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MICROFINANCE – A TOOL FOR ECONOMIC DEVELOPMENT AND POVERTY ALLEVIATION.

PREPARED BY

ABDOULIE CEESAY

SUPERVISOR

SULAYMAN M.B. FAYE

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List of abbreviations and acronyms.

ADWAC	Agency for Development of Women and Children
KFW	The German Technical Co-operation
NGO	Non – Governmental Organization
RFCIP	Rural Finance & community Initiative Project
IFAD	International Fund For Agricultural Development
VISACA	Village Savings And Credit Associations
CBG	Central Bank of The Cambia
MFIs	Microfinance Institutions
SDF	Social Development Fund
GAWFA	Gambia Women Finance Association
FAES	Fight Against Social Exclusion
GAMFINET	Gambia Microfinance Network
AFET	Association of Farmers Educators and Traders
GAMSEM	Gambians for self Employment
NACCUG	National Association of Co-operative and Credit Unions
GARDA	Gambia Rural Development Agency
FORUT	FORUT the Gambia
FFHC	Freedom From Hunger Campaign
GAFNA	Gambia Food And Nutrition Agency
TARUD	Trust Agency for Rural Development
AGE	Association of Gambian Enterpreneurs
WISDOM	Women In Service Development Organisation and Management
NASACA	National Village Savings and Credit Associations
IBAS	Indigenous Business Advisory Service
LIF	Local Initiative Fund
ACP	Autonomous Credit Project
LADEP	Low Land Agricultural Development Project
LGA	Local Government Areas
ADB	African Development Bank
ILCU	Irish League of Credit Unions
CRS	Catholic Relief Services
GBA	Greater Banjul Area
NBD	North Bank Division
LRD	Lower River Division

URD	Upper River Division
CRD N&S	Central River Division North&South
WD	Western Division
NAWFA	National Women Farmers Association
UNDP	United Nations Development Programme
AATG	Action Aid The Gambia
TANGO	The Association of Non-Governmental Organisation
CGAP	Consultative Group to Assist the Poor
GCU	Gambia Co-operative Union

Acknowledgement

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Executive Summary

This thesis work on microfinance in the Gambia is a complement of an MBA programme in Banking and Finance for the Academic Year 2003/2004. Microfinance is generally perceived in the Third World Countries as an important tool in the fight hunger and poverty, hence a tool for economic development. It is a means of creating jobs and income generation.

The Gambia's Microfinance Industry is emerging and mainly characterised by Grass root operators at various levels. It consists of largely unregistered financial service providers with products ranging from, savings mobilization microlending and technical assistance.

The objectives of the thesis is to evaluate the extent of microfinance programmes in the Gambia, the extent of microfinance Institutional Development, target groups and outreach and to assess the impact of microfinance provision to its target groups. This would enable us to point out the Challenges and Problems of the industry thereby suggesting solutions to the problems. Thus the intention of the thesis is to support or refute the Hypothesis that Microfinance is a tool for Economic Development and poverty alleviation. The argument will be based in the context of the Gambian situation and comparison drawn from other countries.

The research methodology adopted for this thesis was purely data collection from Microfinance institutions and government departments. It also included review of literature on Microfinance such as publications and presentations in seminars by various stakeholders in the Gambia and outside the Gambia as well. Interviews were also held with heads of Microfinance Institutions as in the case of Rural Finance and Community Initiative Project and Gambia Microfinance Network. The Microfinance Unit of the Central Bank of the Cambia also provided lot of information and literature on Microfinance Activities in the Gambia.

The research for this thesis was carried out in a limited period of time and it was done in conjunction with an intensive internship programme with Trust Bank as part of the MBA programme and all within three months. It was therefore impossible to venture into some Microfinance operational areas in the Gambia particularly in the rural areas to collect data and information on the ground.

The data collected was reviewed and analysed and presented in parts as shown in the body of the report. Part one talks about the concept microfinance, Part two deals with microfinance activities in the Gambia, part three deals with microfinance and economic development, part four deals with Institutional Development and the role of Financial Institutions, part five deals with the demand and supply of Microfinance services and its relationship with interest rates and part six highlights the problems and challenges faced and the way forward.

The research was however, not without constraints. Some of these constraints included:

- Lack of access to data and information particularly from unregistered microfinance institutions.

- Lack of will by service providers to provide information and data to outsiders

- Time constraint – the time limit did not allow for field visits particularly in the rural areas.

The end results of the thesis however reveal that Microfinance in the Gambia continues to face a lot of problems and these includes the following:

- Poor co-ordination amongst service providers in the country resulting in the overlapping of activities.

- Over concentration of services in one geographical area

- Limited private sector involvement

- Lack of accurate and reliable data.

- Lack of technically competent personnel especially among field workers.

- Lack of proper impact assessment methods on both Microfinance Institutions and the clients served.

- Large dependent on donor funding.

The challenges and recommendations made in this thesis are worthy of consideration to all interested parties in Microfinance.

Taking into consideration the difficulties of collecting data and relevant information, and the fact that the data may not be totally reliable due to fragmented nature of microfinance, this thesis can only serve as a reference and guide and not as a policy document.

Résumé Court:

Ce Mémoire portant sur la micro finance en Gambie vient compléter notre formation dans le Programme du Mastère en Banque et Finance au titre de l'année académique de 2003/2004. La micro finance dans les pays en voie de développement est en général considérée comme un outil très important dans la lutte contre la famine et la pauvreté. Elle est, par conséquent, un outil pour le développement économique.

L'industrie de la micro finance en Gambie est encore à une phase d'émergence caractérisée par l'action d'opérateurs à la base dans tous les niveaux. L'industrie est composée, dans une large mesure, de fournisseurs de services financiers et de différentes formes d'assistance technique. Mais ces fournisseurs ne sont pas toujours agrées.

Les objectifs de ce mémoire sont d'évaluer le niveau de développement de la micro finance en Gambie et de faire l'analyse de l'impact de la micro finance sur les groupes cibles. Cela nous permettra de mettre en évidence les problèmes de la micro finance et de suggérer des solutions à ces problèmes. Ainsi, le but de ce mémoire est de soutenir ou de réfuter l'hypothèse selon laquelle la micro finance est un outil pour le développement économique et un instrument de lutte contre la pauvreté. Les arguments sont basés sur le contexte de la Gambie et des comparaisons par rapport à d'autres pays.

La méthodologie de recherche adoptée dans ce mémoire est la collecte de données auprès des institutions de micro finance et des agences gouvernementales. Elle inclut une revue de la littérature sur la micro finance à partir des publications et des rapports de séminaires sur la micro finance organisés en Gambie ou ailleurs. Des interviews ont été faites avec des dirigeants d'institutions de micro finance comme, Rural Finance and Community Initiative Projects et Gambia Micro finance Network. Le Bureau de la Micro finance à la Banque Centrale de la Gambie nous a aussi fourni des informations et des publications sur les activités de micro finance en Gambie.

Le recherche s'est faite sur une période limitée de trois mois dans le cadre d'un stage académique effectué à Trust Bank. Il nous était alors impossible de visiter certains centre d'activités de la micro finance en Gambie, particulièrement les centres ruraux pour collecter des données et des informations sur place.

Les données obtenues ont été analysées et présentées en partie dans le texte du rapport. La première partie explique le concept de micro finance. La deuxième partie traite des activités de la micro finance en Gambie. La troisième partie traite de la relation entre la micro finance et le développement économique. La quatrième partie est consacrée au développement institutionnel et le rôle des institutions financières . la cinquième partie est consacrée à la demande et l'offre de services en micro finance et leur rapport avec les taux d'intérêt. La sixième partie souligne les défis et les problèmes de la micro finance avec des recommandations pertinentes.

Le recherche a été faite dans des conditions contraignantes – notamment :

- La difficulté de l'accès aux données et aux informations des institutions non agréées ;

- La manque de volonté chez les offreurs de services de micro finance de fournir des données et informations en dehors des institutions elles mêmes ;

- Le temps consacré à la recherche n'a pas permis de faire des sorties sur le terrain particulièrement dans les zones rurales ;

Les résultats de cette recherche permettent de constater que la micro finance continue de faire face à des difficultés dont :

- la mauvaise coordination des offreurs de services qui entraîne la duplication des activités ;

- la grande concentration des services dans une même zone géographique ;

- le manque de données fiables ;

- le manque de compétence technique du personnel sur le terrain ;

- L manque de méthodes adéquates d'évaluation de l'impact de la micro finance sur les institutions et leurs clients;

- Large dépendance des bailleurs de fonds.

Les défis soulevés et les recommandations ainsi faites dans ce mémoire méritent une attention particulière de la part de toutes les parties intéressées par la micro finance.

Considérant les difficultés de collecte de données et d'informations pertinentes, et le fait que les données ne soient pas totalement fiables à cause de la nature fragmentaire de la micro finance, ce mémoire servirait seulement de guide et non pas de document de base pour une politique de micro finance.

3. Part One

The Concept of Microfinance and Review of Literature:

3.1 Introduction

Microfinance involves the provision of loans and savings and other financial services and products of small amounts mainly to the poor and small-scale entrepreneurs to enable them support their productive activities and thus raise their income and standards of living.

People living in poverty, like every one else need a diverse range of financial instruments to run their businesses, build assets, stabilized consumption and shield themselves against risks. This instrument includes; working capital loans, consumer credits, savings, pension insurance and money transfer services. The poor address their need for financial services through a variety of informal financial relationships with informal commercial and non-commercial moneylenders at a very high cost because of lack of regulations governing such informal commercial activities. Like wise savings are usually made informally through savings clubs, rotating savings, and credit associations. These have a tendency to be erratic and insecure.

3.1.1 The Subject matter of Microfinance

Almost everywhere in the Third World Countries, Microfinance is perceived as an instrument to fight against poverty and foster economic development. This perception thus makes microfinance services provision a priority in most Government agendas in the third world. International Donors too share the same perception, hence the funding of numerous Non-Governmental Organisations that provides microfinance services to third world populations and stakeholders in the sector. It is believed that the provision of microfinance services can indeed stimulate income generation for the poor masses, thus creating the much needed jobs and foster economic development. The Gambia being one of the poorest third world countries is not immune to this belief. As a result it is witnessing a proliferation of microfinance services with numerous problems being encountered. This necessitates a study on the impact of Microfinance on the people, the challenges it faces and the way forward.

Financial services to the poor has been projected as a powerful tool for poverty reduction, that enables the poor to build assets, increase income and reduce their vulnerability to economic stress. However with large populations of developing countries lacking access to financial services, especially the very poor, the challenge of providing financial services to them remains a huge challenge. It requires political will the infrastructure and the necessary legislation to provide safety and security of deposit services, which are essential in microfinance.

In a poor country like the Gambia, microfinance is top of the government agenda in poverty alleviation. This underscores the importance of microfinance as a tool for economic development and poverty alleviation.

Like other developing countries, the financial market in the Gambia is conducted in a financial dualism in which there exists the formal sector, which includes; the Central Bank, Commercial Banks and Insurance Companies, and the informal sector which includes; local moneylenders, traders, extended family, friends and relatives.

The informal sector accounts for 60 to 70 percent of all economic activities in the Gambia. This has a negative impact on savings and investments as it encourages traditional means of savings such as hoarding and speculative investments in land and property. The later off course has a further knock on effect of taking resources away from productive uses.

Thus by not paying enough attention to the informal sector, with micro finance schemes and programmes that target the poorest section of the population, the opportunity that the country is loosing in economic development is to say the least too high to neglect.

Although microfinance has been shown as successful in poverty alleviation in some countries, the experience indicates that it does not have to be seen as a panacea, the be all and end all to our poverty as a country. In fact where microfinance policies and programmes have not been well planned and coordinated, its contributions to economic development and poverty alleviation have been found to be minimal.

In the draft government policy on microfinance, the notion is stressed that 'access to credit on a sustainable bases is more important to the poor than receiving credit at subsidised rates', that 'interest rates should be set to cover the intermediation cost so that the financial intermediary is viable and can therefore provide credit over long term. This is far more important to the rural entrepreneur than subsidised credit programmes which may not be sustainable and that 'serving peoples demand for savings instruments is just as important as satisfying their demands for credits.

It is important to note that women constitute the poorest and most vulnerable in the Gambian society, hence the reason why most microfinance institutions target women groups and individuals. The question of gender is however not the only concern. A significant challenge, which is also a fundamental issue in microfinance delivery, has to do with the issue of penetration, the identification and establishment of a microfinance delivery system that can reach the poorest women.

Experience has shown that loans have not been reaching the poorest women even if that was their stated aim. Some microfinance institutions have actually explicitly excluded the poorest by focussing on existing women entrepreneurs with proven business records, while still in some groups they have self selected to exclude the more disadvantage, so that they would not endanger further loans to their members. This situation could result from the sort of pressure, which is often exerted on microfinance institutions by some donors who want the institutions to attain financial self-sufficiency.

Although non-bank microfinance institutions have been created for the purpose of delivering financial services to the poor and vulnerable, the market is currently dominated by grass roots, owned and managed village savings and credit associations. So far the Central Bank has only registered three microfinance service providers - GAWFA, NACCUG and Gamsavings. These are the only institutions that can source out wholesale credits or serve as fund managers for funding agencies and projects.

3.1.2 Problems and Challenges of Microfinance:

Despite its widespread in third world countries and the general perception that Microfinance can lead to poverty alleviation and economic development, Microfinance faces serious challenges and many unresolved questions on its role on poverty alleviation and economic development.

First, is the question of outreach – that is whether microfinance does actually reach the poor especially women. Outreach must not just be measured in terms of geographical areas covered; it should reach its target beneficiaries. Experience has shown that microfinance service providers specifically target people with experience in small business holdings, thus ignoring the poor masses.

Second, is the legal status of service providers, although the Central Bank of the Gambia has managed to register three service providers, statistics have shown closed to one hundred service providers operating in the sector. This creates confusion, overlapping of activities and consequently clients take advantage of the lapses.

Third, there is limited or no private sector involvement in the microfinance sector. This is mainly because the formal financial sector looks at microfinance as unattractive and risky, this consequently leaves microfinance almost entirely informal. The question is how could the formal financial sector be involved.

Fourth, the informality of microfinance further makes it difficult for stakeholders and donors to gather accurate and reliable data on microfinance activities. This makes positive impact assessment almost impossible

Fifth, these problems are further compounded by large dependence on donor funding. Most microfinance institutions in developing countries and particularly in the Gambia are donor dependent for their survival and stability. This situation is difficult to address.

Sixth, lack of technically competent staff in microfinance institutions.

With these major problems as highlighted above, no doubt any research on the topic particularly in the Gambia is bound to face other problems. These includes:

- Unwillingness by service providers and clients to provide data and information to a third party
- The fragmented nature of microfinance services in the Gambia
- Non-conformity to operational rules such as provision of financial accounts and accurate data by service providers
- The time constraint and limited resources, which did not permit, detail study of the topic.

3.1.3 The Objective of the Thesis:

The objectives of the thesis on Microfinance are; to help determine the impact of microfinance services on the economic development of the Gambia and third world countries in general, and its effectiveness on the reduction of poverty of the masses. That is to determine the relationship between microfinance provision and, economic development and poverty alleviation. Determining such a relationship would certainly assist government and donors in assigning roles to various service providers and financial institutions including the Central Bank. As a secondary objective, the extent and outreach of microfinance services will be determined and challenges highlighted, and recommendations made for the way forward.

3.1.4 The Hypothesis

The Hypothesis of this research is simple. The assumption is that 'Microfinance is a tool for Economic Development and Poverty Alleviation'. In other words, Microfinance plays an important role in economic development and poverty alleviation that is it leads to job creation and create avenues for income generation. The contrary could also happen particularly where microfinance programmes are not well conceived and adapted to the reality of beneficiaries (the poor) on the ground. This is one of the reasons why despite the numerous microfinance services and programmes, poverty is still on the increase in some countries, although some have registered remarkable successes.

3.1.5 The Research Methodology

Due to time constraints and the fact that microfinance is not a new phenomenon in the developing countries, the Gambia included, the simple exploratory studies research methodology was adopted. This included familiarity with the subject matter of microfinance through review of relevant literature. The relevant data and literature was primarily collected from the Microfinance unit of the Central Bank of the Gambia, Gambia Microfinance Network and the Rural Finance And Community Initiative Projects. Further information was also obtained from various publications and presentation papers in seminars in and out side the Gambia. The research was limited in its scope and it was almost impossible to collect data on clients on the ground. Limited interviews were obtained from heads of institutions and units such as RFCIP, GAMFINET and the Central Bank Microfinance Unit.

3.2 What is Microfinance?

Microfinance is the supply of loans, savings and other basic financial services to the poor and the poorest to build assets, stabilise consumption and shield themselves against risks.

The poor rarely access financial services through the formal financial sector. Thus, microfinance is the provision of banking services to the lower income people, especially the poor and the very poor. (Definition of the poor and the very poor vary from country to country).

The term 'microfinance' is often used in a much narrower sense, referring principally to microcredits for tiny informal businesses of microentrepreneurs, delivered using methods developed since the 1980s mainly by socially oriented non-governmental organisations (NGO).

Microfinance is in fact much broader than the provision of microcredits by NGOs. Other providers of financial services to the poor includes, cooperative societies, community- based development institutions and credit unions, commercial and state owned banks, insurance companies, wire services and post offices etc. and a variety of licensed and non-licensed financial institutions. These institutions have developed workable credit methodologies for the poor and reaching to a large section of the poor. They have demonstrated that the poor repay their loans and are willing and able to pay interest rates that cover the cost of providing the loans.

3.3 Analysis and Literature review

The review of the relevant literature involved a great deal of reading. Comparison was made between the experiences of various institutions in the Gambia as well as the experiences from institutions out side of the Gambia. In general microfinance service providers all over the third world countries face the same challenges.

In her speech at the workshop on Sensitization on Microfinance Policies and Regulations in the Gambia, 19-20 February 2003, Mrs. Fatou Deen Touray said "Microfinance continues to receive impetus as an effective strategy to reduce poverty in the Gambia, particularly in creating financial access to the urban poor communities and the rural population who do not have access to the conventional banking systems."

The report on the GAMFINET Workshop on Developing Performance standards in Microfinance in April 2003 concluded, "financial services to the low income entrepreneurs and producers are a powerful means to tackle poverty and create broad based economic growth. Financial services give poor people the means to increase their assets, living standards and their role in society".

The RFCIP report on Microfinance Sub-component of October 2000 stated that " access to credit on sustainable bases is more important to the poor than receiving credit on subsidized rates...Serving people's demand for savings instruments is just as good as satisfying their demand for credit.... This was further echoed by the Inter Departmental Microfinance Committee in its presentation at the Microfinance Co-ordination Framework workshop in February 2001". The paper however stated, "Where Microfinance policies and programmes have not been well planned and coordinated, its contributions to economic growth and poverty alleviation has been found to be minimal." The paper further said "there is no doubt that supporting a policy with appropriate implementation co-ordination strategies in providing loans and savings facilities to the poor can provide a very effective means of tackling poverty...".

The Governor of the Central Bank of the Gambia in his speech at the same workshop in February 2001 said, "Whilst other means to reduce poverty are being sought, microfinance has emerged as a pivotal mechanism for economic empowerment of our small producers".

Other materials reviewed includes:

- Consensus Microfinance Policy Guidance: regulations and supervision of CGAP of September 2002.

- Action Plan for Developing and strengthening existing and potential Microfinance Institutions in the Gambia, prepared for the Social Development fund by Deloitte & Touche in November 2002.
- Towards Guidelines for low-cost Impact Assessment Methodologies for Microenterprise Programmes – Discussion paper for the second vital meeting of the CGAP working group on impact assessment methodologies of June 1998
- Assessing the relative poverty level of Microfinance Institutes Clients based on case studies prepared by International Food Policy Research Institute in June 2000 for CGAP.
- CGAP Occasional Papers No1-7 of June 1998 to December 2003.
- Non-bank financial institution – Rural Financial Operations and Guidelines on Policies and procedures (Financial Institutions Act of 1992).
- Report on Mapping out of Microfinance Institutions in the Gambia by GAMFINET in November 2003. (See also references).

All these reports and publications as well as presentations in seminars inside and outside of the Gambia agree to a large extend that microfinance can be a tool for economic development and poverty alleviation. They cited successes of Microfinance Programmes in countries such as Latin America, Mali, Bangladesh, India, Kenya, and Nigeria etc.

In the Gambia GAWFA and the VISACAs are particularly recognized for their role in assisting the rural poor especially the women to access financial services.

These publications however, highlight common problems and challenges faced by microfinance programmes. These include: improper co-ordination of microfinance services, limited outreach of microfinance services, unharmonised interest rates, high dependence on donor funding etc. These problems and challenges if not checked have the tendency to exclude large majority of the poor people from access to microfinance services. This explains why in the case of the Gambia, despite the numerous microfinance services available, all indications are that poverty is still on the rise.

3.4 Background of microfinance in the Gambia:

In a typically least developed country like the Gambia, the financial market is conducted in a financial dualism in which there exist two sectors; the organised formal sector, which includes the Central Bank, Commercial Banks and Insurance Companies as well as Non-Governmental Organisations and non-bank financial institutions, and the unorganised informal sector, which includes; local money-lenders, traders, extended family members, and friends and relatives.

The unorganized sector accounts for 60% to 70% of all economic activities in the Gambia. Ultimately this has a negative impact on savings and investments and may have contributed to the perpetration of means of savings such as hoarding, speculative investments in land and property and usury. Thus taking away resources further away from productive uses.

Since 60% to 70% of economic activities in the Gambia are informal, it could be deduced that the same percentage of our economic activities are left so far behind the world market economy. This accounts for our low ranking in the United Nations' Development Reports. In the Gambia, women constitute more than half the population and demography and other population related studies have indicated that they have more than their proportionate share of the poverty index. Thus most microfinance schemes and programmes in the formal and informal sectors target women groups and individuals.

Although microfinance begun to gain momentum in the late 1980s, microfinance activities may have started earlier than that period. The former Gambia Cooperative Union provided farm inputs and credits to farmers and purchases their produce. The Rural Development Project and the Jahally-Pacharr Small Holder Project were also aimed at helping the rural poor with farm inputs and marketing assistance to enable them improve on their production and living conditions. All these efforts ended in failure.

The Government further set up the Indigenous Business Advisory Services (IBAS) in 1976 as a Government department to assist the small-scale businesses and the micro-enterprise sector. It provides advisory and consultancy services, training of entrepreneurs and give credits to small entrepreneurs to develop or start new businesses. It has its head office in Greater-Banjul Area and operates four other branches located in Farafenni, Barra, Basse and Bansang to serve the rural areas. Majority of IBAS clients are engaged in retail trading, manufacturing services and the marketing of horticultural products.

In the late 1980s, the Government of the Gambia further contracted CIDR, a French Non-Governmental Organization specialized in Microfinance under KFW to initiate a village based microfinance systems in the country. The results induced government to commission the Rural Finance and Community Initiative Project (RFCIP), which seeks in essence to use credit as an engine to improve agricultural production thereby improving the living condition of the mass population of this country.

Today we are witnessing a proliferation of non-bank microfinance institutions. These include the registered ones such as GAWFA, NACCUG and Gamsavings, and a host of non-registered (not recognized as viable) microfinance service providers.

TANGOs' 1997 report on a survey of rural microfinance organisations in the Gambia reported the existence of 967 microfinance organisations in the country. This number continues to grow as more and more participants continue to enter the market. What is important to note is that despite the continuos increase in microfinance services and services providers, poverty surveys and reports in the Gambia continue to indicate rising poverty particularly in the rural areas.

4. PART TWO

Microfinance Activities in the Gambia

4.1 The microfinance landscape in Gambia

Microfinance continues to dominate Government's agenda as a viable strategy for poverty alleviation and has constantly featured in the Government's poverty alleviation programmes.

In line with Government policy, rural microfinance in the Gambia is provided mainly by non-bank financial institutions that operate under a regulatory and supervisory framework of the Central Bank of the Gambia. A relevant objective is the admission of Grassroots owned and managed institutions in the financial sector.

Other main objectives includes:

- Provision of sustainable, viable and affordable microfinance within the reach of the communities targeted.
- Create and build capacity in intermediary institutions, which are responsive to changing circumstances and to local institutions.
- Utilize participatory community development approaches, which ensures that the microfinance institutions are autonomous and self- managing enterprises.
- Provision of equal opportunities and access to financial services for all including women, youth, and the poorest of the poor.

Despite the many non-bank microfinance institutions in the Gambia providing financial services to the rural and urban resource poor, the market is currently dominated by grassroots owned and managed VISACAs (which are first stage institutions). Inspite of the proliferation of non-bank financial institutions, only three (3) have been licensed by the Central Bank as financial companies and two of the licensed can provide both credit and deposit facilities. These licensed institutions differ with other institutions in mode of operations and legal status.

The table below shows summaries of type of institutions and legal status.

Name of institutions	Type of institution	Legal Status
RFCIP	Projects	Act of Parliament
SDF	Programme	Act of Parliament
FASE	Project	Act of Parliament
CSIP	Project	Act of parliament
AFDP	Project	Act of parliament
LIF	Project	Act of parliament
LADEP	Project	Act of parliament
GAWFA	NGO (MFI)	Licensed by CBG
NACCUG	NGO (MFI)	Licensed by CBG
GAMSAVINGS	MFI (Insurance)	Licensed by CBG
GAMSEN	NGO	NGO
WISDOM	NGO	NGO
AFET	NGO Promoter	NGO
FFHC	NGO Promoter	NGO
FORUT	NGO Promoter	NGO
NASACA	NGN Promoter	NGO
Various Grassroots organisations	VISACAS	Full or provisional registration by CBG
Various grassroots organisations	Local credit unions	Registered by registrar of cooperatives
Various grassroots organisations	CBOs	Registered by attorney general's chambers or NYC.

These hosts of institutions and support organisations emerged to offer financial services at different levels of interventions as well as technical assistance. These services include

- MFIs offering financial services
- Facilitating/promoting organisations/networks and provision of support to grassroots MFIs
- Apex organisations facilitating the networking as well as promoting the interest of stake holders

- Donor funded programmes/projects channeling resources to the sector for institutional as well as capacity building for stake holders

4.2 Distribution of microfinance service providers and institutions in the Gambia.

TANGO's 1997 report on a survey of rural microfinance organisations in the Gambia indicated a total of 967 microfinance organisations in the country distributed unevenly across the five divisions of the country, with about 15 agencies. All engaged in promotion of microfinance activities and each coordinate the activities of various organisations in various divisions.

In November 2003, under the recommendation of IFAD, a mapping out exercise of microfinance agencies and their beneficiary groups and individuals was commissioned by the RFCIP. The objectives of the study was to

- Make an inventory of all microfinance institutions involved in the provision of microfinance services as well as technical assistance and advisory services.
- Obtain information on who does what and where, and the level of outreach
- Categorise the institutions in terms of type, legal status, operational areas, services provided and target beneficiaries served.

Like previous studies in this sector, the mapping out studies was also faced with the following constraints;

a) lack of adequate data from key institutions
b) poor record keeping and incomplete documentation in some of the institutions
c) inability to collect data from all institutions concerned since some are not willing to give out data on their activities
d) time constraints, only 52 out of 94 institutions targeted by the study could be reached.

Annex A give a vivid distribution of microfinance institutions in the Gambia and their beneficiary groups.

4.3 Microfinance outreach in the Gambia

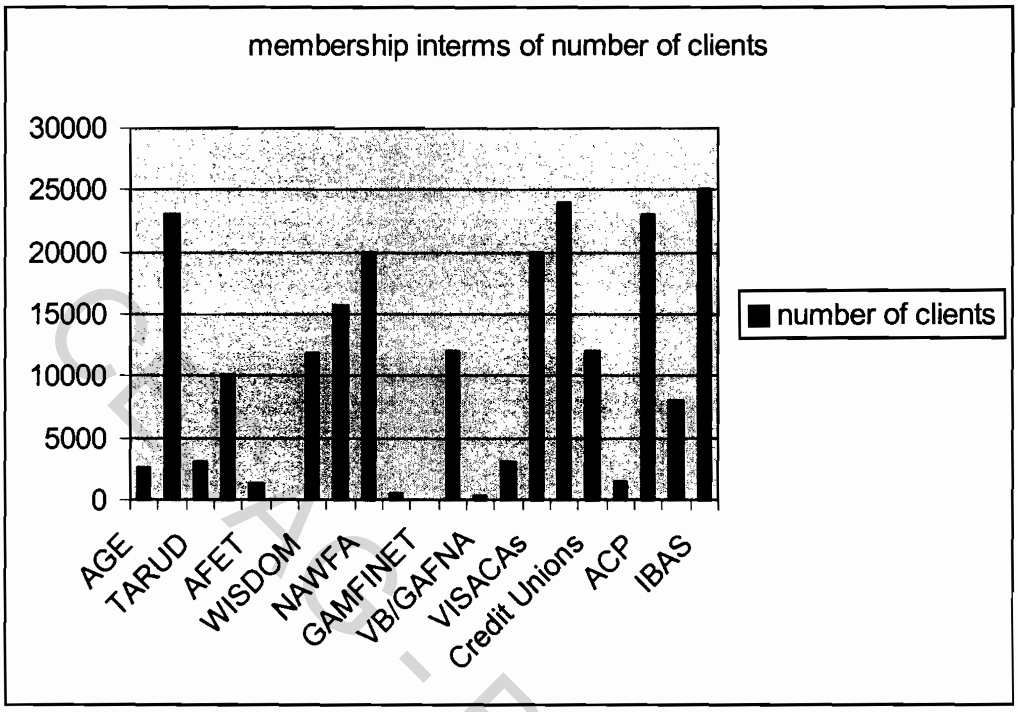
Serving the poor people's demand for savings instruments is just as important as satisfying their demands for credits. The poor need to save, they need to have funds to meet emergencies and regular as well as large expenses such as, school fees for their children, medical expenses, marriages and household expenses.

NGOs such as EDF, AATG, CRS have indeed immensely participated to make these needs a reality. They have helped establish village banks operated and owned mainly by women in which they collect deposit and lend among themselves. The ultimate aim is to reach the poor with the required financial services needed.

Despite the presence of so many players at various levels in this small country, the penetration rate of micro finance in the Gambia at various levels is far from satisfactory. The level of concentration of service providers varies in geographical areas.

The graph below shows outreach in various by clients.

Estimates of outreach by NGO/MFIs in 2001(Deloitte &touche)



From the chart above one can deduce that although most of the microfinance institutions and service providers are nation wide, they are limited in outreach and scope.(see **Annex B** for further details) This is evident in their membership for example:

GAMFINET, which is the coordinating body of all microfinance institutions in the country including NGOs, has only 20 members

VISACAS are found nationwide but only have 20000 members.

GAWFA, which is the first licensed microfinance institution and service provider, particularly for women and women groups has 24000 clients and 25000 groups – an indication that it pays more attention to groups than individuals.

Credit Unions: this is associated mostly with work groups rather than individual associations, and its members are mostly the working classes in the formal sector.

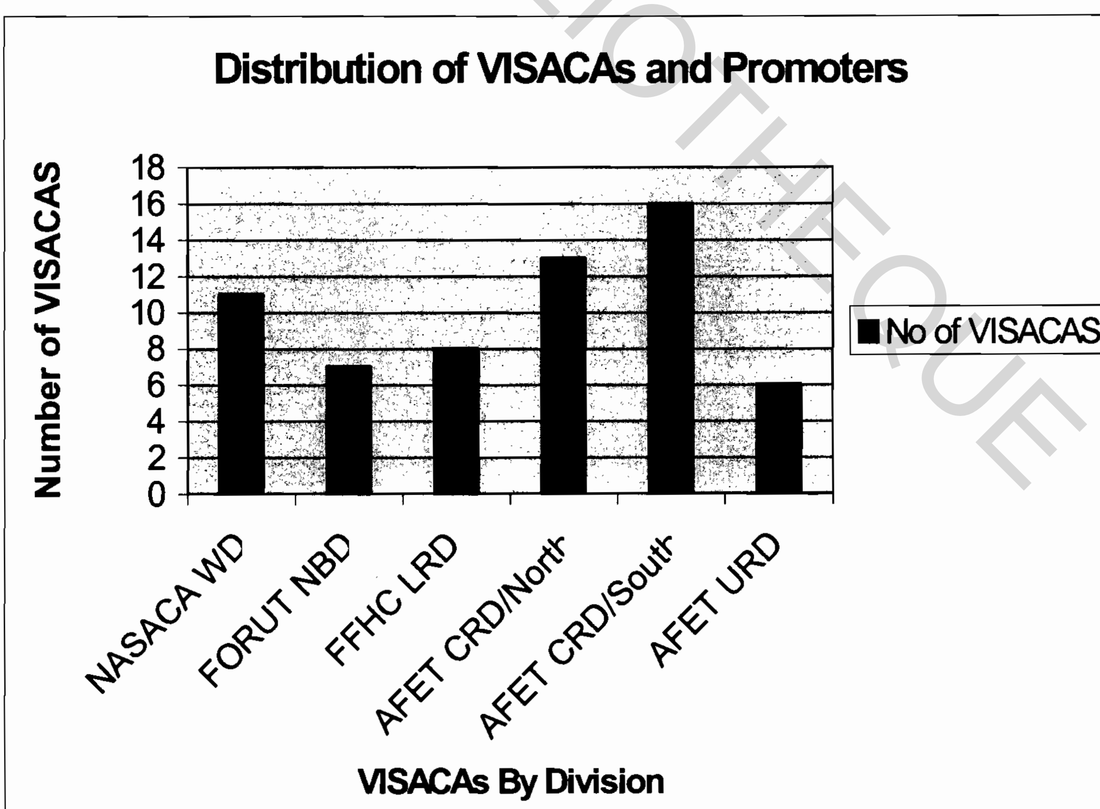
Gamsavings: a subsidiary of Gamester Insurance Company. It is licensed by the CBG as a non-bank financial institution, but at the moment only accepts deposits from clients and does not give credits.

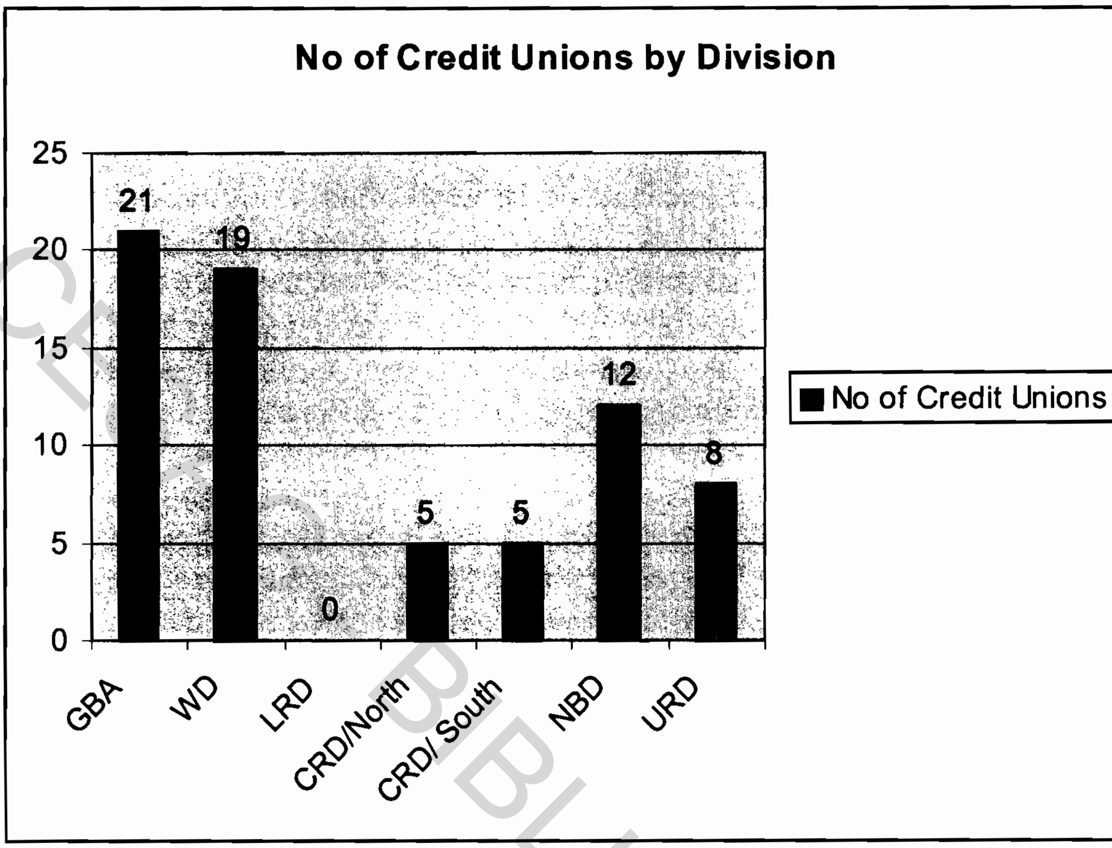
The outreach of microfinance institutions and programmes can serve to a large extend as performance indicator. It indicates among other things;

- the number of clients beneficiaries, both individuals and groups
- the level of participation per client per region or division
- it helps in the assessment of the impact that microfinance had on the participants/clients

Even though microfinance activities takes place all over the country, they tend to be more concentrated in some regions than others.

Graphs 1 and 2 below show the distribution of VISACAS and promoters, and Credit Unions by Division.(see **Annex C** for details)





From the above graphs the following could be deduced;

CRD North and South have the highest concentration of VISACAS. It should be noted that VISACAS were first conceptualised in this division in 1988 through the initiative of a donor agency - KFW. This programme was run by a French NGO, the CIDR starting with a network of five VISACAS.

GBA and WD have the highest concentration of Credit Unions. This is due to the fact that Credit Unions are institutions that are organised under rules and regulations that are fairly uniform wherever they exist and they observe a standard book keeping procedures. Members of credit unions are usually the formal working class of the society and they are most heavily concentrated in these areas, further highlighting the lope sided development in the Gambia.

4.4 Coordination of Microfinance activities in the Gambia:

Although the need for microfinance services to assist the poor and the vulnerable in our society is paramount, the proliferation of different microfinance practitioners and service providers operating in various parts of the country is worrying. If remain unchecked could lead to:

a) Conflicting goals and objectives
b) Over concentration of microfinance service providers in one geographical region
c) Beneficiaries taking advantage of the concentration and benefit from more than one service provider. This may lead to high rate of defaults in the case of credits.
d) Non-adherence to operational rules and guidelines as laid down by the Central Bank
e) Unhealthy competitions amongst service providers. This could lead to exploitation of the poor instead of helping them
f) Fragmentation in operational systems of stakeholders and practitioners.
g) Lack of cohesion between practitioners and between practitioners and stakeholders
h) Lack of adequate capacity and experience
i) Incidence of mismanagement and abuse of authority by officials.
j) Failure to network and complement services and resources.

Consequently it has become imperative to address the situation by evolving an appropriate coordination framework that would definitely enhance the provision of microfinance in a more efficient, concerted and sustainable manner given the goodwill of the stakeholders towards it and the creation of the enabling environ by the Government.

Since the sub sector is multi-stakeholder with variety of uncoordinated agenda, the activities of all stakeholders and organizations with varied interests and goals require active coordination for the following reasons:

i) Elimination of overlapping in and duplication in;
   a) Organizational zones

b) Capacity building and entrepreneurial development
c) Reduction of cost of operations
d) Sensitization and awareness creation and
e) Facilities and resources distribution

ii) Building Capacity for:
a) Ensuring consistency with policies
b) Harmonise projects and programme mandate
c) Funding arrangement and utilization of funds
d) Clients outreach
e) Deposit mobilization as primary objective
f) Reducing donor dependency
g) Sharing costs and use of delivery channels
h) Sharing data and information services
i) Ensuring high levels of operational standards

iii) Over concentration on own agenda
iv) Develop sustainable delivery systems
v) Bring together all operators with similar mandates. So that they can relate on issues affecting their operations
vi) Allowing and encouraging diversity in delivery systems
vii) Restricting interventions in specific areas in order to discourage similar projects operating in the same area, which causes beneficiaries to skip from one programme to an other.

These problems and challenges lead to the creation of following coordinating committees:
GAMFINET
IDMC
MPCC
MFCCP

4.5 Some **licensed microfinance providers in the Gambia:**

1) GAWFA:

Established in 1987 by a group of 23 individuals and women's organizations, GAWFA became the first microfinance organizations to be licensed by the Central Bank of the Gambia as a non-bank financial institution. It is affiliated with the women's world banking with Head Quarters in New York, the Association of Non-Governmental Organisation and the Gambia Microfinance Network.

GAWFA remains the largest microfinance provider to women in the Gambia. It has over 50000 membership of women entrepreneurs and 2500 women groups and operates in over 300 villages nation wide. In 2001, GAWFA's savings portfolio stood at D4.3 millions while its total loan disbursed stood at D12.6 millions.

2) NACCUG

This body is the head of the Credit Union Movements in the Gambia. It has a total membership of 83 credit unions established all over the country. Credit Unions are generally well organized under rules and regulations that are fairly uniformed wherever they exist.

As a matter of fact, Credit Unions have in place, standard bookkeeping procedure and deposit their savings only at commercial banks and not at non-bank financial institutions

More than 68% of all Credit Unions are based outside Greater Banjul Area. However they only account for 4% of the total deposits and loans by Credit Unions. In the rural areas, CUs are mainly CAFOS where as in GBA they are occupational groups.

Credit Unions do charge interest on loans and deposit, these are not standardized, further reflecting the fragmented nature of the financial markets in the Gambia.

NACCUG, is supported by the Irish League of Cooperative Credit Union and it provides audit services for most of the credit unions under its purview. These Credit Unions contribute towards the upkeep of NACCUG and reduce its dependence on donor funding.

3) GAMSAVINGS:

Gamstar Savings and Credit Company (Gamsavings) is a subsidiary of Gamstar Insurance Company. It was licensed by the Central Bank in 2002 as a non-bank financial institution. Before the establishment of Gamsavings, Gamstar operated Money-Back savings scheme, which attracted over 7000 savers of small amounts

As at now Gamsavings is only involved in the mobilization of savings and may start issuing credit to its clients sooner or later.

The fact remains that Gamsavings has no outlet in the rural areas and therefore does not cater for those who need it most.

5. PART THREE

Microfinance and Economic Development

5.1 Role of microfinance in economic development and poverty alleviation

According to the UNDP Human Development Report of 1998, 32 of the 48 least developed countries are found in Africa. The Gambia was classified among the least developed countries in the world and ranked 148th of the 172 of the poorest countries of the world. The annual population growth rate is estimated at 4.2% coupled with slow growth in real GDP resulting in poverty as a major development challenge.

More than 60% of the active work force find employment in the informal sector where marginal output on income generating activities are comparatively very low.

In response, the existence of limited financial assistance to the informal sector, where the largest section of the population are engaged (notably the poor and the poorest) makes access to productive resources an illusive situation to the majority of the population.

This situation no doubt puts microfinance at the center stage for poverty reduction in the Gambia.

It may be incorrect to say that microfinance in the Gambia, is a recent phenomenon, when institutions such as IBAS, Gambia Cooperative Union and the Rural Development Project existed in the 1970s and late 1980s, however, comprehensive poverty studies and analysis began in 1989. Hence the Governments strategy for poverty alleviation whose main elements constitute:

4.4 Improving the enabling policy environment to promote economic development and reduce poverty.

4.5 Enhancing the productive capacity and social protection of the poor and the vulnerable.
4.6 Improving the coverage of the basic needs for the poor.
4.7 Building capacity for local people-centered development through decentralisation.
4.8 Mainstreaming gender equity.

To functionalise the above strategies, the government, between 2003and 2005 undertakes the following core actions to reduce poverty:

- Coordination and funding of the social sector including agricultural investment
- Enhancing coverage, efficiency and sustainability of basic social services
- Improve the management of public sector enterprise for expansion of utility services to the poor.
- Coordination of direct intervention aimed at addressing the special needs of the very poor and vulnerable.
- Promoting support to infrastructure for economic empowerment and private sector development
- Strengthening participation by non-state actors at the macro and micro levels of development.
- Strengthening and monitoring of the poverty alleviation programmes

These emphasises the important role of pro poor financial services in poverty alleviation. Therefore, microfinance becomes a necessary intervention to support growth, employment and income generation. Thus microfinance can help:

- Increase productivity
- Create the much needed employment
- Increase savings which is good for capital investment
- Provides credit for establishment or expansion microenterprises
- Improve production and consumption

“Providing the poor with access to financial services is one of the many ways to help increase their income and productivity. In many countries however, traditional financial institutions have failed to provide these services”. The Gambia is no exception to this, as traditional financial institutions such as the banks have failed to include pro poor banking facilities in their financial programmes. This is due to the following reasons;

- The size of transactions (which are generally small)
- Lack of collateral by the poor
- Inexperience and illiteracy of poor borrowers
- The remoteness of informal enterprises
- Lack of awareness of facilities by borrowers

There is no doubt about the perceived importance of microfinance in economic development and poverty alleviation. However a major impediment in the growth of microfinance institutions has always been sustainability.

Dr Humaira Islam defined sustainability as “timely loan repayment, appropriate interest rats and keeping cost down”. Others limit sustainability to continued internal and external operational environment.

GAWFA and NACCUG are indeed success stories as far as sustainability is concerned; even though they are to a large extend dependent on donor support. It is however worth noting that recent media reports on diversion of funds within GAWFA could damage its reputation as a viable microfinance institutions.

The success of these two institutions can be attributed to the following;

- Their capacity to mobilise savings
- Level of support from external sources (donors)
- Capacity to recover loans disbursed to clients
- Large memberships

- Their capacities to invest in bonds and Treasury Bills or even borrow from commercial banks or other institutions in rare occasions.

Microfinance institutions' sustainability is important and for any microfinance institution to be deemed sustainable must demonstrate, institutional capacity, programme stability and financial stability.

5.2 Institutional capacity includes:

- Well trained and skilled managers with good management information systems
- Well defined objectives and proper planning to meet those objectives
- Good administrative skills and culture
- Capacity to generate resources for institutional development

5.3 Programme sustainability includes;

- Efficient and effective field operations
- Proper assessment of short term and long term impact to stake holders and beneficiaries
- Supportiveness to the communities to which it is meant to assist
- Encouragement of economic activities
- Addresses the need of the communities – need based intervention.

5.4 Financial stability includes;

- Good and proper financial management systems
- Proper cost control
- Standard financial reporting
- Large and well diverse source of funds.

Soon after political independence in 1965, up to the late 1980s, the Government of the Gambia prioritised the development of agricultural and rural development programmes in order to increase agricultural output, and at the same time reducing poverty, increasing rural employment and household income. This lead to the creation government owned banks and other programmes and projects, which provided agricultural credits to the rural poor. The end results were costly, as these institutions were supply driven. They heavily depended on subsidised lending and consequently became unsustainable.

By the early 1990s most of these projects and programmes had failed to address their objectives of poverty alleviation.

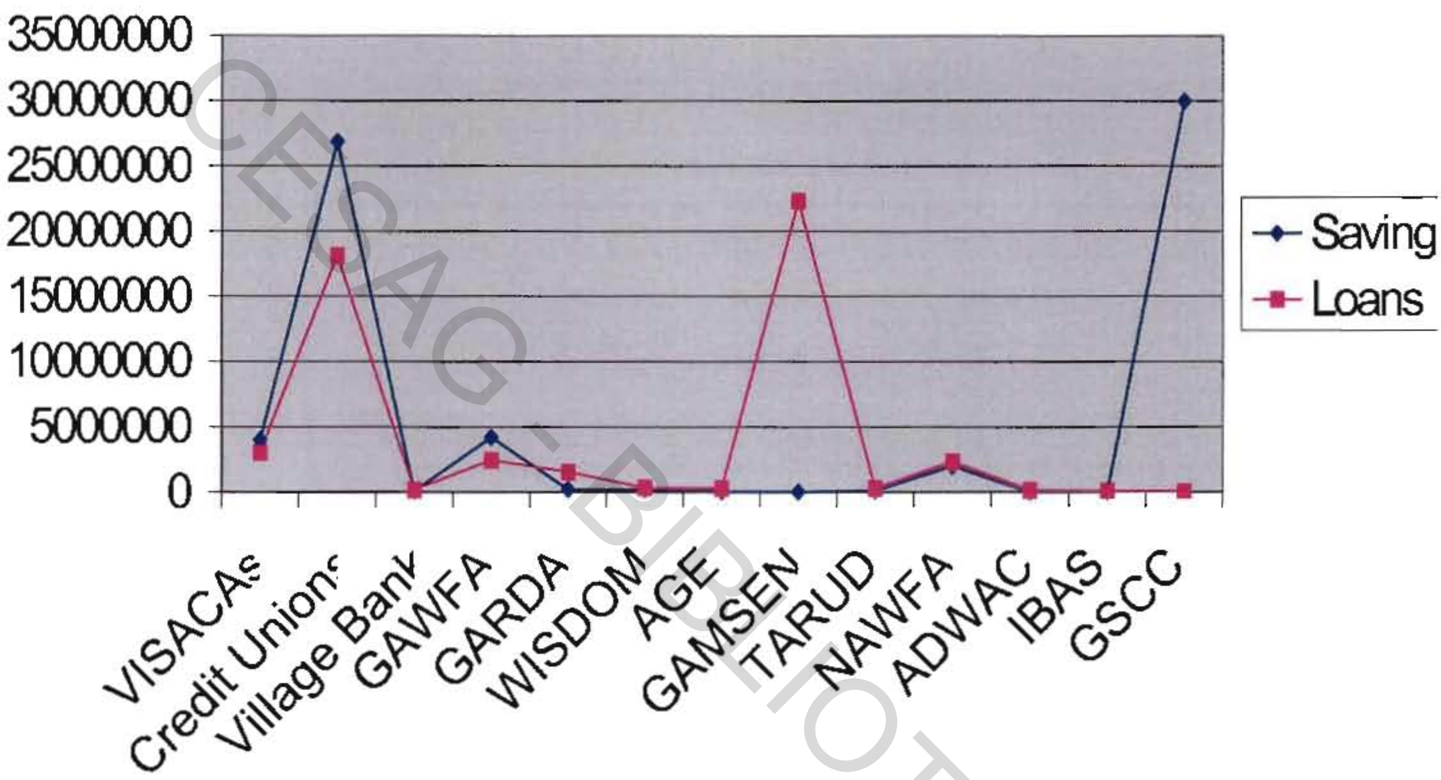
Today the scenario is changing, more emphasis is placed on the role of market forces in the determination of what approach to take regarding microfinance and poverty alleviation. Emphasis is also placed on demand driven approach, which is also deemed capable of providing financial services to the poor. The poor must not only be borrowers, they must be savers as well. Thus savings mobiliasation becomes a major source of funding for microfinance institutions.

There is now a general consensus that savings is not only an important source of funds for microfinance institutions but the most sustainable.

The licensing of GAWFA, GAMSAVINGS and the Credit Unions Apex body NACCUG, by the Central Bank was a step forward in the harmonisation of demand and supply driven approach to microfinance. With the exception of Gamsavings, these institutions as well as NGOs and other institutions mobilise savings and give credits to the poor.

The graph below show volumes of savings mobilised and loans disbursed by selected MFIs and NGOs up to December 2001 (see **Annex D** for more details)

Volumes of Savings and Loans in Dallasis



From the above Graph it can be deduced that most microfinance service providers give more loans than take deposit. The simple reason being that they are mostly donor dependent for fund generation.

Credit unions remain the only Institutions, which mobilised more savings than the disbursement of loans. This can be explained by the fact that credit union membership are usually occupational, thus members have regular and fixed income.

5.5 Role of Apex institutions in Microfinance

The draft Government policy on microfinance recognises the importance of Apex bodies in the overriding objective of policy-the provision of microfinance through non-bank financial institutions, thereby formalising the admission of grassroots owned and managed institutions into the financial sector.

The licensing of GAWFA, NACCUG and GAMSAVINGS by the Central Bank is a testimony of the determination of the authorities to realise its microfinance objectives. However, Gamsavings as at now only accepts deposits and does not give credits to its clients. NACCUG has occupational memberships and does not act as fund manager for funding agencies. Thus GAWFA remains the only licensed institution that can source wholesale credit or serve as fund manager for funding agencies and projects. This gives it a monopoly impression.

GAMFINET as an Apex body functions only as a coordinator of practitioners with common interest to promote efficiency and sustainability.

Despite the growing list of MFIs, the number of viable MFIs that can make real impact remain small relative to the number of potential clients to be served. This necessitates the creation of Apex bodies to channel financial resources to MFIs.

The CGAP occasional paper No 6 of January 2002 however assumed some useful generalisation and lessons to be drawn from Apex bodies, which are relevant to the Gambia's situation. They are paraphrased here under:

- Apexes probably expand the supply of resources available for un-licensed MFIs at least in the short term.
- MF development in most countries is held back more by shortages of MFIs than by a shortage of wholesale funding.
- Planning documents for apexes overestimates numbers of strong MFIs that are capable of channeling the apex funds effectively

- Apexes for unlicensed MFIs such as NGOs are most likely to be useful when they are created in response to the existence of critical mass of competent retail MFIs.
- Apexes have not been successful in building bridges between MFIs and commercial funding sources; the incentive to seek commercial funds is weakened by the availability of easier funding from the apex.
- Management is key to apex's effectiveness. Qualifications and skills of managers should not be assumed but rather ascertained at the planning stage.
- Apex managers select retail MFIs to be funded but are usually faced with political pressure to disburse large amounts quickly.
- Political interference is a common problem in apexes, despite assurance to the contrary at the planning stage. (State participation should be kept to the minimum level possible).
- Donors and Governments tend to exert disbursement pressures on apexes.

Since licensed MFIs presumably have more banking skills and better access to funding, the apex's task would be to assist the unlicensed MFIs to move downstream from their traditional clientele to serve the needs of micro-enterprises and poor families. As donors and government are not permanent to assure continuous delivery of microfinance services to the poor, microfinance can only achieve massive outreach in the long term, only if it is able to tap commercial sources of funding including deposits from the public. This is where apex bodies are crucial.

Thus the assumed roles and objectives of apex institutions includes;

1) Wholesale financial intermediation:

Apex bodies receive large volumes of funding, repackage them into small amounts and pass them as loans, grants or technical assistance to retail MFIs

2) Building the retail MFI market;

Where a critical mass of viable retailing MFIs do not exist, apex institutions may help create them. This depends on the apex's already acquired expertise in retail microfinance or by virtue of its superior position drawn upon the expertise where ever it may exist and make it available to the MFIs.

3) Bridging the gap between MFIs and the Financial Markets:

Apexes receive loans and grants from for reallocations to microfinance retailers, and as apex bodies achieve financial sustainability, they create direct link between MFIs and licensed financial institutions including commercial banks, finance companies savings institutions and bonds and stock markets.

4) Donor Coordination:

An apex can coordinate donor programmes as well as buffer donor demands, and can work with the donors to standardise their approaches and reporting requirements thus reducing the cost of donor support.

5) Supervision of Microfinance institutions:

Apexes are in a better position to provide close supervision that is needed for licensing of MFIs that are beyond the purview of the Central Bank's supervision

5.6 Impact Assessment of MFIs and Clients:

Microfinance programmes are one of the most important interventions in developing countries' efforts to reduce poverty. Recent years have seen a surge in the growth of the sector, the world over in terms of numbers and size of organisations, number of clients, and provision of subsidised donor funding. Almost all microfinance institutions include poverty reduction in their mission, and donor funding is allocated to microfinance institutions on this basis. At the most basic level, there is the need to understand and improve the impact of MFIs as a key to successful poverty reduction strategy.

Most MFIs hardly measure the impact of their work, nor do they learn about whether there are ways in which they can improve the impact they have on the poor clients they seek to serve. To most, financial performance indicators are enough to indicate that they are doing a good job or not. Their indication of performance is based on:

- Financial ratios
- Client retention
- Loan repayment rates.

Thus the market for them provides an indicator of impact – if clients are willing to pay for the services they are offered, it is doing them good. This is far from the reality. Financial performance does not measure the change in the people's lives. In fact, indebted clients may repay loans even if their businesses have failed.

MFIs should endeavour to know whether it is having a positive impact or at the very least it is not having a negative impact on some people. They should use market research to understand their clients' needs and reactions.

The starting points for any impact assessment must be an understanding of the context in which an organisation is working, and the outcome and impact that the organisation is seeking to achieve (its mission). By thinking through what the organisation is to achieve, it will be possible then to define what is to be learnt from the impact assessment and develop a conceptual framework and hypothesis for the impact that are expected.

Once there is a clear picture of how an organisation's mission and activities link to possible impact on clients, the objective of the impact assessment can be defined.

In any impact assessment, balancing the priorities of different stakeholders is an important consideration. It must not be entirely donor driven – that is, putting more emphasis on justifying funding, it should help management and improve on their work.

A practitioner lead impact assessment is most appropriate and can:

1) Produce credible results that can easily be used
2) Help management and staff improve programme performance at grassroot level
3) Fit existing MFI work pattern and provide frequent and timely information.
4) Learn from and build on existing experience.
5) Feed into management and product design processes allowing MFIs to improve their services and thus improve the impact on their clients.

Currently there is no tool for measuring the poverty level of MFI clients. This is evident in the report on microfinance sub component October 2000, prepared by J. Kofi Agyekumhene (consultant), which only contained a detailed 'inspection manual-microfinance institutions' as well as in the report on the mapping out of microfinance institutions in the Gambia. In both reports questionnaires and appraisal forms focused attention on MFIs and not on clients. (See samples on **Annex E, F**)

Some important elements of credible impact assessments:

1) Clearly defined objectives and audience
2) Conceptual framework to guide the impact assessment
3) Small set of key hypothesis
4) Variables with demonstrated validity
5) Reliable sources which includes:

- Distinction of perception of change and actual change
- Precision desired in choosing a particular measure-direction of change, pattern of change or amount of change
- It is important to consider how difficult it will be to measure in relation to the methods to be used, the skills required and the budget.

6) Relevant background information on the utilisation and programme.

7) Identification of key context variables:

- Physical environment
- Formal and informal institutions
- Economic factors – seasonality, natural catastrophe, inflation, ethnicity etc.
- Government policies and regulations

8) Use of mixed research methods – surveys, rapid appraisal techniques, focus groups, case studies, semi-structured interviews, participants' observation and secondary resources.

9) Appropriate sample design – at programme site and at non-programme sites.

10) Use of control groups – comparing change between those with and without intervention.

11) Use of longitudinal design – collection of data from two points at a time.

12) Appropriate data collection tools and techniques and processes:

- Well designed questionnaires
- Training of enumerators and their attitudes
- Well motivated respondents
- Cross checks to ensure validity of data
- Questions must not be long and are sequenced.

13) Systematic analysis of the data collected
14) Effective and efficient allocation of resources

15) Clear presentation of findings
16) Effective dissemination to the intended audience
17) Documentation of the research process.

5.7 Linking Client-level impacts and micro-enterprises programme performance.

An important element of credible impact assessment is generating data and information that are useful for improving micro-enterprises programme performance.

Programme performance relates to the effectiveness of micro-enterprises programmes in achieving specific institutional objectives, such as expanding outreach, maintaining a high quality portfolio and achieving a financial stability.

Programme impact by contrast relates to the success of micro-enterprise programmes in contributing to broader development goals. At the client level this generally relates to social and economic changes at the individual, household, enterprise or community level.

A critical dimension of micro-enterprise programme performance is its effectiveness in reaching the intended client groups and responding to their needs, preference and demands. Programmes that respond to client needs results in greater impact

The effectiveness of micro-enterprise programme performance in responding to clients' needs can be assessed through:

- Outreach indicators
- Client satisfaction surveys
- Exit interviews
- Analysis of clients' transaction cost and client/service relationship.
- Breakdown of portfolio performance data by client gender
- Socioeconomic status of clients
- Locations
- Enterprise type etc.

Information both on client impact and the effectiveness of programme in responding to client needs should be included in impact assessments to improve their credibility and usefulness. Client-level impacts and programme effectiveness might be useful to managers in;

1) Making strategic choices
2) Improving institutional performance

- Deciding location of branches
- Uncovering areas of potential investment that do not fit terms and conditions of loans
- Understanding information on savings behavior to design saving schemes
- Assessing information on the capacity of clients to absorb risks to help determine the need for more formation of client deposits.
- Revealing the potentials for clients to graduate to formal financial sector with corresponding implications for strategic choices for the programme.

3) Impact information can be useful for improving portfolio performance:

- To help micro-enterprise retain clients (reduce turn over)
- To help micro-enterprise expand out reach
- To help micro-enterprise improve portfolio quality

4) Impact information can be useful for improving institutional performance:

- To help micro-enterprise programmes define their strategic objectives
- To help micro-enterprise programmes design and deliver appropriate product that respond to client requirement
- To help micro-enterprise mobilise funds.
- To help micro-enterprises establish capacity.

6. Part Four

Institutional Development & Role of Financial Institutions

6.1 Microfinance Institutional Development in the Gambia

Formal and informal credits and savings for the poor are not recent initiatives. For decades, some customers neglected by commercial banks have been served by credit cooperatives and development financial institutions. Recently, new forms of Microfinance institutions have emerged. These includes the Village owned and managed savings and credit institutions (VISACAS). The past two decades have also seen the emergence of powerful new methodologies for delivering microfinance services, especially micro-credits to the poor. Much of this innovation has been pioneered by non-governmental organisations (NGO)

6.2 Issues in formal financing of Micro-enterprise:

Access to formal financial services by the general population, especially to micro-entrepreneurs, household consumption, as well as other microfinance needs for the poor is extremely limited in the Gambia and is usually obtained at a very high cost. The limitation is accentuated higher in the rural areas, given the urban bias of existing financial intermediaries and poor rural infrastructure and transportation problems.

The Post Office Savings bank which provides relatively easier savings facilities with a minimum balance requirement of D100, has a limited impact on microfinance since it does not reinvest in the areas where these funds (savings) are mobilised

IBAS, which has been in existence since 1976 to assist small-scale and micro-enterprise sector and provide other services such as training and consultancy, operates countrywide. However, a greater portion of its portfolio is concentrated in the Grater Banjul Area and there are more male than female borrowers. There has been recent rejuvenation in IBAS, however its sustainability could be hampered by low recovery rates of loans issued and the absence of serious drive to attract more savings

Commercial Banks are not playing a very significant role in the provision of microfinance services although they may be indirectly involved.

6.3 Issues in Semi-formal microfinance

The current favourable policy environment has made some NGOs partly filled the vacuum created by the absence of formal financial institutions in the Gambia particularly in the rural areas. These NGOs includes; AATG, WISDOM, AFET, AGE, GAWFA; TARUD, GARDA, VPC, NACCUG, NAWFA and the various VISACAS. Only a handful of them are specialised in formal financial intermediation and are often used as a conduits to supply the rural community with the much-needed financial services.

6.4 Issues in informal microfinance

Traders, moneylenders, relatives and friends dominate the individual financial intermediaries in the Gambia. The financial transactions are based on reciprocity rather than on conventional financial conditions such as interest rates, collateral or mortgage deeds.

Rotating savings and credit associations are also common. These are generally women groups and their activities are much more seasonal in nature. They are generally homogeneous in terms of gender, occupations and level of income. The existences of both economic and social sanctions for defaulters in the group make loan defaults less likely. These groups call KAFOS are usually found amongst the farming communities. An important feature of these informal finance is the active participation of women, hence a large number of projects targeting women use KAFOS as the entry point in villages. Consequently some KAFOS become transformed into semi-microfinance institutions in the country.

6.5 Microfinance Regulations – the role of the Central Bank and other regulatory bodies.

Financial services to the poor are usually carried out by microfinance institutions. These institutions usually have legal characters that govern their financial operations that allow them access to savings or other public funding. However, some MFIs do not have a legal character authorising them to engage in financial intermediation. Thus microfinance regulations and supervision become a hot topic with much focus on NGO microfinance.

It is generally recognised that microfinance NGOs would generally want to be licensed for the following reasons:

- In order to mobilise deposits from the public or avail credit lines from donors or government.
- Regulations promote their business and improve operations
- In order to expand savings services for the poor
- Help in the emergence of sustainable MFIs
- To prevent exploitative interest rates being charged to small borrowers
- To build public confidence in the MFIs

For these amongst other reasons in the world over, including the Gambia, microfinance seems to find itself in the midst of a rush to regulate.

In line with the Government's policy, rural and microfinance in the Gambia is provided mainly by non-bank intermediaries who operate under a regulatory and supervisory framework of the Central Bank of the Gambia. Thus the Central Bank of the Gambia assumes the role of financial and technical adviser as well as the coordinator of the financial system, markets and institutions.

In pursuance of section 3(1) of the Financial Institution Act of 1992; rules and guidelines on policies and procedures on rural and microfinance operations are laid down by the Central Bank for various categories of institutions. These regulations are generally prudential rules and regulations and are to a large extent complex, difficult and expensive (for instance, capital adequacy norm, reserves and liquidity requirements) almost always require a specialised financial authority for their implementation.

On the other hand, non-prudential regulations (for instance, disclosure of effective interest rates, or of the individuals controlling the company) may often be largely self-executing and can often be dealt with by agencies outside the Central Bank.

The objective of prudential regulations includes;

1) Protection of the country's financial systems

2) Protection of depositors who are not well positioned to monitor the institutions financial soundness themselves.

In applying prudential regulation in microfinance, the following elements are essential and should be taken into consideration:

1) Timing and the state of the industry (government should consider the option of waiting a while, monitoring micro-lenders' performance and opening a regulatory window only after there is more and better experience with the financial performance of the institutions

2) Source of funding
    a) Donor grants
    b) Cash collateral and similar obligatory deposits
    c) Borrowing from non-commercial sources (donors, sponsors etc)
    d) Commercial borrowing
    e) Wholesale deposits and deposit substitutes, that is, issue of bonds etc.

3) Minimum Capital Requirement (can limit new entrants)

4) Cost Benefit Analysis – MFIs that have small deposits and are geographically located in remote areas are costly to supervise.

6.6 The Role of the Central Bank of the Gambia

The Central Bank basically plays its role as regulatory and supervisory authority. It ensures the establishment of viable, sustainable and affordable microfinance systems. It prescribes rules and guidelines, monitor and supervise Microfinance Institutions. In the exercise of its role, the Central Bank of the Gambia;

i) Formulates, reviews and reforms microfinance policies
ii) Provides policies and operational guidelines
iii) Monitor and supervise the Microfinance Institutions directly or through its appointee.
iv) Train MFI personnel. Etc.

6.7 The role of Commercial Banks

Commercial Banks can play a significant role in Microfinance, although in the Gambia its role, if any, is less significant. Commercial Banks mostly view Microfinance to be associated with high default risk, high transaction cost, poor collaterals etc. This has been proved otherwise in countries like Nigeria, Uganda, Kenya, and in some Latin American Countries.

This risk could be reduced if Commercial Banks deal with Apex Microfinance Institutions, registered groups, Community Based Organisations, Central Bank licensed Savings and Credit Companies.

But the Commercial Banks too offer Microfinance services although to a selected few. For instance, almost all Commercial Banks in the Gambia offer the lower middle and middle class with consumer credits in the form of Overdrafts and small personal loans to meet their basic and immediate needs. Recently commercial banks have been engaging in the provision of small loans although seasonally. Some are also making available saving incentives, particularly for students.

In order to lure commercial banks into Microfinance, the authorities must provide the necessary conducive environment. Government can directly subsidize the entry of Commercial Banks into the Micocredit market, by auctioning off a relatively small lump-sum subsidy for each loan a bank made with the bank assuming all credit funding and risk. This was successfully tested in Chile and I believe the same can be replicated in the Gambia. Surely the entry of commercial banks into the Microfinance market can help forester a healthy competition amongst microfinance intuitions.

7. Part Five

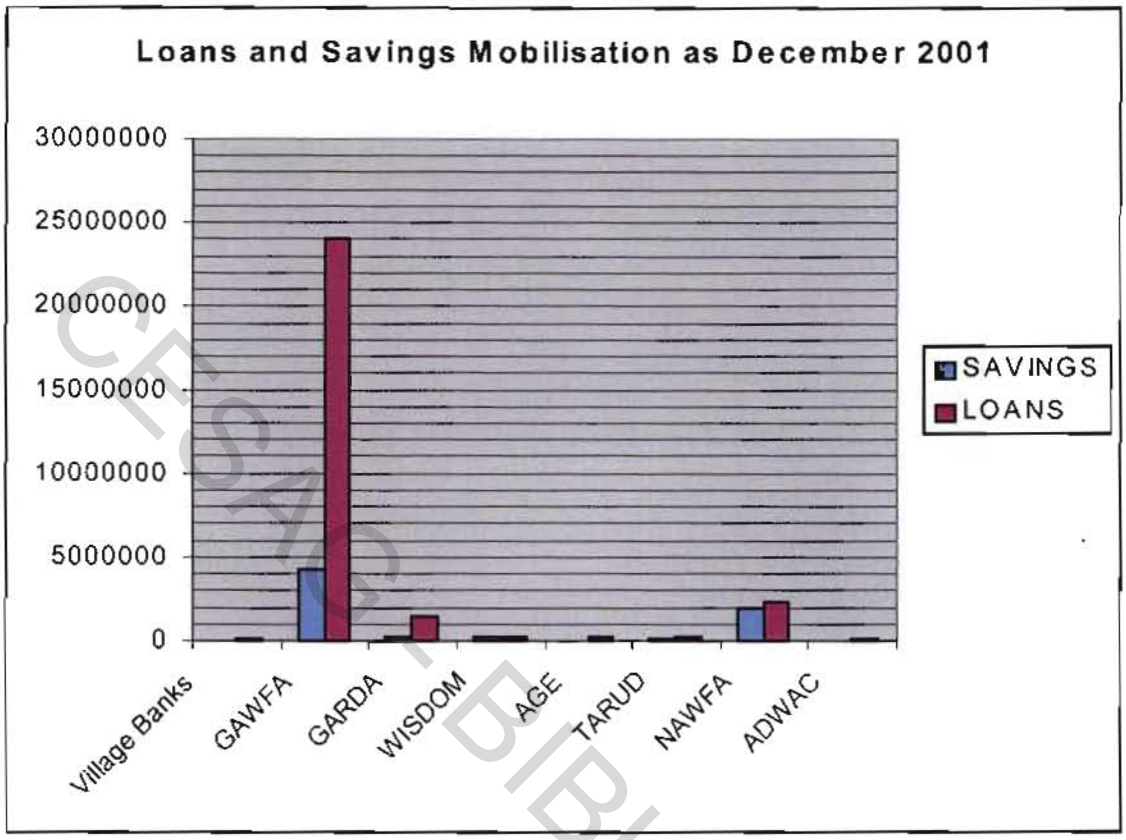
Demand and Supply of Microfinance & Interest Rates:

7.1 Microfinance and Demand and Supply of Savings and Credit

The Gambia has experienced a long history of Government sponsored institutional micro credits that have proved to be poorly managed. These credit programmes such as the Jahaly-Pacharr small holder project, the Agricultural Development Bank, the Rural Development Project and many more have failed to address their objectives of poverty alleviation mainly because the programmes pursued the supply-lead approach to microfinance. In other words they only gave credits to members.

The failure of the supply-lead approach to microfinance brought about policy reform initiatives that placed equal emphasis on resource mobilization – a shift from credit to deposit mobilization – demand driven approach. Today most Microfinance institutions take deposits from members as well as make credits.

It is however evident that with the exception of Credit Unions, the deposits mobilized by various Microfinance institutions cannot meet the huge demand for credit. A selected few microfinance institutions and service providers as stated in the graph below demonstrate the wide credit gap up to December 2001.(see **Annex G** for more details)



The table further shows the dependency of MFIs and NGOs on donor funding to carry out their Microfinance activities.

7.2 Interest rates/ Loans and Deposits

The demand for microfinance's services far exceed any thing that donor agencies could finance. To meet this demand, Microfinance must eventually be able to fund most of its portfolio from commercial sources, such as deposits or bank loans. This can be feasible only if MFI income is high enough so that it can afford to pay commercial cost for the ever increasing proportion of its funding. Very few MFIs can achieve this, which is "sustainability". Only GAWFA has so far claimed to achieve sustainability.

7.3 Setting Sustainable interest rates:

Among sector policy issues, perhaps none is more important to microfinance than interest rates policy which matters at both wholesale and retail levels. Without retail interest rates that at least covers the operational and financial costs of providing the financial services, the financial sustainability of MFIs is impossible to achieve.

Interest rates in the Gambia at retail level are libralised and are supposedly market determined.

The subsidization of credits for poverty alleviation purposes may be viewed as a legitimate decision by government and some donors, but the considerable cost of doing so must be taken into account. These costs go beyond the macroeconomic strain and resource misallocation. Equally important are its long-term negative impact on the extension of outreach. Imperial evidence has shown that the poor are more interested in accessibility to credits on a long-term basis than on subsidized credits that are not sustainable in the long run;

- One easily finds poor people taking and repaying informal credits at interest rates as high as 100%
- MFIs charging high interest rates usually find that the demand for credit usually outstrip their ability to supply it
- There is no evidence that high interest rates drives away clients from MFIs
- MFIs that give subsidized interest rates are pushed out of the market when they are faced with donor fatigue.

The interest rates charged to wholesale MFIs should reflect the market rates so that they can charge retailers relatively slightly above the Treasury Bill rates.

Where the market forces of demand and supply of both credits and savings freely determine interest rates at retail levels, an important enabling condition for financial sustainability will be realized.

The following interest rate formula can be used for estimating the interest rates that an MFI would need to realize on its loans, if it wants to continue to fund its growth primarily with commercial funds.

$$R = \frac{AE + LL + CF + K - II}{1-LL}$$

Where:

- R = the annualized effective interest rates
- AE = Administrative Expenses
- LL = Loan Losses
- CF = Cost of Funds
- K = the desired capitalization rate
- II = Interest Income.

Each expressed as a percentage of outstanding loan portfolio.

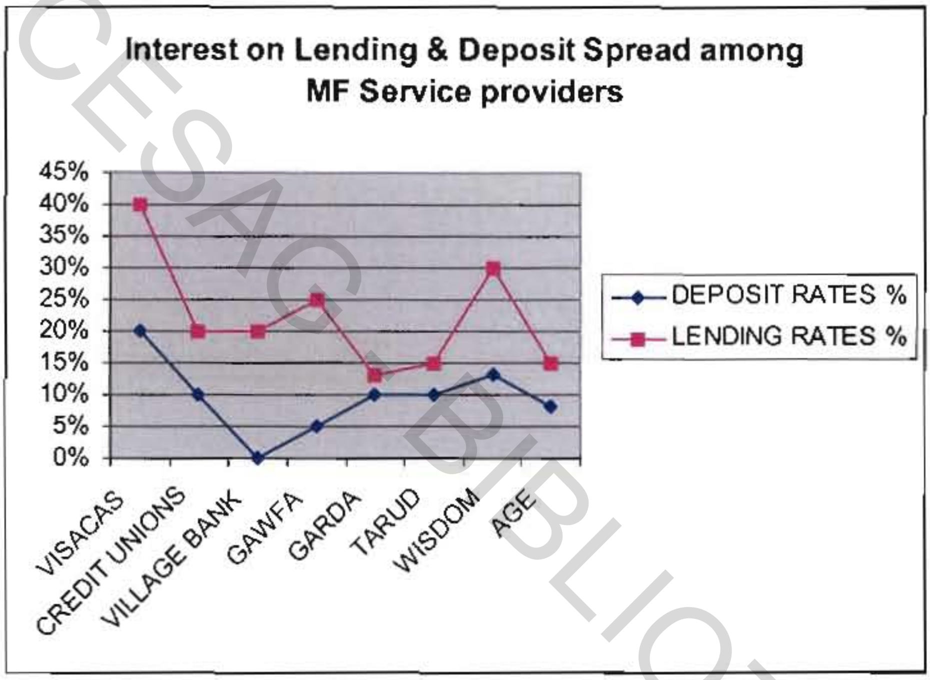
It is evident that a large number of micro borrowers can indeed pay interest rates that are high enough to support MFIs' sustainability. The question is, should microfinance institutions charge high interest rates? Since microfinance is aimed at helping the poor people and not making profits, the above question comes down to value judgment – which do you care more about – poor people or profits?

The bottom line is, donor funds are in limited quantities and are never capable of reaching more than a tiny fraction of the poor. The poor can only hopefully be reached if the MFIs can mobilize large amounts of commercial funding at market rates. This is only achievable at high interest rates – high enough to cover all related costs.

The problem faced by microfinance in the Gambian market is unharmonised interest rates. Various players in the market charge different rates on loans and pay different rates on deposits. For example, deposit range between 5% to 20% whiles credits range between 7.5% to 40%. (See graph below)

This is not a good sign as clients could become aware and begin to take advantage. This calls for some sort of regulations to ensure harmonized interest rates that contributes to the sustainability of microfinance and highly reflective of what is prevailing in the formal financial sector.

The chart below shows the interest spread between lending and deposits for different microfinance service providers. (see also Annex H for interest rate spread).



7.4 Defaults and Loan Recovery Rates: Delinquency Management

Portfolio quality is important in microfinance: how well are Microfinance Institutions recovering the loans they lend? This question is important; after all, recovery of loans is the most basic ingredient for long-term sustainability.

In the Gambia, the problem of loan recovery partly lead to the collapse of Government sponsored credit institutions such as the ADB, RDP and the Jahally-Pacharr smallholder project.

Today, although some MFIs claim good recovery rates, many are still faced with delinquency problems. Nevertheless poor people are induced to repay their loans for the following reasons:

- The main motivation that the client will continue to enjoy such services in the future.
- Peer pressures especially in the group lending.

8. Part Six

Problems and Challenges of Microfinance & the Way Forward:

8.1 Problems and Challenges of Microfinance in the Gambia

Despite the proliferation of microfinance institutions and service providers in the Gambia, microfinance as a tool of economic development and poverty alleviation is witnessing a series of difficulties and challenges. These challenges includes but not limited to the following:

1) Microfinance is mainly provided by non-bank financial institutions In the Gambia. These institutions to a very large extend are dependent on donor funding, hence are incapable of mobilizing funds from commercial sources. This affects their sustainability in the long-term.

2) The microfinance market is currently dominated by grassroots owned and managed VISACAS. These are first stage institutions and are mostly incapable of attaining CBG registration requirement to enable them become fully fledged MFIs that can accept deposit and give credit, and attract donor funding and assistance

3) Microfinance institutions of various types are unevenly distributed all over the country. They are more concentrated in certain parts of the country than in others and this affects outreach and impact on the people microfinance intends to serve.

4) Lack of adequate and reliable data on Microfinance activities, as a result of poor record keeping, unskilled and untrained personnel.

5) Slow registration process by the Central Bank. The central bank should endeavour to give legal status to some unregistered microfinance institutions and practitioners. This would give them legitimacy in the eyes of the public, who will naturally have more confidence in dealing with a legally recognized body than a clandestine one.

6) Lack of coordination of activities of MFIs – this is the prime cause of the duplication/overlapping of activities of service providers. GAMFINET, which is supposed to to coordinate the activities of all players with the aim of harmonizing them is weak-staffed by only one personnel and probably under funded to carry out its activities regularly. (See coordination of MFIs in the Gambia)

7) Failure of traditional financial institutions to include pro-poor banking facilities in their financial programmes. This is evidence in the fact that commercial banks have shown little or no interest in microfinance.

8) Harmonization of supply for credits and demand for savings – MFIs intensify their efforts to mobilize savings and reduce the credit gap created as a result of the huge desire for credit. Unless this gap is reduced, the question of sustainability of MFIs will remain a myth.

9) GAWFA's monopoly as the only licensed microfinance institution that can presently source wholesale credit or serve as fund manager for funding agencies and projects does not indicate the values of a market economy.

10) Apex MFIs face political pressures to disburse large amounts quickly particularly in run-ups to elections. They equally face unrealistic pressures from donors

11) Lack of appropriate mechanisms to measure the impact of microfinance on both MFIs and on clients. Currently there is no tool for measuring the poverty levels of MFI clients.

12) Limited access to financial services by micro entrepreneurs from the formal financial sector, particularly micro entrepreneurs in the rural areas. Only a handful of NGOs and other microfinance service providers are specialized in financial intermediations and can be used as conduits by donors etc. to supply the rural community with the much needed financial services.

13) The Central Bank rules and guidelines are generally prudential and require special financial authority for their implementation. Non-prudential rules should also be applicable.

14) There is a huge gap between demand for savings and supply of credits suggesting high dependency on donor funding.

15) Most MFIs are still not sustainable.

16) Unharmonised interest rates. Interest rates should be reflective of the market rates.

17) Delinquency management; - problems of loan recovery.

8.2 Recommendations:

Although microfinance is viewed as a tool for economic development and poverty alleviation, it does not have to be seen as a panacea – be all and end all to our poverty. Where microfinance policies and programmes have not been well planned and coordinated, its contribution, to the economy and poverty alleviation will certainly be minimal. In this connection, and in order that the impact of microfinance programmes be felt positively, the following recommendations are essentials.

1) Microfinance institutions that are mainly non-bank financial institutions must endeavour to attain sustainability. This will reduce their high dependency on donor funding, increase their capacity to mobilize savings and enables them to access funds from commercial sources such as the commercial banks.

2) The viable first stage institutions such as VISACAs should be fully registered by the Central Bank as MFIs to enable them access direct credit facilities from donors. This shortens the credit delivery chain and can help keep interest rate stable and not too high for the clients.

3) The Central Bank as the main supervisory body of all MFIs and microfinance activities should ensure that reliable data on MFI activities are always available. This calls for proper training of microfinance personnel and the provision of good operational environment.

4) Coordination of activities of all microfinance institutions in the Gambia to ensure even distribution of practitioners and promoters. This will reduce the duplication and overlapping of activities, over concentration, cross-interventions and eliminates all chances of clients taking advantage of weaknesses.

5) Apex Institutions such as GAWFA should be completely independent, free of all political interference so that it can build bridges between other MFIs and sources of commercial funding. This will enable the management to carry out their duties with out fear or favour, as pressures from both donor and government will be reduced. This further enables the Apex Body to wholesale financial intermediation and build the retail microfinance market effectively and efficiently.

6) Currently GAWFA, as the only MFI that can source wholesale credits or serve as fund manager for funding agencies enjoys a monopoly position in the market. This situation should be reversed by licensing other viable MFIs in order to eliminate the monopoly. This is partly responsible for the wide spread between interest on savings and on credits, all of which should reflect market conditions.

7) Appropriate mechanism should be put in place to measure the impact of microfinance on both MFIs and clients. Currently the mechanism in place only measures performance of MFIs and not clients. In order to measure the performance of clients/benefitiaties, steps should be taken to establish the level of poverty of the clients before and after microfinance intervention. (See annex, A, B&C). This is the only way to achieve a credible impact assessment. (See also impact assessment on MFIs and Clients). Therefore in addition to questionnaires designed to evaluate MFIs, similar questionnaires must also be designed for clients before and after intervention.

8) Increase access to financial services by micro entrepreneurs in the formal sector. Commercial banks must be lured into microfinance programmes. The entry of commercial banks into the micro-credit market can be directly subsidised by the government by auctioning a relatively small lump-sum subsidy for each loan a bank made to MFIs with the bank assuming all credit funding and risk. This enables MFIs accesses funds from commercial sources and achieves sustainability, since donor funds are not for ever.

9) The Central Bank must, in addition to applying prudential rules and guidelines also encourage the use of non-prudential rules and guidelines. Non-prudential rules and guidelines may often be largely self-executing and can be dealt with by agencies out side the Central Bank.

10) GAMFINET, which is supposed to coordinate the activities of all players in the field, is under staffed. No one should be under the illusion that this Apex body, under its current staff situation can do much. It should therefore be strengthened to enable it carry out its work effectively and efficiently.

11) The huge gap between the demand for saving and the supply of credits must be narrowed. This can only be done if there is reduced dependency on donor funding and grants and credits must be tied to savings. This may reduce the excessive demand for credits and help stabilise MFIs.

12) MFIs interest rates should reflect what is obtained in the market. Where interest rates at retail levels are freely determined by the market forces, an important enabling environment for financial sustainability will be created. Thus retail credits at subsidised rates must be discouraged at all cost. This requires careful harmonization and standardisation of interest rates in the Gambia with measures avoiding interest rate administration.

13) Low loan recovery rate (as in the Case of IBAS, Jahally Pacharr ,RDP, Gambia Co-operative Union etc) can cause institutional collapse and all efforts humanely necessary should be made to recover loans with interest. Where all persuasive actions fail, legal action must be taken.

8.3 Conclusion:

Formal credit and savings for the poor are not recent invention. They have been in existence in this country for decades. Since Independence in 1965 up to the late 1980s, the Government prioritised the development of agriculture and rural development programmes aimed at increasing agricultural output and productivity, and at the same time reduce poverty and increase rural employment and household incomes. This lead to the creation of state-owned banks and projects to direct credits at concessionary rates. All these bank and projects ended in failure.

There is no doubt that appropriate implementation and coordination of microfinance programmes, providing loans and savings facilities to the poor can be a very effective means of reducing the problem of poverty. This appropriate implementation and coordination of microfinance programmes is what is seriously lacking in the Gambia.

Today the Gambia is experiencing a proliferation of MFIs, a good number of whom operate outside the established rules and regulations laid down by the Central Bank. This is responsible for the fragmentation in operational systems, duplication of services and resources, over concentration in one particular region, hence the distortion of the microfinance market in the country.

Most MFIs are operating country wide, yet their outreach so limited. In some of the situations loans may not be reaching the poorest of the poor, particularly women. This is partly because some MFIs focus attention on existing women entrepreneurs with proven business skills.

The MFIs operating outside the Central Bank rules and regulations renders the collection of data on microfinance impossible and hence negates any credible impact assessment on MFIs and clients.

Despite efforts to develop microfinance as a tool for economic development and poverty alleviation, the sector is saddled with a number of constraints. The current economic downturn of high inflation, high interest rates and low productivity have rendered micro-loans almost useless to make any positive impact. Although microfinance programmes have been successful in some countries around the world notably in Latin America, its success in the Gambia is yet to be felt in the economy as a whole. By all indications, the rural population and the urban poor remain poorer than ever. The contribution of microfinance in the economic development and poverty alleviation in the country is minimal. Concerted efforts are still needed in programme design and implementation if the Gambia wants to be a model for microfinance success. A successful microfinance institution does not mean a successful microfinance programme.

ANNEX A

Type of Institute	Name of institute	Legal status	Operational area	Services provided	Beneficiary group
NGO/MFI	GAWFA	Licensed by CBG	Nation wide	Savings and credits	Mainly women groups and individuals
NGO	NACCUG	Licensed by CBG	Nation wide	Savings and credits	Individuals and groups
MFI	Gamsavings	Licensed by CBG	Banjul and surroundings	Savings	Individuals and groups
Project	RFCIP	Project	Nation wide	Technical assistance etc	MFIs
Project	LIF	Project	CRD and GBA	Technical assistance and grants	Individuals and groups
Project	LADEP	Project	Nation wide	Technical assistance and grants	Low land farmers
Project	ACP	Project	Nation wide	Credits	Consumer cooperatives
Project	FASE	Project	WD, CRD, and GBA	Technical assistance and grants	Groups of entrepreneurs
Other NGOs and promoters	AFET	NGO	Nation wide	Technical assistance credits and grants	Groups and individuals

Other NGOs and promoters	GAMSEM	NGO	Nation wide	Technical assistance credits and grants	Groups and individuals
Other NGOs and promoters	FFHC	NGO	LRD	Technical assistance credits and grants	Groups and individuals
Other NGOs and promoters	GAFNA	NGO	Nation wide	Training and Credits	Groups and individuals
Other NGOs and promoters	ADWAC	NGO	NBD	Credit and technical assistance	Groups and individuals
Other NGOs and promoters	WISDOM	NGO	GBA and LRD	credit	Groups and individuals
Other NGOs and promoters	NAWFA	NGO	Nation wide	In-kind credits and technical assistance	Groups
CBOs	WASDA	CBO	URD	Credit and grants	Groups
CBOs	WAD	**CBO**	URD	Grants	Groups

CBOs	FANGDEMA	**CBO**	URD	Grants	Groups
CBO	RSOD	**CBO**	URD	Credit and grants	Groups
VISACAs	Various village savings and credit association	**Full or provisional registration**	**Localised**	Credits and savings	Groups and individuals
Credit Unions	Various unions	**Register of cooperatives**	**Localised**	Credit and savings	**Localised**

ANNEX B

Estimates of outreach by NGO/MFIs in 2001(Deloitte &touche)

NGO	Operational area	Membership/Clients/benefitiaries
AGE	Kanifing	2560
GAMSEN	Nation wide	23000
TARUD	Kombo (Western Division)	3000
Garda	Nation wide	10000
AFET	Nation wide	1300
PAS	Nation wide	28
WISDOM	Nation wide	11750
AATG	Nation wide	15609
NAWFA	Nation wide	20000
VPC	Nation wide	420
GAMFINET	Nation wide	20
FACs	Nation wide	12000
VB/GAFNA	North Bank Division	270
GSCC	Greater Banjul Area	3000
VISACAs	Nation wide	20000
GAWFA	Nation wide	24000
Credit Unions	4 Divisions	12000
ADWAC	North Bank Division	1500
ACP	Nation wide	23000
SDF	Nation wide	8000
IBAS	Nation wide	25000
Gamsavings	Greater Banjul Area	N/A

ANNEX C

Tables 1 and 2 below show the distribution of VISACAS and promoters, and Credit Unions by Division.

Table 1

Division	Network promoter	No of VISACAS
WD	NASACA	11
NBD	FORUT	7
LRD	FFHC	8
CRD/North	AFET	13
CRD/South	AFET	16
URD	AFET	6

Table 2

Division	No of Credit Unions
GBA	21
WD	19
LRD	0
CRD/North	5
CRD/ South	5
NBD	12
URD	8

ANNEX D

The table below show volumes of savings mobilised and loans disbursed by selected MFIs and NGOs up to December 2001

NGO/MFI	Savings (dalasis)	Loans (Dalasis)
VISACAs	4 millions	3 million
Cus	26.9 millions	18.1 million
Village Bank	50000	123,800
GAWFA	4.2 million	24 millions
GARDA	200000	1.5 million
WISDOM	192000	299000
AGE	22000	252000
GAMSEN	Buying shares	22.3million
TARUD	100000	250000
NAWFA	2 million	2.35 million
ADWAC	11000	99000
IBAS	-	20000
GSCC	30 million	NIL

ANNEX E

Sample questionnaire Impact Assessment of MFIs:

1. Name of institution -------------------

2. Correspondence address

3. Tel: No ----------------

4. FAX: No -----------------

4. Type of institution
   1. project
   2. NGO
   3. VISACA
   4. Credit Union
   5. CBOs

5. Area of operation
   1. GBA
   2. WD
   3. LRD
   4. NBD
   5. CRD north
   6. CRD south
   7. URD
   8. Grants

6. Type of Activity/services etc.
   1. Credit
   2. Savings
   3. Retail lending
   4. Wholesale lending
   5. Technical assistance
   6. Lines of Credits
   7. Fund manager

7. Year of start of activity ----------------------------

8. Legal status of service provider……………………………………………

9.Type of Clients served
   a) women
   b) men
   c) youths
   d) groups
   e) mixed

10. Sources of funding? Name.

a) external donor ------------------------------
b) Government ------------------------------
c) Commercial Banks ------------------------------
d) Others ------------------------------

11. Do you charge or pay interest? --------------------------

12. If the answer to 11 above is yes, state;
    a) percentage Charged on Credits --------------------
    b) Percentage paid on Deposits ----------------------

13. What is your current credit portfolio D.-----------------

14. What is your current savings portfolio D---------------

Annex F

Recommended Questionnaire for assessing living standards of Clients.

1. Area of land owned: Agricultural -------------- Non Agricultural --------

2. Value of land owned: Agricultural ----------- Non Agricultural----------

3. Number and value of selected assets owned by household before and as result of MFI interventions..

Asset	Number owned	Market value	Owned before or as a result of MFI intervention
Livestock			
1) cattle			
2) sheep			
3) goats			
4) pigs			
5) horses & donkeys			
Transportation			
1) cars			
2) motorcycles			
3) bicycles			
4) other vehicles			
5) Carts			
Appliances and Electronics			
1) televisions			
2) Video			
3) Refrigerators			
4) electric or gas cookers			
5) Radio			
6 Others.			

Comments on the overall assessment on the wealth of the client before and after microfinance intervention. ---
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ANNEX G

NGO/ MFI	SAVINGS (Dalasis)	LOANS (Dalasis)
Village Banks	50000	123800
GAWFA	4200000	24000000
GARDA	200000	1500000
WISDOM	192000	299000
AGE	22000	252000
TARUD	100000	250000
NAWFA	2000000	2350000
ADWAC	11000	99000

ANNEX- H

Sample interest on deposit and lending

NGO/MFI	DEPOSIT RATES %	LENDING RATES %
VISACAS	10-20%	20-40%
CREDIT UNIONS	5-10%	13-20%
VILLAGE BANK	---	10-20%
GAWFA	5%	25%
GARDA	7-10%	10-13%
TARUD	7-10%	15%
WISDOM	13%	30%
AGE	8%	12-15%

Annex I

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