in urban areas (which also have higher population densities) or in rural areas with developed infrastructure, such as cotton growing zones. But in the sparsely populated and undeveloped rural areas there have been few successes. In order to succeed in these markets, a financial service provider must have a very light cost structure to survive. This can usually only be achieved through a truly decentralised structure, in contrast with a devolved structure, where most decisions are still made centrally^{iv}. The CARE sponsored MMD program in Niger stands out as a rare success story for successfully serving this market.

MMD/NIGER HISTORY AND METHODOLOGY

Mata Masu Dubara means “Women on the Move” in Hausa. In 1991, CARE International in Niger launched its first MMD project in the in the Department of Maradi. Started with the support of CARE Norway, the goal was to help women cope with the numerous and increasing responsibilities they faced in an increasingly unfavourable socio-economic and religious environment. Initially, the project trained women in artisanal production and other small economic activities so that they could increase their household incomes. In addition,

women contributed individual savings to a savings and credit fund which, in turn, made small loans to the members. The project quickly evolved towards helping women meet what they considered to be most important -- organizing and operating their own savings and credit associations. MDD evolved into a financial sector project, rather than being designed to do so from the start.

The MMD methodology evolved over time, but has its roots in the time bound accumulating savings and credit associations (ASCA)^y. It builds from a rotating savings and credit association (ROSCA) which is commonly used by women in Niger, but has added many different twists. Unlike the ROSCAs, MMD borrowers must repay the loans with interest each month. ASCAs are formed for a specific cycle (time bound), usually 9 to 12 months, set with a specific objective in mind. These objectives might include a religious holiday, the end of the cropping season when there is no money, or the beginning of school; all events which require funds. Once the objective is achieved, they divide up the portfolio equally among the membership (or a proportion thereof). The groups usually re-form immediately, with members having the right to leave the group if they wish and new members to be inducted.

The methodology evolved slowly. Initially the groups were loose, informal associations of women. Through internal evaluations, CARE realized the necessity for more formal structures. CARE instituted a training program that specified the roles and responsibilities of group officers and the general assembly and helped each group to develop its own set of internal regulations.

The project's approach to training and graduating groups also evolved steadily. Initially it took about 18 months of monitoring and training from the CARE team for a group to graduate. But after much discussion the group development process was streamlined into three phases (once the groups were identified) that took only eight months and required

significantly less input from the project staff. The three phases are an intensive start up phase, a development phase, and a maturation phase:

- During the **intensive phase**, a CARE animator visits the group for its weekly meetings, training the group members in the basics of the organizational dynamics and monitoring their progress. The women learn the basic procedures of savings, credit and payment of interest and fines. The learning process is active, as the members begin to take loans and pay interest. After the first six weeks of skill training, the agent continues to make weekly visits to help members perfect their understanding of the basic structure, but during this time the women progressively assume responsibility for the management of their own affairs.
- During the second three-month **development phase**, the group becomes more self-reliant. The weekly contributions and loans continue, but the village agent visits every two weeks during the fourth month and only once a month in the fifth and sixth months. The agent assumes the role of observer, allowing the women to lead the group themselves.
- In the final **maturation phase**, the group works independently. The agent makes one visit in the last two months to conduct a final evaluation of the savings and credit activities and to discuss any problems. Otherwise, the women operate autonomously throughout the final stage.

The group is “graduated” after eight to nine months if the final objective has been met — whether it is to divide the savings among the members or use the savings for a group activity. The overwhelming majority of groups (95%+) continue their operations, often increasing the amount of their weekly contributions.

MMD based its activities on groups of up to 30 women meeting weekly, saving their money in fixed weekly contributions, and providing month-long interest bearing loans at every fourth

meeting. The women select themselves, which allows them to reduce moral risk at the inception of the organization by not including women with poor reputations for financial and moral integrity. One of the selection criteria is usually that the women must be carrying out an income generating activity that will allow them to make productive use of resources.

The women determine the amount of the weekly contribution. This has been set as low as 50 CFA per week (between 5-10 cents US) or as high as 500 CFA per week (between \$0.50 and \$1.00) according to the capacity of the women to pay in. This is often related to the overall level of economic activity in the region. Each woman contributes the same amount, although some women make multiple contributions to the group, effectively buying several shares of the total activity. These contributions are fixed for the life of the group, until the distribution. As there are often several groups within the same village, women tend to segment themselves with women able to use larger sums of money joining one group, and women with lesser financial capacity joining another group.

While the women in the group are free to set their own interest rate, almost all of the groups in Niger have chosen a rate of 10 percent per month. Lending begins once sufficient funds have been accumulated, usually about eight weeks after inception. Loans are repaid every fourth meeting, and the capital along with the additional savings contributions that have been received over the three previous weeks are immediately loaned out again. Loans are made to the members on a basis of need and the group's assessment of the ability of the individual to repay.

Initially the project experimented with using symbols as a substitute for formal written records, but rapidly abandoned it. They realised that in order for the groups to continue once the CARE agents were no longer working with them it was important to have a system that the group itself could continue. Since many groups lacked literate or numerate members who were capable of maintaining record books, CARE developed a methodology that did not rely

on written records. To this day a majority of MMD groups do not maintain written records. In fact, a 1994 evaluation discovered that members of groups with no written records had a better knowledge of the financial state of affairs of their groups than those groups that maintained books^{vi}.

To cope with security concerns CARE came up with the idea of a metal lock-box. Because the officers of MMD groups are often drawn from the prominent families in a village, Treasurers were only empowered to hold the lock-box in safe keeping between meetings. Each lock-box was fitted with three padlocks and three members of the group's management committee held the keys. This reduced the likelihood of theft, since collusion amongst the three would be highly unlikely. The metal lock-boxes greatly increased the confidence of members in the safety and security of their savings.

Evolution of the program

The MMD program developed slowly. However, because it was given time to learn by doing and to make small mistakes, it was able to quickly correct them before they bloomed into major problems. By the end of 1993 it became clear that CARE Niger had the beginnings of a real success on its hands.

The project was initially managed by an expatriate advisor, who had no background in financial services. This might have been an asset in terms of developing a program that could respond to the needs of its members. Since the mid 1990's, the project has been entirely managed and staffed by Nigeriennes.

The program has been driven by the demand for the services by the members. Once a critical mass of groups has been developed in a region, news of the efficacy of the methodology spreads and the demand for new group formation becomes overwhelming. From 1996 onwards, MMD as a methodology was spread to other parts of the country. The methodology

was replicated using the experienced and confident staff. The history of MMD's expansion is summarised by the following statistics and charts.

Table 2: Growth in Clients Number and Number of Groups

Item	1993	1994	1995	1996	1997	1998	1999	June 2001	June 2002^{vii}
Members	1,500	2,805	3,744	6,121	21,745	40,777	123,189	159,109	162,128
Groups	45	90	92	176	647	1,266	3,179	5,557	5,546
Avg members/gp	33	31	41	35	34	32	39	29	29

In the late 1990's, when the project staff could no longer meet the demand for training new groups themselves, they developed a village agent system that could continue after the end of the project. In the "village agent" system interested women provide an animator to CARE for training. CARE then started focusing on training the trainers, who were paid by the groups themselves. Women set aside small sums of about 50 CFA, each, per meeting to pay the animator. This meant a local animator could earn 1,500 CFA per meeting assisted per group. Over the course of a month, an animator might support 10 groups, which can make for a very good income for a rural woman.

The program has seen amazing growth since late 1998 when it started training facilitators to carry out the work of the CARE staff, who have now become primarily trainers of trainers and supervisors. Over the past four years, they have trained approximately 500 facilitators who work for a period of eight months under the guidance of a CARE trainer and then continue working on their own to create new groups. While the project realizes the importance of capturing the increasing number of MMD groups forming outside the direct supervision of CARE, the financial and human resources needed to do this continues to be a challenge for the project management. As a result, CARE only reports on the groups that they track directly. It is very likely that there are far more groups out there than CARE is aware of.

BENEFITS AND LIMITATIONS OF THE MODEL

Why has MMD been so successful in rural Niger, where there are no other functioning formal financial systems? The very nature of the product makes it highly desirable to the participants. As will be shown below, it provides a very high return on savings while at the same time allowing use of the funds. Moral hazard is kept to a minimum because the members are borrowing their own money, and they have strong incentives to stay with the association as a member in good standing until the predetermined end date at which point in time the distribution will take place.

Benefits

MMD provides important financial benefits to its members, providing a good incentive for them to participate actively and remain loyal to the program.

- a. Participating in the MMD program yields a high return on investment/savings. Under a standard program, with a weekly payment and loans being made at 10 percent per month, an individual will earn over 50 percent return on the total savings deposited over a 10 month period. This yields an annualised return of 76 percent on deposits. When taking the average savings into consideration (as opposed to total savings), this return increases to up to 250 percent per annum. If the interest rate is set higher (as the group members have done in the CARE program in Zimbabwe) to compensate for inflation higher inflation environment, then the return can increase accordingly. In Zimbabwe, with an annual inflation rate of 123 percent, the groups charge 20 percent per month and earn a net return after inflation of 15 percent per annum, which is roughly 65 percent higher than savings in commercial financial institutions.

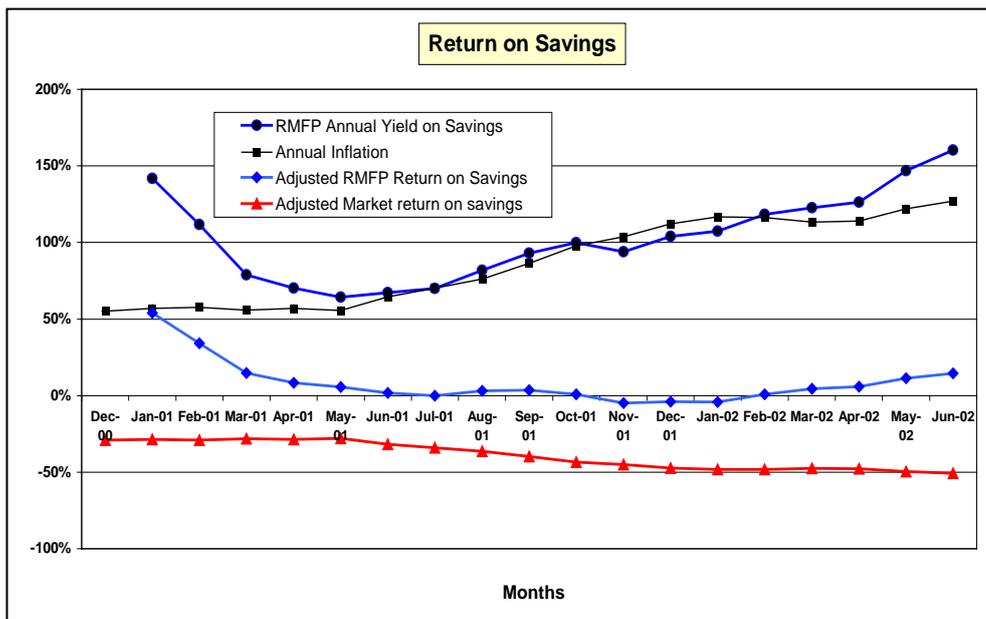


Figure 1 : Return on Savings (from Zimbabwe)

b. The program allows the members to make productive use of financial resources.

Unlike savings clubs, the funds do not sit idly by in a savings account, but are available to be used by members on a regular basis while they are building up their savings. Unlike a ROSCA, each member can get access to some credit at all times. Easy and regular access to the funds is a major benefit. The majority of the loans are used for productive purposes, as can be seen from the statistics taken from a survey in Niger in 1999.

Loan sizes are flexible, and are fixed by members, allowing them to take the amount that they can use appropriately. While this factor is necessarily limited by the amount of funds in the group, during the later months of a savings cycle this presents less of a problem. In fact, one frequently sees quite sizeable differentiation in loan amounts between the members. The members have the option of taking loans or not, depending on their financial needs of the moment, they are not obliged to take them.

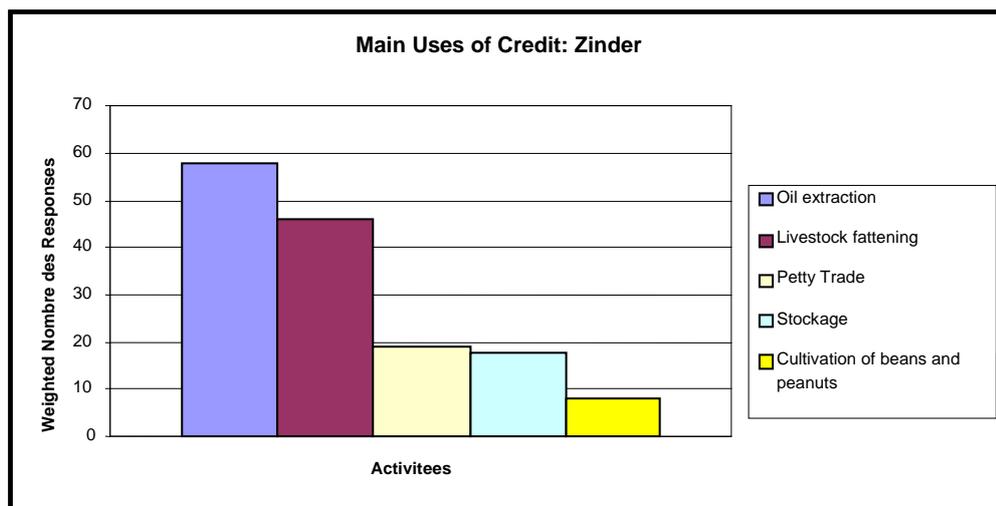


Figure 2 : Main uses of credits taken by MMD members

e.c. Though the model is very simple, there have been many adaptations. With experience and sophistication, groups begin to offer variable shareholdings and variable loan terms and the option of balloon and equal installment payments. Some programs allow loan rollovers so as to effect longer term loans, providing an administrative mechanism to allow people to borrow for longer terms, so long as they keep paying interest.

e.d. The fixed end date (objective) and the disbursement of the funds provide tangible incentives to the members. At the conclusion of the MMD cycle, when the funds are disbursed, the program provides households with a lump of financial resources to be used to meet the larger financial needs of the households. These include buying food (if the disbursement comes during the lean season before the harvest), buying inventory, fixed assets (land, livestock), meeting social responsibilities (dowries, weddings, funerals). With a clear endpoint to the group, the members know that it is a finite program with a clear exit strategy and they can plan the use of their funds at that point in time.

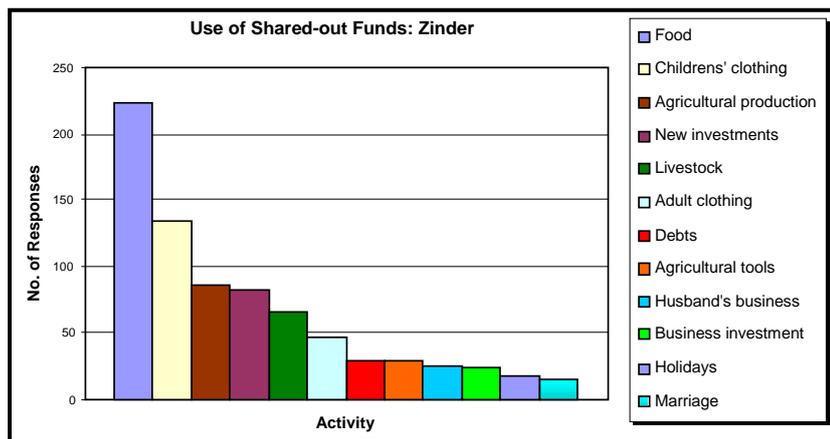


Figure 3 : Use of distributed funds by women

f.e. There is no financial leakage from the individuals or the community. Because the members make all of the interest payments to themselves (since they comprise the group), all proceeds stay in the community. This has the dual benefit of enriching the community while also increasing the return to those who use the funds for their own economic purposes. It also makes it easier for an individual who will be stretched to make the repayment to repay, as the money is really going back to herself.

At the community level, retaining the interest earnings in the community is one of the most important developmental benefits of the program. The 50% to 100% interest charged by most African MFIs is drained out of the community. Keeping the money in the community facilitates trade and increases the level of economic integration. The more goods and services that are attracted to a rural market the better the quality of rural life and the opportunities to be economically active.

g.f. Accruing funds through savings may start slowly, but rapidly surpasses the amounts that would be available from donor loan funds. The rate of growth of the funds in the village groups increases dramatically as the size of the fund increases from regular contributions, higher interest payments and from the penalties. A group with 25

members each contributing \$1 per week for 40 weeks and making loans at 10 % beginning after week 8 will amass \$1,572 after 40 weeks, or \$62.89 each. The same group, charging 20% per month will amass \$2,510, or over \$100 each.

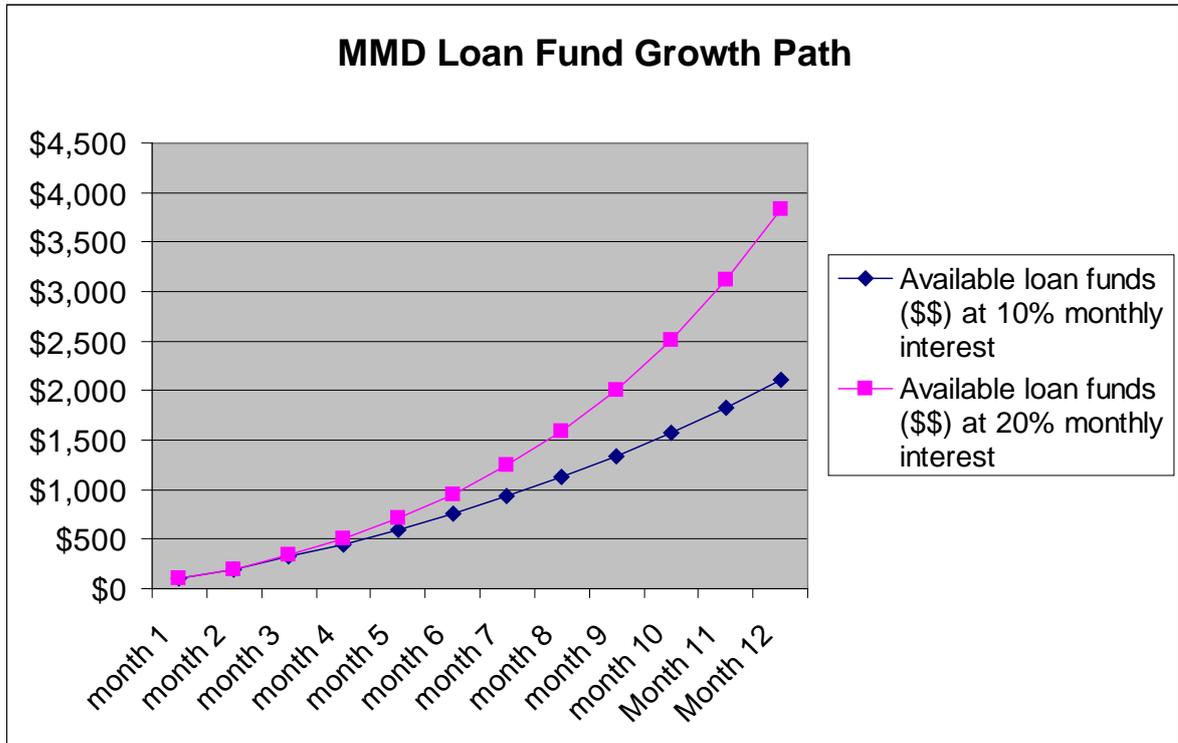


Figure 4 : Loan funds growth curve

- g. The exposure to loans and the rigors of repayment builds the financial management capacities of the borrowers/savers and enhances their understanding and sophistication of how financial services work. This finding is not unique to MMD and has been a repetitive finding from small village based programs – as women start handling loan funds, they learn the advantages and limitations. They learn how much they can effectively use and realize very quickly when they have borrowed too much. Interviews with numerous MMD members have demonstrated that they have learned their own financial limits and those of their economic activities. This increases their overall financial sophistication.

MDD provides an interesting contrast to the traditional MFI, which provide the opportunity for enterprise growth because they intermediate between those who need capital and those who want to store it. But the MFI and loan officers are often removed from the reality of the economic investment opportunities and often aggressively push loans to individuals who might not need them in order to meet their growth targets. The MMD approach prevents over-lending and issues capital on the basis of the group's knowledge of the individual and the appropriate size of the loan.

□. Women gain a better understanding of how finance can make money for them and the value of that finance. By building their skills gradually, they develop improved sense of how the money can work for them, and how much that money is worth. During a market study in 1998, the women indicated that a major constraint was the amount of money in the group fund or the need to rapidly rebuild the group fund after distribution. MMD groups indicated that they would be willing to pay 5-6 percent for money to get access to refinancing facilities. They based this on the fact that they were already paying 10 percent, so they could finance the 5-6 percent out of that 10 percent. This demonstrated that they had developed a logical rationale for proposing a price for the money and demonstrated their perceived value of the funds.

In this case, MMD groups who have successfully been through more than one cycle have proven their ability to organize themselves into reliable ASCAs. CARE introduced a refinancing program with the assistance of the French Cooperation in early 1999 for MMD groups that had completed at least two cycles. By the end of 2001, this pilot program had worked with over 150 groups and provided refinancing services to over 6,000 women, charging effective interest rates of 4.5 percent per month. The program has not been evaluated to determine the full negative and positive results from the refinancing, something that should be placed on the agenda.

- i. The MMD methodology eliminates problems of allocation of the “scarce resources” to members of a group (in this case access to the loan funds), since everyone benefits, no matter who takes the loan. Any individual participating in the program will get the benefits of increased value of their deposits by the same amount as each of the other members. Therefore, no one is left out. In some of the other MMD programs adapted in other countries, this issue has been dealt with differently. In Zimbabwe some groups pay out a different dividend to those who have borrowed compared to those who have not. They pay borrowers more than savers, on the grounds that the borrowers have made the biggest contribution to fund growth.

Limitations

The MMD methodology works very well in specific environments. Its simplicity makes it effective, but also adds some limitations that must be understood and accepted by the members. As programs adapt, the members of the groups usually address these constraints, which is a topic for the next chapter.

- a. The funds start slowly, but grow steadily. Members must wait 6-8 weeks before they can start borrowing from the fund, and then they start with small loans. This is not as immediately gratifying as getting a loan from an MFI, but if there is no other finance available, then this is the best option. In addition, the program is sustainable and has the double benefit of accessing loans, while building up own capital through the repayments.
- b. The methodology does not allow funding larger loans, making longer-term loans, or creating repayment mechanisms as these go beyond the current capacity of the women to manage these kinds of loans. The flexibility of the methodology is inherently limited by the levels of literacy (and numeracy) of the groups and the outreach and training capacity of the implementing agency.

- c. The disbursement at the end of the fixed period is an incentive for the women. But it also means that the loan funds disappear at disbursement, and the groups must start up again from nothing. This forces a compulsory credit holiday on members and can have a negative effect on their business activities. Since the disbursement date is usually set at a time of greater need by the women (just before the harvest or before a big religious holiday), the women manage to spend or invest most of the funds from the disbursement. When the groups start up again, they will not have much more liquidity, but they will sometimes choose a higher weekly contribution.
- d. The MMD currently functions outside of the regulated sector, which makes linkage to the formal financial sector difficult, should the groups ever decide to do so. This has caused problems for attempts to link groups into formal financial institutions in Niger, where the regulatory environment sets limits on the interest rate (well below MMD's 10 percent per month) and adds legal registration requirements that few MMD groups cannot meet.
- e. There are limiting factors on the overall development of the organization and the types of markets that the groups can serve.
- At the low-end, MMD works very well in markets characterised above as: the landlocked rural with food-producing potential (category 2); rural accessible with cash crop production activities (category 3); and the peri-urban areas (category 4). It reaches deeper into the poor rural areas than any other programs the authors have encountered, but even so, there still appears to be a limit as to just how low the program can reach. In Niger, there are a few areas where the groups just have not been able to afford even the most minimal contributions on a weekly basis. So there must be a minimum level of economic and monetized activity.
 - The program also has important limits at the high end, when members need larger loans. There have been some groups that contribute larger sums, but this means that

all of the women must be at the same level. There have been cases in Uganda, where CARE has guaranteed individual members to go to banks to get larger loans. This implies that members must graduate out of the program, and it is uncertain whether they can do this without CARE's assistance for a continued period into the future. But overall the methodology as it stands has definite boundaries at the top of the spectrum.

- f. The program also has limits in terms of dealing with cash surpluses or cash shortages. Without any links to other groups, they have no outlet for any funds that are not needed for loans. Similarly, if there is excess demand, they have no means of accessing further financing to meet the needs of their members.
- g. Finally, the program faces challenges if it tries to expand services to non-group members, for which there is always demand. It has not worked yet because there is a sense of losing control, problems with bad debt, theft, malfeasance, and enforcement.

It is clear that while there are many limits to the MMD program, it is a very simple methodology and one of the purest forms of true financial intermediation to meet the financial service needs of poor rural areas. It is particularly well adapted to areas with weak economic activity that cannot be served by more formal institutions.

INSTITUTIONAL DEVELOPMENT AND REPLICATION ISSUES

Financial considerations and sustainability

One of the most important strengths of the MMD is its sustainability. Though groups of 30 women do not fit the normal definition of a microfinance institution, they can be very easily established and can self replicate without any additional investment beyond the initial group creation. When thinking back to the initial discussion on the scarcity of organizations that are able to deliver sustainable financial services, it is clear that the program is well adapted to

sustainably meeting financial needs in the poorer regions of rural Niger. The organizational structure is able to overcome most of the constraints that face traditional microfinance institutions in their attempt to deliver services. Once created a group can continue forever.

CARE's role in the MMD is not one of service provider, but of catalyst. They have developed the methodology, and provided the initial training, but now these roles are being undertaken directly by other, slightly better educated, village women. The program has learned that it can divest its training functions more quickly by promoting the development of the local animators. In similar programs in other countries, they have learned this lesson and are able to move more rapidly to local sustainability. As a catalyst, rather than a service provider, CARE's costs per group created are very low.

Costs of group creation. The costs of creating a new group are decreasing. Early in the life of the program, costs were well over \$1,000 per group created (\$33 per member). Innovations have brought one time group development costs for mature programs to between \$18 and \$25 per member. Innovations include speeding up the training process, (Zimbabwe has reduced it to one week), keeping the methodology simple, and using local resources for the training (locally hired agents, paid for by the women themselves). As the groups are self-funding once created, there is no need for on-going subsidies in order to maintain the groups, so the only real cost is at start-up, as well as any monitoring costs that might be deemed appropriate. As noted above, CARE's team is no longer doing direct training of groups, but is rather training local trainers how to train new groups. The group members pay these trainers, so they are no longer a cost to CARE. While the quality of the groups appears to be as good as the CARE trained groups, CARE has not been monitoring them effectively to know just how many groups have been created.

Once the members of a group have been trained they can (and do) auto-replicate year after year. In a 1998 evaluation in Maradi, CARE found that 96 percent of the groups

created since 1991 were still functioning, but that numerous other groups had also been created alongside them. In a 1999 evaluation, CARE found that 100% of the groups created since 1994 were still operating in Tahoua. An additional point of leverage for achieving more group creation is that after the distribution and disbanding of the group, when it reforms, it very often will reform as two separate groups. In this case some members split off and each group adds new members. The quality of these groups is as good as those that are formally trained. The costs of training per member by a facilitator, paid directly by the members, is about \$3.

Management and operating costs. The operating costs of the program are kept very low. The groups are self-managed and have demonstrated the need for little or no record keeping. The newer groups are paying for a local trainer to visit them on a regular basis during their start-up to ensure that they are respecting the fundamentals of the program. Loan evaluation is carried out by the members based on their knowledge of the individual taking the loan, her ability to manage the funds, and their understanding of the business opportunity. Since the loan is usually guaranteed in part by the savings, there are no collateral costs. Besides this, there are no other management-related expenses, so all of the proceeds stay within the groups.

As each of the groups is a stand-alone organization, it is an excellent example of a truly decentralized system. Though there are over 5,500 groups who identify with the MMD methodology, each group is completely autonomous. The members make all management decisions and there are no referrals or links that must be made to other organizations in order to run the day to day business. This eliminates the costs associated with travel and communications that one finds in devolved organizations like traditional savings and credit unions, there is still an expensive APEX office to finance. Since the funding is all generated within the village, neither are there any costs associated with getting and repaying funds.

Opportunity costs. There are opportunity costs associated with the program. In Niger, where the women meet weekly, there is a significant time commitment. However, the economic opportunity cost of this time appears low, particularly since the women enjoy the interaction. In situations where clients have limited time, the standard weekly-meeting approach can pose a challenge.

So clearly, the program has been able to address most of the issues that prevent more formalized and centralized organizations from becoming cost effective. However, there is a continued need for CARE's catalytic role to monitor of the progress and to understand the dynamics of the growth of the system. This will allow them to capture the lessons learned and distill them for further enhancement of the methodology.

Group dynamics and methodological adaptation

CARE has replicated the MMD model in a number of countries including Mozambique, Zimbabwe, Malawi, Zanzibar, Mali, Eritrea, Rwanda and Uganda. In most of these cases, the project did not start as specifically an MMD style project, but rather an existing project incorporated the MMD methodology. Sometimes, this has meant that there has often been a dual process of unlearning the old project methodology to match the challenges of learning the new methodology.

Each project has been adapted to specific conditions. While groups in Niger, Mozambique, Eritrea, Rwanda, and Mali are for women only, Uganda, Zimbabwe, Malawi, and Zanzibar have mixed gender groups. There is one of each in Mozambique. The sizes of the groups vary by country as well between an average of 33 in Mali and an average of six in Zimbabwe. There are differences in all aspects of the program depending on the country. The frequency of meetings (between monthly and weekly), flexibility of contribution, degree of pay out at

the end of the cycle, length of the loan term, and the average interest rate (between 5 percent and 20 percent) vary by country.

The program in Zimbabwe has made major modifications to the process, reducing the frequency of the meetings and clustering their groups. While the MMD in Niger works very well in rural areas where there are 2-3 people per square kilometer, the people are clustered in villages. The Zimbabwe adaptation was a response to the low population densities, where people are very dispersed, living on their farms and not in villages. In this case the opportunity cost of attending the meetings increased, so reducing the frequency of the meetings was important. Despite the small group size (average of six members) this adaptation allows the program to have the second highest client to staff ratio of all the programs. Reducing the group size and the frequency of the meetings has also resulted in higher than average levels of group solidarity and attendance. This adaptation turned out to have a positive effect on group solidarity without any negative effect on the amount of loan funds available.

But even within countries there is often considerable variation in the way that individual groups operate, often times without the knowledge of the project staff. As noted above, the methodology has evolved steadily since its inception, both from the project staff as well as from the members. CARE staff have been most concerned with process, but the members are most concerned about their own well being and improving the responsiveness of the product to their own personal circumstances.

The adaptations from the core model include both financial and process issues. Financial innovations include widely differing ways of structuring repayment (principal and interest), variability in the length of loan term, and different ceilings for different types of investment. There are also variations in the frequency of meetings, different lengths of the cycle, different

criteria for borrowing, establishing sub-group meetings to speed up the ‘plenary’ meetings, packaging sub-group loan requests, etc.

MMD style programs need to document the latest innovations and ensure transfer of these ideas. Given the level of sophistication of the CARE field staff (who are primarily animators, not financial specialists) and the large numbers of groups per staff member, field staff are often slow to notice when changes are incorporated. This is especially true in well-established programs with many clients. This makes it difficult to track the evolution of the model, which is still an important function.

Replication issues

MMD is still a work in progress. The explosive growth in Niger took nearly a decade to achieve. This growth of members appears to be happening much more quickly in Zimbabwe, but it is still too early to know if it will ever reach the size and scale of Niger where MMD members equal three percent of the population.

Financial services are one part of CARE’s core mission, in order for them to achieve their overall mission of poverty reduction and alleviation. As such, they have not actively driven the promotion of the methodology, either onto the world microfinance agenda, or even actively into each of its country programs. Even though the MMD approach for providing micro-finance services to rural poor has proven its strengths and effectiveness, the model does not become an automatic choice for all CARE country offices for implementation. Each country program is driven by its own program environment, priorities, and funding base. Only when there has been a fit for the program within the larger country program, has MMD been introduced, either as a new program or an adaptation within existing program.

It is clear that once MMD reaches a critical mass within a region, the demand for the product is enormous. This leads to demand driven replication. One issue for further exploration is to

understand how to take advantage of the demand once a critical mass is reached (and what should be done if a critical mass is not reached).

Some of the major issues for replication across countries are how to share the information, attune the program to the local environment. This has implications for group size, group formation, amount of time spent on group formation, interest rates charged, etc. Historically there has been little systematic sharing of information between the country programs to see what methodological process adaptations have taken place, how the CARE project teams are structured, and see what adaptations have taken place at the membership level. But this is changing and CARE is investing more in promoting cross-fertilization of country programs using the methodology.

Other Challenges facing the MMD.

As with most microfinance, regulatory issues eventually come to the fore. MMD faces challenges of working within the legal and regulatory structure, but is usually able to circumvent it. Small ASCAs usually fall below the radar screen of the regulators so are a good way to circumvent constraining regulatory environment. However, once they get as big as MMD, government does not dare to try to limit them.

The regulatory issues still put limits on the potential for future development of the financial support systems linking into more formalized financial sector. Perhaps the best way will be for the formal sector to take the initiative. When considering the size of the savings that are being generated (\$3 million in Niger), they might find it to be an interesting proposition. Perhaps they will drive their own way forward.

Networking is one way to overcome this challenge. The program has begun to form groups into local networks and is seeking ways to register the networks, currently 6 networks are registered in Niger. This allows them to access synergistic financial services from other

systems (such as credit unions) that can help address some of their limitations. The challenge is how to do this cost effectively.

CONCLUSIONS

CARE Niger's MMD program has reached unparalleled scale and depth of outreach in one of Africa's poorest countries by developing a very simple and efficient methodology that responds to the financial service requirements of the individuals in some of the poorest rural areas. With an estimated \$3 million in aggregate savings and a similar amount in loans outstanding and 162,000 group members, MDD provides excellent financial intermediation and keeps the money in the community. It provides both savings services as well as credit. It is completely sustainable and requires no outside assistance once the group is established. The methodology is highly replicable because it is simple, appeals to common sense and is inherently transparent. Above all, it does not require the establishment of a complex institution, such as an MFI, or require a specialist organisation to implement.

In Niger, the CARE team has refined the methodology and adapted their training approaches to reach large numbers of new groups without their direct involvement through animators paid by the group. This adaptation took many years, through trial and error, but has been very effective. Perhaps one of the important aspects of its eventual success is that non-financial specialists developed MMD, who were effective listeners and made an instinctive attempt to fully understand the context. It has not been over engineered and made too sophisticated for the members. Keeping it simple and responsive, has been a major part of its success.

CARE is in the process of gradually replicating the methodology into other countries. CARE recognises that in most countries it work, there exists a traditional form of financial intermediation mechanism (Tontines in Western Africa, Merry-go-round in Kenya, Chilimba in Malawi, and KixiKila in Angola) that people understand and trust. Each country refines

the program to fit its own circumstances, but this still involves a fair amount of trial and error. One of the important elements in the adaptation by country is that the members are very involved in the adaptation and in the decisions around group size, gender composition, loan terms, and interest rates. At the end of the day, these groups belong to their members, so their operating principles must respond to the needs of the members.

The MMD approach is one of the best examples of a completely decentralized financial organisation. It is really a movement rather than a single organization, but it moves ahead with each of the groups making their own decisions and carrying out their own policies. Because it is self funded and the members assure the management, there are virtually no operating costs associated with the group. This allows it to function in extremely weak economic environments, where other financial institutions cannot afford to operate. Because all the benefits from interest paid on loans accrue to the members, there are few constraints to charging higher interest rates, which allows the return on investment to keep up with inflation.

The success of the program is directly attributable to the responsiveness of the product to the members' needs, as well as control by the members. It provides them with desired savings and credit services, while the only costs to access those services are patience and some of their own time. Because there is no leakage/outflow of funds outside of the group, all of the benefits accrue to the group, enhancing the interest in the members to respect the rules of the group. Since they are borrowing their own money, moral hazard is drastically reduced to the point that there is virtually 100 percent repayment among the MMD groups.

Finally, the methodology is being constantly pushed and adapted by its members. . The MMD model works even where literacy levels are low. In communities where financial literacy level is higher, a different range of solutions are available to the members because they have a greater level of financial sophistication (Zimbabwe). In addition, as the program

develops and members have been through several cycles, their level of sophistication increases, making it more feasible for them to introduce new adaptations to the methodology. On the other hand, simplicity of the approach makes it that much easier for the neighbouring communities to self-replicate with minimum external support.

ⁱ While CARE has directly facilitated the creation of over 5,500 groups with about 162,000 members, there are many more women who have organised MMD groups on their own, either from disbanded groups or trained by the training facilitators who are no longer served by CARE.

ⁱⁱ The monograph by Hugh Allen, "CARE International's VS&L Programme in Africa - Microfinance for the Rural Poor that Works" will soon be going for to print.

ⁱⁱⁱ Grant, William and Ndour, Hamet, "Microfinance And Rural Credit In West Africa: Establishing A Market Based Framework For Analyzing Appropriate Institutional Structures And Strategies In West Africa", for the Microenterprise Best Practices Project, unpublished, 2000.

^{iv} Though savings and credit unions are commonly thought of as decentralised structures, they are still centrally organised, the central management takes most important decisions, and they have a heavy infrastructure to support. This limits their ability to be cost effective in a relatively weak market.

^v Rutherford, Stuart, 'The Poor and their Money' DFID/OUP January 2000

^{vi} While this is not necessarily intuitive and the evaluation was not done in a statistically sound manner, the interviews with the different women's groups about their internal operations demonstrated this difference

^{vii} In addition, there are presently another 16,238 women being trained in 613 groups.

About the Authors

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