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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

DEPT. OF STATE 2120 COTONOU PL. WASHINGTON, DC 20521-2120

Issuance Date: January 28, 2003
Closing Date: February 28, 2003
Closing Time: 5:00 PM Benin local time

Subject: Request for Applications (RFA) Number 680-03-007
Strengthening the Microfinance Sector in Benin

The United States Agency for International Development (USAID) is seeking applications for a Cooperative Agreement from a U.S. organization that has an operational base in Benin or the sub-region for funding a program for Strengthening the Microfinance Sector in Benin. The authority for the RFA is found in the Foreign Assistance Act of 1961, as amended.

The Recipient will be responsible for ensuring achievement of the program objective to strengthen Benin's microfinance sector. Please refer to the Program Description for a complete statement of goals and expected results.

Pursuant to 22 CFR 226.81, it is USAID policy not to award profit under assistance instruments. However, all reasonable, allocable, and allowable expenses, both direct and indirect, which are related to the grant program and are in accordance with applicable cost standards (22 CFR 226, OMB Circular A-122 for non-profit organization, OMB Circular A-21 for universities, and the Federal Acquisition Regulation (FAR) Part 31 for-profit organizations), may be paid under the grant.

Subject to the availability of funds, USAID intends to provide approximately \$350,000.00 (three hundred and fifty thousand) in total USAID funding to be allocated over a one-year period. Approximately one-third of this amount is to be devoted to reinforcing three or four microfinance institutions in rural areas. USAID reserves the right to fund any or none of the applications submitted.

For the purposes of this program, this RFA is being issued and consists of this cover letter and the following:

1. Section A - Grant Application Format;
2. Section B - Selection Criteria;
3. Section C - Program Description;
4. Section D - Certifications, Assurances, and Other Statements of Applicant/Grantee;
5. Section E - Annexes

For the purposes of this RFA, the term "Grant" is synonymous with "Cooperative Agreement"; "Grantee" is synonymous with "Recipient"; and "Grant Officer" is synonymous with "Agreement Officer".

If you decide to submit an application, it should be received by the closing date and time indicated at the top of this cover letter at the place designated below for receipt of applications. Applications and modifications thereof shall be submitted in envelopes with the name and address of the applicant and RFA # 680-03-007 inscribed thereon, to:

(By Courier Service)

Rosalind Sika
Sr. Assistance Specialist

(By International Mail)

Rosalind Sika
Sr. Assistance Specialist

USAID/Benin
Rue Caporal Anani Bernard
Cotonou, Benin

USAID/Benin c/o American Embassy
01 B.P. 2012
Cotonou, Benin

Applicants are requested to submit both technical and cost portions of their applications in separate volumes. Award will be made to that responsible applicant(s) whose application(s) offers the greatest value.

Issuance of this RFA does not constitute an award commitment on the part of the Government, nor does it commit the Government to pay for costs incurred in the preparation and submission of an application. Further, the Government reserves the right to reject any or all applications received. In addition, final award of any resultant grant(s) cannot be made until funds have been fully appropriated, allocated, and committed through internal USAID procedures. While it is anticipated that these procedures will be successfully completed, potential applicants are hereby notified of these requirements and conditions for award. Applications are submitted at the risk of the applicant. Should circumstances prevent award of a cooperative agreement, all preparation and submission costs are at the applicant's expense.

The preferred method of distribution of USAID procurement information is via the Internet. This RFA and any future amendments can be downloaded from the Agency Web Site. The World Wide Web Address is <http://www.usaid.gov>. Select Business and Procurement from the home page, then "USAID Procurements". On the following screen, select "Download Available USAID Solicitations". Receipt of this RFA through INTERNET must be confirmed by written notification to the contact person noted below. It is the responsibility of the recipient of the RFA document to ensure that it has been received from INTERNET in its entirety and USAID bears no responsibility for data errors resulting from transmission or conversion processes.

In the event of an inconsistency between the documents comprising this RFA, it shall be resolved by the following descending order of precedence:

- (a) Section B - Selection Criteria;
- (b) Section A - Grant Application Format;
- (c) Section C - The Program Description;
- (d) This Cover Letter.

Any questions concerning this RFA should be submitted in writing to Rosalind Sika, via facsimile at 229-30-12-60 or via internet at rsika@usaid.gov. If there are problems in downloading the RFA off the INTERNET, please contact the USAID INTERNET Coordinator on (202) 712-4442. Applicants should retain for their records one copy of all enclosures which accompany their application.

Thank your for your interest in USAID/Benin activities.

Sincerely,

/s/

Lawrence Bogus
Regional Agreement Officer
USAID/Senegal

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SECTION A - GRANT APPLICATION FORMAT

PREPARATION GUIDELINES

- A. All applications received by the deadline will be reviewed for responsiveness and programmatic merit in accord with the specifications outlined in these guidelines and the application format. Section B addresses the technical evaluation procedures for the applications. Applications which are submitted late or are incomplete run the risk of not being considered in the review process.
- B. Applications shall be submitted in two separate parts: (a) technical and (b) cost or business application. Technical portions of applications should be submitted in an original and three (3) copies and cost portions of applications in an original and one (1) copy. Both the technical and cost portions of the application shall have a cover page which includes the point of contact for the organization, including name, title, address, phone and fax numbers and e-mail address.
- C. In addition to the hard copies of the application, the applicant shall also submit a 3-1/2" diskette, formatted in Word 97, of the program description detailed in the applicant's technical application.
- D. The application should be prepared according to the structural format set forth below. Applications must be submitted no later than the date and time indicated in the cover letter of this RFA and to the location indicated in the cover letter of this RFA.
- E. Technical applications should be specific, complete and presented concisely. The applications should demonstrate the applicant's capabilities and expertise with respect to achieving the goals of this program. The applications should take into account the technical evaluation criteria found in Section B.
- F. Applicants should retain for their records one copy of the application and all enclosures which accompany their application. Erasures or other changes must be initialed by the person signing the application. To facilitate the competitive review of the applications, USAID will consider only applications conforming to the format prescribed below.
- G. Page Limitations – The Technical application may not exceed fifty (50) pages in length. The Performance Monitoring and Evaluation Plan, Past Performance information, and personnel resumes are excluded from this page limitation. There is no page limitation for the Cost Application.
- H. Unnecessarily Elaborate Applications - Unnecessarily elaborate brochures or other presentations beyond those sufficient to present a complete and effective application in response to this RFA are not desired and may be construed as an indication of the applicant's lack of cost consciousness. Elaborate art work, expensive paper and bindings, and expensive visual and other presentation aids are neither necessary nor wanted.
- I. Acknowledgement of Amendments to the RFA - Applicants shall acknowledge receipt of any amendment to this RFA by signing and returning the amendment. The Government must receive the acknowledgement by the time specified for receipt of applications.
- J. Receipt of Applications - Applications must be received at the place designated and by the date and time specified in the cover letter of this RFA.
- K. Submission of Applications:
1. Applications and modifications thereof shall be submitted in sealed envelopes or packages (1) addressed to the office specified in the Cover Letter of this RFA, and (2) showing the time specified for receipt, the RFA number, the

name and address of the applicant, and whether the contents contain technical or cost applications noted on the outside of the envelopes/packages.

2. Faxed applications will not be considered; however, applications may be modified by written or faxed notice, if that notice is received by the time specified for receipt of applications.

L. Preparation of Applications:

1. Applicants are expected to review, understand, and comply with all aspects of this RFA. Failure to do so will be at the applicant's risk.

2. Each applicant shall furnish the information required by this RFA. The applicant shall sign the application and print or type its name on the Cover Page of the technical and cost applications. Erasures or other changes must be initialed by the person signing the application. Applications signed by an agent shall be accompanied by evidence of that agent's authority, unless that evidence has been previously furnished to the issuing office.

3. Applicants who include data that they do not want disclosed to the public for any purpose or used by the U.S. Government except for evaluation purposes, should:

(a) Mark the title page with the following legend:

"This application includes data that shall not be disclosed outside the U.S. Government and shall not be duplicated, used, or disclosed - in whole or in part - for any purpose other than to evaluate this application. If, however, a grant is awarded to this applicant as a result of - or in connection with - the submission of this data, the U.S. Government shall have the right to duplicate, use, or disclose the data to the extent provided in the resulting grant. This restriction does not limit the U.S. Government's right to use information contained in this data if it is obtained from another source without restriction. The data subject to this restriction are contained in sheets ; and

(b) Mark each sheet of data it wishes to restrict with the following legend:

"Use or disclosure of data contained on this sheet is subject to the restriction on the title page of this application."

M. Explanation to Prospective Applicants - Any prospective applicant desiring an explanation or interpretation of this RFA must request it in writing within three weeks of receipt of the application to allow a reply to reach all prospective applicants before the submission of their applications. Oral explanations or instructions given before award of a Grant will not be binding. Any information given to a prospective applicant concerning this RFA will be furnished promptly to all other prospective applicants as an amendment of this RFA, if that information is necessary in submitting applications or if the lack of it would be prejudicial to any other prospective applicants.

N. Grant Award:

1. The Government may award one or more Grants resulting from this RFA to the responsible applicant(s) whose application(s) conforming to this RFA offers the greatest value (see also Section II of this RFA). The Government may (a) reject any or all applications, (b) accept other than the lowest cost application, (c) accept more than one application (see Section III, Selection Criteria), (d) accept alternate applications, and (e) waive informalities and minor irregularities in applications received.

2. The Government may award one or more Grant(s) on the basis of initial applications received, without discussions. Therefore, each initial application should contain the applicant's best terms from a cost and technical standpoint.

3. Neither financial data submitted with an application nor representations concerning facilities or financing, will form a part of the resulting Grant(s).

O. Authority to Obligate the Government - The Grant Officer is the only individual who may legally commit the Government to the expenditure of public funds. No costs chargeable to the proposed Grant may be incurred before receipt of either a fully executed Grant or a specific, written authorization from the Grant Officer.

P. The Contractor/Recipient is reminded that U.S. Executive Orders and U.S. law prohibits transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the legal responsibility of the contractor/recipient to ensure compliance with these Executive Orders and laws. This provision must be included in all subcontracts/subawards issued under this contract/agreement.

COST APPLICATION FORMAT

The Cost or Business Application is to be submitted under separate cover from the technical application. Certain documents are required to be submitted by an applicant in order for an Grant Officer to make a determination of responsibility. However, it is USAID policy not to burden applicants with undue reporting requirements if that information is readily available through other sources.

The following sections describe the documentation that applicants for Assistance award must submit to USAID prior to award. While there is no page limit for this portion, applicants are encouraged to be as concise as possible, but still provide the necessary detail to address the following:

A. Budget and Standard Forms

Include a budget with an accompanying budget narrative which provides in detail the total costs for implementation of the program your organization is proposing. Detailed budget notes and supporting justification of all proposed budget line items should be included. The budget must be submitted using Standard Form 424 and 424A which can be downloaded from the USAID web site, http://www.usaid.gov/procurement_bus_opp/procurement/forms/sf424/. A copy of these forms are also included in the Annexes section of the RFP.

The budget shall include:

- the breakdown of all costs associated with the program according to costs of, if applicable, headquarters, regional and/or country offices;
- the breakdown of all costs according to each partner organization (or sub-awardee) involved in the program;
- the costs associated with external, expatriate technical assistance and those associated with local in-country technical assistance;
- the breakdown of the financial and in-kind contributions of all organizations involved in implementing this Cooperative Agreement;
- potential contributions of non-USAID or private commercial donors to this Cooperative Agreement;
- your procurement plan for commodities (note that contraceptives and other health commodities will not be provided under this Cooperative Agreement).

Other instructions for preparation of proposed budgets:

- Indicate the name, annual salary, and expected level of effort of each person charged to the application. Provide resumes showing work experience and annual salary history for at least the three most recent years for major personnel. This includes consultants as well as regular personnel.
- If not included in the indirect cost rate agreement negotiated with the Government, specify the applicable fringe benefit rates for each category of employees, and detail the benefits included in the rate.
- Allowances shall be broken down by specific type and by person and must be in accordance with the applicant's written policies.
- Travel, per diem and other transportation expenses shall be detailed and include the number of international trips, expected itineraries, number of per diem days and per diem rates.
- Specify all equipment to be purchased and the expected geographic source.
- Other direct costs such as supplies, communication costs, photocopying, visas, passports, and other general costs should be separate cost line items.
- Financial plans for all proposed sub-grants and subcontracts shall have the same format and level of detail as those of the applicant.

B. A current Negotiated Indirect Cost Rate Agreement (NICRA).

C. Applicants who do not currently have a Negotiated Indirect Cost Rate Agreement (NICRA) from their cognizant agency shall also submit the following information:

1. copies of the applicant's financial reports for the previous 3-year period, which have been audited by a certified public accountant or other auditor satisfactory to USAID;
2. projected budget, cash flow and organizational chart;
3. a copy of the organization's accounting manual.

D. Required Certifications and Representations (as attached in Section D of the RFA):

E. Details regarding the proposed level of cost sharing by your organization. While there is not stated minimum required cost share amount, applicants are encouraged to give serious consideration to the amount they propose as a signal of the applicant's commitment to the activity (see Section B, Selection Criteria).

F. Applicants should submit any additional evidence of responsibility deemed necessary for the Grant Officer to make a determination of responsibility. The information submitted should substantiate that the Applicant:

1. Has adequate financial resources or the ability to obtain such resources as required during the performance of the award.
2. Has the ability to comply with the award conditions, taking into account all existing and currently prospective commitments of the applicant, non-governmental and governmental.
3. Has a satisfactory record of performance. Past relevant unsatisfactory performance is ordinarily sufficient to justify a finding of non-responsibility, unless there is clear evidence of subsequent satisfactory performance.
4. Has a satisfactory record of integrity and business ethics; and

5. Is otherwise qualified and eligible to receive a grant under applicable laws and regulations (e.g., EEO).

G. Applicants that have never received a grant, cooperative agreement or contract from the U.S. Government are required to submit a copy of their accounting manual. If a copy has already been submitted to the U.S. Government, the applicant should advise which Federal Office has a copy.

TECHNICAL APPLICATION FORMAT

A. The technical application must set forth in some detail the conceptual approach, methodology, and techniques for the accomplishment of the stated objectives. The program should define, to the maximum extent possible at the application stage, results and benchmarks for monitoring progress in achieving the results. A draft internal monitoring and evaluation plan must be included.

B. Applicants are encouraged to propose innovative implementation designs to reach the desired results, and an aggressive but realistic schedule of performance milestones as steps toward reaching those results. The determination of successful performance will be based upon the achievement of the desired results and not merely the generation of activities. The process is expected to be dynamic and will be evaluated on an ongoing basis. The technical application must contain a draft implementation plan for the award period that provides a detailed work plan and timeline for achieving the program objectives. A final implementation plan is due within 45 days after the award is made. The implementation plan should, at a minimum, include the following:

- Activities to be performed,
- Date (or period) of activities,
- Partners involved,
- Type of collaboration,
- Role and responsibilities of partners,
- Results to be achieved, etc.

C. The application shall include a draft performance monitoring/evaluation plan for measuring and reporting on progress towards the achievement of the performance, based on the implementation plan. A final Performance Monitoring Plan is due within 45 days after the award is made.

D. Applications will be evaluated based upon both the level of achievement proposed and the realism of the plan for reaching that level of achievement. Post-award recipient performance will be evaluated against the standards proposed by the applicant and accepted by the Government, so well-documented realism in the statement of these program objectives is essential.

E. It is recommended that applicants study the selection/evaluation criteria outlined in Section B of the RFA and organize their proposals accordingly.

F. The applicant should discuss how resources will be organized to obtain expected results. The applicant should discuss fully the "what" and the "how" of its plan. The purpose of this approach is to allow the applicant greater creative freedom to develop a plan for resource organization and use.

G. Specify the composition and organizational structure of the entire implementation team (including home office support) and describe each staff member's role, technical expertise and estimated amount of time each will devote to the project. Indicate the names and provide resumes of all important managerial and technical personnel to be assigned to this program activity. Proposed personnel not yet identified may be shown as "TBD" (to be determined).

H. Organizational Capability: Applicants must offer evidence of their technical resources and expertise in addressing relevant problems and issues. The information presented should clearly indicate pertinent work experience and representative

accomplishments in developing and implementing programs of the type specified in the RFA. Care shall be taken to establish the relevance of past experience to this program and the basis for reliance upon that experience as an indicator of success on this program. Information in this section should include (but is not limited to) the following:

- Brief description of organizational history/expertise;
- Pertinent work experience and representative accomplishments in developing and implementing programs of the type required under the proposed RFA;
- Evidence of a successful record of implementing projects overseas, and in Benin, if applicable;
- Relevant experience with proposed approaches;
- Institutional strength as represented by breadth and depth of experienced personnel in project relevant disciplines/areas;
- Sub-recipient capabilities and expertise;
- Proposed field management structure and financial controls; and
- Home-office backstopping and its purposes.

I. **Past Performance References:** Applications must include a complete list of all U.S. Governmental and/or privately funded contracts, grants, cooperative agreements, etc. received by your organization in the last three fiscal years involving programs similar to the program proposed in your application. Include the following for each award listed:

- Name of awarding organization or agency;
- Address of awarding organization or agency;
- Place of performance of services or program;
- Award number;
- Amount of award;
- Term of award (begin and end dates of services/program);
- Name, current telephone number, current fax number, and Internet address (if one is available) of a responsible technical representative of that organization or agency; and
- Brief description of the program.

J. **Past Performance Questionnaires:** In addition to the past performance references mentioned above, applicants shall send the Past Performance Questionnaire (in Section E –ANNEXES) to all organizations provided as past performance references. Applicants shall request that such organizations complete the questionnaire and return it directly to the address indicated on the Questionnaire no later than the closing date specified in the RFA cover letter.

K. **Sub-grantees/Sub-contracts:** Applicants that intend to utilize sub-grantees and/or sub-contractors shall indicate the extent of utilization intended, the method of identifying and selecting them and the tasks/functions they will be performing. Applicants shall state whether or not they have existing relationships with these other organizations and the nature of the relationship (e.g., sub-grantee, sub-contractor, partnership etc). The applicant must specify the technical resources and expertise of proposed sub-contract/sub-recipient organizations. Information for proposed sub-grantees and/or sub-contractors should follow the same format as that submitted by the applicant.

SECTION B - SELECTION CRITERIA

The criteria presented below have been tailored to the requirements of this particular RFA. Applicants should note that these criteria serve to: (a) identify the significant matters which applicants should address in their applications and (b) set the standard against which all applications will be evaluated. To facilitate the review of applications, applicants should organize the narrative sections of their applications in the same order as the selection criteria.

The technical applications will be evaluated in accordance with the Technical Evaluation Criteria set forth below. Thereafter, the cost application of all applicants submitting a technically acceptable application will be opened and costs will be evaluated for general reasonableness, allowability, and allocability. To the extent that they are deemed necessary (if award is not made based on initial applications), negotiations may be conducted with each applicant whose application, after discussion and negotiation, has a reasonable chance of being selected for award. Awards will be made to responsible applicants whose applications offer the greatest value, cost and other factors considered.

Awards will be made based on the ranking of proposals according to the evaluation criteria identified below.

1. **STRATEGIC FIT** (30 points)

The likelihood that activities proposed under USAID strategic approach will make a significant contribution towards achieving the appropriate intermediate result identified in the above activity objectives and description. Also considered will be whether proposed milestones and indicators are realistic given the short time period for this activity.

2. **TECHNICAL APPROACH** (30 points)

Quality, technical knowledge, innovative ideas and responsiveness of the proposal with regards to the needs of the sector and options selected by USAID.

3. **PAST EXPERIENCE AND PERFORMANCE** (30 points)

Technical experience of the organization in the area of microenterprise development (microfinance). At least, five years of demonstrated experience in working in microfinance in West Africa and two years of interaction with MFIs (Microfinance Institutions) in Benin will be an advantage.

4. **ORGANIZATION EFFECTIVENESS** (25 points)

The ability of the organization to achieve its work plan in a realistic manner. The demonstrated effectiveness of the organization, in terms of internal structure, planning capacity and technical capacity in achieving expected results.

5. **COST EFFECTIVENESS** (20 points)

The cost effectiveness of the applicant's proposed activities and its ability to reach a wide base of beneficiaries.

6. **COUNTERPART CONTRIBUTION** (15 points)

Cost-sharing is essential for this activity. Preference will be given to organizations that propose a high level of cost sharing. Contributions include, but are not necessarily limited to financial contribution, equipment and human resources.

Applicants should note that although cost has not been assigned numerical points, the application budget will be evaluated for general reasonableness of the proposed costs. Costs which do not directly support program objectives should be kept to a reasonable minimum. Excessive budgets for individual salaries, equipment and travel may result in the proposed program not being considered for USAID funding.

SECTION C - PROGRAM DESCRIPTION

1. BACKGROUND

Experience with USAID programs has shown that a stronger civil society can emerge when community members are able to work collectively to address immediate problems that affect the community. In 1997 USAID/Benin linked microenterprise development to its efforts to promote good governance. USAID/Benin had already been working with communities to address issues in health and education. The Mission adopted this synergistic approach in order to encourage and facilitate greater community action in local decision making. We expect that empowered communities will demand greater transparency and accountability from local officials. Thus, the support to micro enterprise development became an important approach to achieving the Mission's special objective: "Improved Governance in Productive and Social Sectors."

Included among the diverse USAID/Benin initiatives aimed at improving governance is the Microenterprise Development Project implemented by VITA/Microbank, which was ultimately transformed into an autonomous, local microfinance institution called VITAL FINANCE. The objective of this activity was to provide micro loans to individuals and vulnerable groups, particularly women. With increased income, the program beneficiaries are able to satisfy their basic needs in education and health and pay local taxes. This economic empowerment is expected to have a positive impact on their ability to effectively participate in local decision-making.

With USAID/Benin, Microfinance institutions such as PADME and the VITA/Micro-Bank program made impressive strides towards professionalizing their operations and achieving financial autonomy. Vital Finance an institution created by USAID, exceeded its targets for financial autonomy and significantly increased its loan portfolio. However, USAID quickly realized that satisfying increasing demand for micro-credit was a challenge to be taken on by the whole sector, not just one Microfinance Institution (MFI).

Several studies indicated that, despite the relative success (financial autonomy) of a few direct loan MFIs and, the growing interest on the part of civil society and other private groups to engage in micro-credit activities as a tool to reduce poverty in Benin, issues of coordination, weak managerial, financial, organizational and advocacy capacity still plague the microfinance industry. On the one hand, the enabling environment (legislation and facilitation role) is still not well defined by the Government though the Ministry of Finance has created the "Cellule de Micro-finance" as part of an effort to regulate the sub-sector and reduce its vulnerability. On the other hand, the expected advocacy role from civil society is not effective despite the creation of the ALAFIA Consortium, an association of microfinance practitioners, which also holds out the promise of improving coordination and networking among MFIs. The Consortium's institutional capacity to represent MFIs, mobilize additional credit capital, coordinate training and police its members is still weak especially at the grassroots level.

USAID/Benin's support for this sub-sector is aligned with priorities set by the Government of Benin (GOB). In Benin's poverty reduction strategy, microfinance is considered to be an important tool for promoting private initiatives, thereby positively impacting on economic growth. The USAID/Benin microfinance strategy aims to support GOB policy by providing support for greater coordination and professionalism among stakeholders. A major focus of Mission assistance will be to support the productive sector and strengthen economic governance, particularly in rural areas of Benin.

2. MICROFINANCE ENVIRONMENT IN BENIN AND USAID STRATEGY

In March and April 2001 a local consulting team conducted an assessment which findings and recommendation served as the basis for the development of a strategy that will henceforth guide USAID/Benin microfinance actions.

2.1 The major needs of the microfinance sub-sector

The primary stimulus for the emerging microfinance subsector in Benin has arisen from failures and limitations within the formal financial systems. Bankruptcies of agricultural savings and loan institutions, which served as virtually the only framework for agricultural financing, have deprived people living in rural areas of any formal sources of financing. Their best option for obtaining credit is through informal MFIs and popular approaches such as savings clubs. However such institutions are unable to efficiently meet the needs of the communities they serve. The problems affecting these institutions include inability to meet professional standards for responsible management and to mobilize an adequate capital base.

The National Regulatory body, the Microfinance Unit was established in January 1998 to provide oversight to the microfinance sector and to work to harmonize the actions of microfinance practitioners. To date the Unit has not been effective in accomplishing its mission. In general, it lacks vision and institutional capacity to carry out its responsibilities. It currently gets limited support from the World Bank to enable it to professionalize and self-regulate the sub-sector so that savings and loans, along with other microfinance institutions (MFIs), adhere to higher standards.

Pending the creation of a formal association of registered microfinance institutions similar to that of local bankers association, the ALAFIA Consortium (a network of all microfinance stakeholders) leads the *professionalization* and self policing of the microfinance stakeholders. Despite this laudable initiative, the performance of the network in coordinating training, advocating for the improvement of legislation, mobilization of private capital funding, establishment of credit rating etc. is still not fully effective. These weaknesses continue to have a negative effect on the microfinance sub-sector as a whole.

Many non-formal MFIs lack the capacity to manage their portfolios, promote internal governance, ensure sustainability and expand their programs. The USAID assessment specifically noted the fact that the sector shows a negative return on investment amounting to \$800,000 due to the inefficiency of at least 50% of the MFIs. The weaknesses are primarily due to lack of qualified personnel, inadequate management tools, irrelevant or ambiguous strategy and limits in the level of institutionalization. In fact, most the MFIs that are considered to have succeeded in the sub-sector do not systematically adhere to set microfinance standards and still expose clients to various risks of fraudulent nature. Most microfinance projects implemented by NGO members of the Consortium for example, though they claim to have viable microfinance component, they have no real incentive become sustainable MFIs. Because donors heavily subsidize their operations, they pride themselves at offering loans at low or zero interest rate to reach the very poor thereby, disregarding the repayment rate. By so doing they send a wrong message to clients, encouraging them to default on micro-loans and discrediting the sub-sector. In other respects, raising high yield savings through direct deposits enables Microfinance institutions such as mutuals to mobilize enough capital to offer loans to small and disadvantage communities based on the framework of the Albanese pyramid. Such savings requirements, which are used as collateral to guarantee loans are carried out virtually without any control, often on the basis of the simple approval of a sectoral ministry, whereas “serious” MFIs are required to comply with the provisions of legislation which is not, always adapted to all situations.

Today, microfinance has become an area of priority for donors. They falsely believe that microfinance is the solution to all development ills and expect short-term results. Interventions of most donors in microfinance are doing a disservice to strengthening the sub-sector. Donor actions are not often geared toward professionalism or sustainability of the sub-sector. They seek the easy way out by subsidising multipurpose NGOs.

2.2 USAID New Strategic Approach

USAID/Benin does not pretend to address all the weaknesses identified in the above assessment. As a catalyst, USAID/Benin strategy is modest in scope and aims at extending support to targeted stakeholders in order to improve the enabling environment of the microfinance sub-sector. The major areas of the strategy include: a) reinforcing the facilitation and monitoring capacity of the microfinance unit, b) strengthening the organization, coordination and advocacy capacities of the Consortium Alafia a local MFI network, c) increasing the management and financial capacities

of selected rural based microfinance institutions, d) improving the training and research capacities microfinance independent service providers, and e) improving coordination among donors. However, for the purpose of this project only the last four will be covered.

USAID plans to build on its comparative advantage in the microfinance sector by continuing with activities aimed at strengthening microfinance institutions. By strengthening the board and targeted members of the Consortium ALAFIA, USAID hopes to equip microfinance institutions with necessary tools that will enable them to expand their programs and thereby serve a larger number of clients. Special attention will be placed on communities in rural areas, particularly women and other vulnerable groups. To maximize synergistic gains, USAID/Benin intends to focus on specific needs of communities living within its geographic focus e.g., areas where USAID education and health programs are implemented.

In addition, USAID plans to increase collaboration with UNDP and other donors intervening in the sector. USAID will encourage other donors to direct their efforts towards helping the Government in the formulation of policies and strategies, assisting in the upgrade the MFIs' system of operation and foster greater coordination on donor interventions and regional focus.

More over, given that the microfinance sector in Benin is growing, it is important that local expertise be developed for greater sustainability and cost efficiency. Few private training institutions and consulting firms that specialize in microfinance such as: BIM (Engineering Bureau of Microfinance), ISPEC (Panafrikan High Institute of Cooperative Economy-ISPEC), BASF (Bureau of Support for Financial Services), and CANAL AUDIT etc. will be offered training opportunities if they are willing to share the cost. Given that microfinance is an area in which concepts and practices are constantly changing, these institutions need to update their knowledge base.

3. SPECIFIC OBJECTIVE OF THIS ACTIVITY AND EXPECTED RESULTS

The specific objective of this program is to *strengthen the institutional, managerial, financial and advocacy competencies of a selected number Microfinance stakeholders.*

The following results and illustrative activities are suggested:

3.1. Strengthen the institutional capacity of Consortium ALAFIA

Expected Results

- 1) Improved internal governance and more effective, equitable participation of members in the management and decision-making,
- 2) Strengthened advocacy skills, whereby Consortium ALAFIA plays an active role in influencing microfinance policy,
- 3) Consortium ALAFIA's capacity further strengthened to serve as a resource for non-formal MFIs, for example by coordinating training activities

Illustrative activities

- 1) Provide training and facilitation to Consortium staff in strategic planning, technical/managerial skills and customer outreach.
- 2) Provide logistical and material support such as computers, hiring of training facilities, and office supplies/furnishing of Consortium Alafia or identified four rural-based microfinance institutions,
- 3) Provide training to Consortium staff and staff of targeted member institutions in advocacy skills.
- 4) Participate in meetings with various stakeholders, including other donors and the Microfinance Unit, to discuss an agenda for regulatory reform in the sector.
- 5) Organize TOT training for Consortium staff who will then function as trainers of staff from targeted member MFIs

The Consortium will receive support to overcome the problems identified by the assessment. This may entail working with the Consortium to undertake studies, assessments, or other forms of data collection and to work with the Consortium to analyze information and disseminate findings. This action will enable the Consortium to better achieve its objectives and influence policy change that will be initiated and implemented by the Unit of Microfinance to improve the sector environment. The Consortium will receive support to document, disseminate and encourage best practices among MFIs in order for them to adopt good standards, norms and principles. This is expected to increase their credibility vis-à-vis donors, private investors, commercial banks and their clients.

Institutional support and training will be provided to the ALAFIA Consortium in order to improve its networking and coordinating capacity.

3.2. Strengthen Microfinance Institutions in rural areas

Expected Results

- 1) A greater number of clients are served, particularly those living in rural areas along with women and other vulnerable groups
- 2) Targeted MFIs improve their ability to manage loan portfolios and expand services
- 3) Improved internal governance and more effective, equitable participation of members in the management and decision-making of microfinance networks,

Illustrative activities

Examples of activities include training governing board members of selected MFIs of the Consortium Alafia on business planning, performance follow-up, oversight and supervision as well as in fundraising techniques. MFI staff members will also receive training in implementing business plans.

3.3. Strengthen Private Microfinance Training Institutions and Consulting Firms

Expected Results

- 1) A tender, market-oriented system to provide technical assistance in the microfinance sector is established
- 2) International MFIs are coupled with local service providers
- 3) Training and assessment are organized and conducted jointly with local service providers.

Illustrative activities

Skills, expertise and knowledge of local consulting firms or independent experts in providing technical assistance in microfinance will be developed through training and participation in microfinance workshops. Qualified consulting firms will be selected based on criteria set up in collaboration with the Microfinance Unit and the Consortium ALAFIA. Training of private consulting service providers will focus on how to increase their access to and use of Internet resources to improve the quality of services provided to MFIs and other players in the sector.

Additional activities under this objective may include an inventory of the for-profit firms working in the business development market as well as donor and government programs. Also, the program will determine the degree to which services provided meet the needs of micro and small enterprises in rural, urban and peri-urban areas.

3.4. Strengthen Donor Coordination

Expected results

- 1) a policy dialogue strategy for the sector is drafted for USAID
- 2) a quarterly microfinance sector donors meeting is organized jointly with UNDP
- 3) a semi-annual meeting is organized with practitioners.

Illustrative activities

Activities may include organizing round-tables, and other consultations among donors.

SECTION D

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

CERTIFICATIONS, ASSURANCES, AND OTHER STATEMENTS OF RECIPIENT [1][2]

PART I - CERTIFICATIONS AND ASSURANCES

1. ASSURANCE OF COMPLIANCE WITH LAWS AND REGULATIONS GOVERNING NON-DISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS

(a) The recipient hereby assures that no person in the United States shall, on the bases set forth below, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under, any program or activity receiving financial assistance from USAID, and that with respect to the grant for which application is being made, it will comply with the requirements of:

(1) Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352, 42 U.S.C. 2000-d), which prohibits discrimination on the basis of race, color or national origin, in programs and activities receiving Federal financial assistance;

(2) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), which prohibits discrimination on the basis of handicap in programs and activities receiving Federal financial assistance;

(3) The Age Discrimination Act of 1975, as amended (Pub. L. 95-478), which prohibits discrimination based on age in the delivery of services and benefits supported with Federal funds;

(4) Title IX of the Education Amendments of 1972 (20 U.S.C. 1681, et seq.), which prohibits discrimination on the basis of sex in education programs and activities receiving Federal financial assistance (whether or not the programs or activities are offered or sponsored by an educational institution); and

(5) USAID regulations implementing the above nondiscrimination laws, set forth in Chapter II of Title 22 of the Code of Federal Regulations.

(b) If the recipient is an institution of higher education, the Assurances given herein extend to admission practices and to all other practices relating to the treatment of students or clients of the institution, or relating to the opportunity to participate in the provision of services or other benefits to such individuals, and shall be applicable to the entire institution unless the recipient establishes to the satisfaction of the USAID Administrator that the institution's practices in designated parts or programs of the institution will in no way affect its practices in the program of the institution for which financial assistance is sought, or the beneficiaries of, or participants in, such programs.

(c) This assurance is given in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property, discounts, or other Federal financial assistance extended after the date hereof to the recipient by the Agency, including installment payments after such date on account of applications for Federal financial assistance which were approved before such date. The recipient recognizes and agrees that such Federal financial assistance will be extended in reliance on the representations and agreements made in this Assurance, and that the United States shall have the right to seek judicial enforcement of this Assurance. This Assurance is binding on the recipient, its successors, transferees, and assignees, and the person or persons whose signatures appear below are authorized to sign this Assurance on behalf of the recipient.

2. CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

(a) Instructions for Certification

(1) By signing and/or submitting this application or grant, the recipient is providing the certification set out below.

(2) The certification set out below is a material representation of fact upon which reliance was placed when the agency determined to award the grant. If it is later determined that the recipient knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, the agency, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.

(3) For recipients other than individuals, Alternate I applies.

(4) For recipients who are individuals, Alternate II applies.

(b) Certification Regarding Drug-Free Workplace Requirements

Alternate I

(1) The recipient certifies that it will provide a drug-free workplace by:

(A) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the applicant's/grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;

(B) Establishing a drug-free awareness program to inform employees about--

1. The dangers of drug abuse in the workplace;
2. The recipient's policy of maintaining a drug-free workplace;
3. Any available drug counseling, rehabilitation, and employee assistance programs; and
4. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

(C) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (b)(1)(A);

(D) Notifying the employee in the statement required by paragraph (b)(1)(A) that, as a condition of employment under the grant, the employee will--

1. Abide by the terms of the statement; and
2. Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;

(E) Notifying the agency within ten days after receiving notice under subparagraph (b)(1)(D)1, from an employee or otherwise receiving actual notice of such conviction;

(F) Taking one of the following actions, within 30 days of receiving notice under subparagraph (b)(1)(D)2., with respect to any employee who is so convicted--

1. Taking appropriate personnel action against such an employee, up to and including termination; or
2. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;

(G) Making a good faith effort to continue to maintain a drug- free workplace through implementation of paragraphs (b)(1)(A), (b)(1)(B), (b)(1)(C), (b)(1)(D), (b)(1)(E) and (b)(1)(F).

(2) The recipient shall insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance (Street address, city, county, state, zip code)

Alternate II

The recipient certifies that, as a condition of the grant, he or she will not engage in the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance in conducting any activity with the grant.

3. CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS -- PRIMARY COVERED TRANSACTIONS [3]

(a) Instructions for Certification

1. By signing and submitting this proposal, the prospective primary participant is providing the certification set out below.
2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out below. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.
4. The prospective primary participant shall provide immediate written notice to the department or agency to whom this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

5. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meaning set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. [4] You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of those regulations.

6. The prospective primary participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.

7. The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transaction," [5] provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the methods and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List.

9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealing.

10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.

(b) Certification Regarding Debarment, Suspension, and Other Responsibility Matters--Primary Covered Transactions

(1) The prospective primary participant certifies to the best of its knowledge and belief, the it and its principals:

(A) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;

(B) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(C) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(B) of this certification;

(D) Have not within a three-year period proceeding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.

(2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

4. CERTIFICATION REGARDING LOBBYING

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, United States Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that: If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

5. PROHIBITION ON ASSISTANCE TO DRUG TRAFFICKERS FOR COVERED COUNTRIES AND INDIVIDUALS (ADS 206)

USAID reserves the right to terminate this [Agreement/Contract], to demand a refund or take other appropriate measures if the [Grantee/ Contractor] is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140. The undersigned shall review USAID ADS 206 to determine if any certification are required for Key Individuals or Covered Participants.

If there are COVERED PARTICIPANTS: USAID reserves the right to terminate assistance to, or take or take other appropriate measures with respect to, any participant approved by USAID who is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking as defined in 22 CFR Part 140.

The recipient has reviewed and is familiar with the proposed grant format and the applicable regulations, and takes exception to the following (use a continuation page as necessary):

Solicitation No. _____

Application/Proposal No. _____

Date of Application/Proposal _____

Name of Recipient _____

Typed Name and Title _____

Signature _____ Date _____

[1] FORMATS\GRNTCERT: Rev. 06/16/97 (ADS 303.6, E303.5.6a) [2] When these Certifications, Assurances, and Other Statements of Recipient are used for cooperative agreements, the term "Grant" means "Cooperative Agreement". [3] The recipient must obtain from each identified subgrantee and (sub)contractor, and submit with its application/proposal, the Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion -- Lower Tier Transactions, set forth in Attachment A hereto. The recipient should reproduce additional copies as necessary. [4] See ADS Chapter E303.5.6a, 22 CFR 208, Annex1, App A. [5] For USAID, this clause is entitled "Debarment, Suspension, Ineligibility, and Voluntary Exclusion (March 1989)" and is set forth in the grant standard provision entitled "Debarment, Suspension, and Related Matters" if the recipient is a U.S. nongovernmental organization, or in the grant standard provision entitled "Debarment, Suspension, and Other Responsibility Matters" if the recipient is a non-U.S. nongovernmental organization.

PART II - OTHER STATEMENTS OF RECIPIENT

1. AUTHORIZED INDIVIDUALS

The recipient represents that the following persons are authorized to negotiate on its behalf with the Government and to bind the recipient in connection with this application or grant:

Name	Title	Telephone No.	Facsimile No.	Email Address
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

2. TAXPAYER IDENTIFICATION NUMBER (TIN)

If the recipient is a U.S. organization, or a foreign organization which has income effectively connected with the conduct of activities in the U.S. or has an office or a place of business or a fiscal paying agent in the U.S., please indicate the recipient's TIN:

TIN: _____

3. CONTRACTOR IDENTIFICATION NUMBER - DATA UNIVERSAL NUMBERING SYSTEM (DUNS) NUMBER

(a) In the space provided at the end of this provision, the recipient should supply the Data Universal Numbering System (DUNS) number applicable to that name and address. Recipients should take care to report the number that identifies the recipient's name and address exactly as stated in the proposal.

(b) The DUNS is a 9-digit number assigned by Dun and Bradstreet Information Services. If the recipient does not have a DUNS number, the recipient should call Dun and Bradstreet directly at 1-800-333-0505. A DUNS number will be provided immediately by telephone at no charge to the recipient. The recipient should be prepared to provide the following information:

- (1) Recipient's name.
- (2) Recipient's address.
- (3) Recipient's telephone number.
- (4) Line of business.
- (5) Chief executive officer/key manager.
- (6) Date the organization was started.
- (7) Number of people employed by the recipient.
- (8) Company affiliation.

(c) Recipients located outside the United States may obtain the location and phone number of the local Dun and Bradstreet Information Services office from the Internet Home Page at <http://www.dbisna.com/dbis/customer/custlist.htm>. If an offeror is unable to locate a local service center, it may send an e-mail to Dun and Bradstreet at globalinfo@dbisma.com.

The DUNS system is distinct from the Federal Taxpayer Identification Number (TIN) system.

DUNS: _____

4. LETTER OF CREDIT (LOC) NUMBER

If the recipient has an existing Letter of Credit (LOC) with USAID, please indicate the LOC number:

LOC: _____

5. PROCUREMENT INFORMATION

(a) **Applicability.** This applies to the procurement of goods and services planned by the recipient (i.e., contracts, purchase orders, etc.) from a supplier of goods or services for the direct use or benefit of the recipient in conducting the program supported by the grant, and not to assistance provided by the recipient (i.e., a subgrant or subagreement) to a subgrantee or subrecipient in support of the subgrantee's or subrecipient's program. Provision by the recipient of the requested information does not, in and of itself, constitute USAID approval.

(b) **Amount of Procurement.** Please indicate the total estimated dollar amount of goods and services which the recipient plans to purchase under the grant:

\$ _____

(c) **Nonexpendable Property.** If the recipient plans to purchase nonexpendable equipment which would require the approval of the Agreement Officer, please indicate below (using a continuation page, as necessary) the types, quantities of each, and estimated unit costs. Nonexpendable equipment for which the Agreement Officer's approval to purchase is required is any article of nonexpendable tangible personal property charged directly to the grant, having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

TYPE/DESCRIPTION(Generic)	QUANTITY	ESTIMATED UNIT COST
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(d) **Source, Origin, and Componentry of Goods.** If the recipient plans to purchase any goods/commodities which are not of U.S. source and/or U.S. origin, please indicate below (using a continuation page, as necessary) the types and quantities of each, estimated unit costs of each, and probable source and/or origin. "Source" means the country from which a commodity is shipped to the cooperating country or the cooperating country itself if the commodity is located therein at the time of purchase. However, where a commodity is shipped from a free port or bonded warehouse in the form in which received therein, "source" means the country from which the commodity was shipped to the free port or bonded warehouse. Any commodity whose source is a non-Free World country is ineligible for USAID financing. The "origin" of a commodity is the country or area in which a commodity is mined, grown, or produced. A commodity is produced when, through manufacturing, processing, or substantial and major assembling of components, a commercially recognized new commodity results, which is substantially different in basic characteristics or in purpose or utility from its components. Merely packaging various items together for a particular procurement or relabeling items does not constitute production of a commodity. Any commodity whose origin is a non-Free World country is ineligible for USAID

financing. "Components" are the goods which go directly into the production of a produced commodity. Any component from a non-Free World country makes the commodity ineligible for USAID financing.

TYPE/DESCRIPTION (Generic)	QUANTITY UNIT COST	ESTIMATED COMPONENTS	GOODS SOURCE	PROBABLE COMPONENTS	GOODS ORIGIN
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(e) Restricted Goods. If the recipient plans to purchase any restricted goods, please indicate below (using a continuation page, as necessary) the types and quantities of each, estimated unit costs of each, intended use, and probable source and/or origin. Restricted goods are Agricultural Commodities, Motor Vehicles, Pharmaceuticals, Pesticides, Rubber Compounding Chemicals and Plasticizers, Used Equipment, U.S. Government-Owned Excess Property, and Fertilizer.

TYPE/DESCRIPTION (Generic)	QUANTITY UNIT COST	ESTIMATED SOURCE	PROBABLE ORIGIN	PROBABLE INTENDED USE
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(f) Supplier Nationality. If the recipient plans to purchase any goods or services from suppliers of goods and services whose nationality is not in the U.S., please indicate below (using a continuation page, as necessary) the types and quantities of each good or service, estimated costs of each, probable nationality of each non-U.S. supplier of each good or service, and the rationale for purchasing from a non-U.S. supplier. Any supplier whose nationality is a non-Free World country is ineligible for USAID financing.

TYPE/DESCRIPTION (Generic)	QUANTITY UNIT COST	ESTIMATED (Non-US Only)	PROBABLE SLUPPIER for NON-US	NATIONALITY	RATIONALE
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(g) Proposed Disposition. If the recipient plans to purchase any nonexpendable equipment with a unit acquisition cost of \$5,000 or more, please indicate below (using a continuation page, as necessary) the proposed disposition of each such item. Generally, the recipient may either retain the property for other uses and make compensation to USAID (computed by applying the percentage of federal participation in the cost of the original program to the current fair market value of the property), or sell the property and reimburse USAID an amount computed by applying to the sales proceeds the percentage of federal participation in the cost of the original program (except that the recipient may deduct from the federal share \$500 or 10% of the proceeds, whichever is greater, for selling and handling expenses), or donate the property to a host country institution, or otherwise dispose of the property as instructed by USAID.

TYPE/DESCRIPTION(Generic)	QUANTITY	ESTIMATED UNIT COST	PROPOSED	DISPOSITION
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6. PAST PERFORMANCE REFERENCES

On a continuation page, please provide a list of the ten most current U.S. Government and/or privately-funded contracts, grants, cooperative agreements, etc., and the name, address, and telephone number of the Contract/Agreement Officer or other contact person.

7. TYPE OF ORGANIZATION

The recipient, by checking the applicable box, represents that -

(a) If the recipient is a U.S. entity, it operates as a corporation incorporated under the laws of the State of, an individual, a partnership, a nongovernmental nonprofit organization, a state or local governmental organization, a private college or university, a public college or university, an international organization, or a joint venture; or

(b) If the recipient is a non-U.S. entity, it operates as a corporation organized under the laws of _____ (country), an individual, a partnership, a nongovernmental nonprofit organization, a nongovernmental educational institution, a governmental organization, an international organization, or a joint venture.

8. ESTIMATED COSTS OF COMMUNICATIONS PRODUCTS

The following are the estimate(s) of the cost of each separate communications product (i.e., any printed material [other than non-color photocopy material], photographic services, or video production services) which is anticipated under the grant. Each estimate must include all the costs associated with preparation and execution of the product. Use a continuation page as necessary.

Attachment A

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION LOWER TIER COVERED TRANSACTIONS

(a) Instructions for Certification

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.

2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

4. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, has the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. 1/ You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.

5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.

6. The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier covered Transaction," 2/ without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Non procurement List.

8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized under paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

(b) Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transactions

(1) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Solicitation No. _____

Application/Proposal No. _____

Date of Application/Proposal _____

Name of Applicant/Subgrantee _____

Typed Name and Title _____

Signature _____

1/ See ADS Chapter 303, 22 CFR 208.

2/ For USAID, this clause is entitled "Debarment, Suspension, Ineligibility, and Voluntary Exclusion (March 1989)" and is set forth in the USAID grant standard provision for U.S. nongovernmental organizations entitled "Debarment, Suspension, and Related Matters" (see ADS Chapter 303), or in the USAID grant standard provision for non-U.S. nongovernmental organizations entitled "Debarment, Suspension, and Other Responsibility Matters" (see ADS Chapter 303).

KEY INDIVIDUAL CERTIFICATION NARCOTICS OFFENSES AND DRUG TRAFFICKING

I hereby certify that within the last ten years:

1. I have not been convicted of a violation of, or a conspiracy to violate, any law or regulation of the United States or any other country concerning narcotic or psychotropic drugs or other controlled substances.
2. I am not and have not been an illicit trafficker in any such drug or controlled substance.
3. I am not and have not been a knowing assistor, abettor, conspirator, or colluder with others in the illicit trafficking in any such drug or substance.

Signature: _____

Date: _____

Name: _____

Title/Position: _____

Organization: _____

Address: _____

Date of Birth: _____

NOTICE:

1. You are required to sign this Certification under the provisions of 22 CFR Part 140, Prohibition on Assistance to Drug Traffickers. These regulations were issued by the Department of State and require that certain key individuals of organizations must sign this Certification.
2. If you make a false Certification you are subject to U.S. criminal prosecution under 18 U.S.C. 1001.

PARTICIPANT CERTIFICATION NARCOTICS OFFENSES AND DRUG TRAFFICKING

1. I hereby certify that within the last ten years:

a. I have not been convicted of a violation of, or a conspiracy to violate, any law or regulation of the United States or any other country concerning narcotic or psychotropic drugs or other controlled substances.

b. I am not and have not been an illicit trafficker in any such drug or controlled substance.

c. I am not or have not been a knowing assistor, abettor, conspirator, or colluder with others in the illicit trafficking in any such drug or substance.

2. I understand that USAID may terminate my training if it is determined that I engaged in the above conduct during the last ten years or during my USAID training.

Signature: _____

Name: _____

Date: _____

Address: _____

Date of Birth: _____

NOTICE:

1. You are required to sign this Certification under the provisions of 22 CFR Part 140, Prohibition on Assistance to Drug Traffickers. These regulations were issued by the Department of State and require that certain participants must sign this Certification.

2. If you make a false Certification you are subject to U.S. criminal prosecution under 18 U.S.C. 1001.

FORMATS\GRNTCERT: Rev. 06/16/97 (ADS 303.6, E303.5.6a) When these Certifications, Assurances, and Other Statements of Recipient are used for cooperative agreements, the term "Grant" means "Cooperative Agreement". The recipient must obtain from each identified subgrantee and (sub)contractor, and submit with its application/proposal, the Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion -- Lower Tier Transactions, set forth in Attachment A hereto. The recipient should reproduce additional copies as necessary. See ADS Chapter E303.5.6a, 22 CFR 208, Annex 1, App A. For USAID, this clause is entitled "Debarment, Suspension, Ineligibility, and Voluntary Exclusion (March 1989)" and is set forth in the grant standard provision entitled "Debarment, Suspension, and Related Matters" if the recipient is a U.S. nongovernmental organization, or in the grant standard provision entitled "Debarment, Suspension, and Other Responsibility Matters" if the recipient is a non-U.S. nongovernmental organization.

SECTION E – ANNEXES

PAST PERFORMANCE QUESTIONNAIRE – 3 PAGES

Solicitation No. 680-03-007 “STRENGTHENING THE MICROFINANCE SECTOR IN BENIN”

SEND TO: **ATTN: Pascal Zinzindohoue**
 Public Participant Specialist, Dept of State – USAID, 2120 Cotonou Place
 Washington, D.C. 20521-2120
Fax: (229) 30-12-60
E-mail: pzinzindohoue@usaid.gov

1. CONTRACT/GRANT/COOPERATIVE AGREEMENT INFORMATION:

A. Name of Company Being Evaluated:

B. Address:

C. Contract/Grant Number:	E. Contract/Grant Value:	D. Contract/Grant Type:
---------------------------	--------------------------	-------------------------

F. Period of Performance:

2. DESCRIPTION OF CONTRACT/GRANT:

During the contract/grant being evaluated, this firm was the Prime Contractor/Grantee;
 Significant Subcontractor/Subgrantee; Team Member; Other (Describe)

Does anything other than a customer/supplier relationship exist between the firm being evaluated and your organization? If yes, please describe the nature of this relationship: No Yes

3. EVALUATOR:

Name: _____
Title: _____
Organization: _____
Address: _____
Telephone No.: _____ Fax No.: _____
E-Mail Address: _____

4. PERFORMANCE

O = Outstanding, VG = Very Good, G = Good, F = Fair, P = Poor, N/A = Not Applicable

A. Please rate the Contractor/Grantee's technical performance in the following areas:

1.	Meeting requirements	O	VG	G	F	P	N/A
2.	Qualifications of technical staff	O	VG	G	F	P	N/A
3.	Effectiveness of Key Personnel	O	VG	G	F	P	N/A
4.	Cooperation with customers	O	VG	G	F	P	N/A
5.	Timeliness	O	VG	G	F	P	N/A
6.	Ability to work independently	O	VG	G	F	P	N/A
7.	Responsiveness to changing requirements	O	VG	G	F	P	N/A
8.	Innovation	O	VG	G	F	P	N/A
9.	Completeness and accuracy	O	VG	G	F	P	N/A

B. Please rate the Contractor/Grantee's management in the following areas:

1.	Utilization of personnel	O	VG	G	F	P	N/A
2.	Effectiveness of management	O	VG	G	F	P	N/A
3.	Compliance with contract/grant	O	VG	G	F	P	N/A
4.	Personnel management	O	VG	G	F	P	N/A
5.	Prompt mobilization of staff and prompt start-up	O	VG	G	F	P	N/A
6.	Technical Reporting	O	VG	G	F	P	N/A
7.	Corporate Support	O	VG	G	F	P	N/A
8.	Local management autonomy	O	VG	G	F	P	N/A
9.	Cost Control	O	VG	G	F	P	N/A
10.	Business Reporting	O	VG	G	F	P	N/A
11.	Procurement	O	VG	G	F	P	N/A
12.	Subcontract/Subgrant Management (if applicable)	O	VG	G	F	P	N/A

5. RELEVANT EXPERIENCE

Please indicate whether or not the Contractor/Grantee worked in the following activity areas:

RELEVANT EXPERIENCE				
ACTIVITY AREA	SIGNIFICANT	MODERATE	MINIMAL	N/A
Network Capacity Building				
Training				
Strengthening Microfinance Institutions (in rural areas)				
Institutional capacity strengthening				
Advocacy capacity strengthening				
Developing the expertise of Microfinance private service providers				
Strengthening Donors' Coordination				

6. COMMENTS

PLEASE COMMENT ON CONTRACTOR/GRANTEE PERFORMANCE IN THE FOLLOWING AREAS:

A. Would you recommend this contractor for another contract/grant?

YES NO, Why not?

B. Comment on staffing stability in critical skill areas and supervisory positions.

C. Overall cost management

D. Award Fee/Incentive Fee Performance

E. Additional Comments

UNITED STATES AGENCY FOR INTERNATIONAL
DEVELOPMENT

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USAID/BENIN

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EVALUATION
OF THE NEEDS OF MICROFINANCE SUB-SECTOR :
PROPOSAL OF STRATEGIC OPTIONS

EVALUATION REPORT

May 2001
Machioudi TAIROU,
Consultant

Nazaire SADO
International Consultant
Microfinance

FOREWORD

This study has been conducted with the substantial contribution of Messrs Lazare HOTON and Mouritalabi BADAROU, respectively sociologist and bank and financial institution manager.

The team extends its gratitude to all those who worked with them for the completion of this task.

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ABBREVIATIONS AND ACRONYMS

ADF	African Development Foundation
ADIL	Association for the development of Grass-root Initiatives
AgeFIB	Grass-root Initiatives Bank
APRETECTRA	Association of Traditional Technology Rehabilitators
AssEF	Women Self-help Association
BASF	Office of Support for Financing Systems
BIM	Microfinance Engineering Office
BorneFonden	Children's Foundation
CAEC	Autonomous Savings and Credit Bank
CAT	Unit of Technical Support for the Private Sector Recovery
CBDD	Benin Centre for Sustainable Development
CBDIBA	Benin Centre for the Development of Grass-root Initiatives
2CM	Mutual Consular Union
CIP	Project Identification Committee
CIPEN	Coordination of Initiatives and New Projects
CMMB	Grass-root Bank of Mutual Associations
CMBTP	Property, Building, Public Works Bank
CRS	Catholic Relief Service
FECECAM	Federation of Savings and Agricultural Credit Intermediaries
FENACREP	National Federation of Savings and Agricultural Credit Intermediaries
FINADEV	Financial Development
GERAM	Group of Agricultural Expertise and Managerial Support
GERED	Group of Study and Research on Environment and Development
GRAPAD	Group of Research and Action for the Promotion of Agriculture and Development
GROPERE	Group for the Promotion and Exploration of Environmental Resources
IAMD	Institute for the Implementation of Development Methods
ISPEC	Panafrican Higher Institute of Cooperative Economy
PADME	Association for the Promotion and Support for Micro-enterprise Development
PAGER	Income-Generating Activity Scheme
PAMER-MONO	Project of Support for the Rural World - MONO
PAPME	Project of Support for Small and Medium-scale Enterprises
PISEA	Integration Scheme of the Unemployed in Agriculture
PROMIC	Microfinance and Marketing Scheme
SFD	Decentralized Financial Union
UR/CLCAM	Regional Union of Local Agricultural Credit Intermediaries
MFI	Microfinance Institution
FIDA	International Fund for Agricultural Development
ASF	Association of Financial Services
PADSA	Program Supporting the Agricultural Sector Development
SFR	Structure of Rural Financing
PAS	Structural Adjustment Program
MDB	Association for Grass-root Development
PA-SMEC	Program of Support for Savings and Credit Mutual Associations or Cooperatives

ASOPRIB	Association for the Promotion of Grass-root Initiatives
PARMEC	Program of Support for the Regulation of Savings and Loan Associations
FENU	United Nations Capital Development Fund
BAD AMINA	AMINA African Development Bank
AFMIN	African Network of Micro-Finance
USAID	United States Agency for International Development
CLCAM	Union of Local Agricultural Credit Intermediaries
CNCA	National Agricultural Credit Intermediary
PUFS	Swiss Fund Utilization Scheme
PNUD	United Nations Development Program
CAPE	Unit of Economic Policy Review
AFD	French Development Agency

Part One: SYNOPSIS AND RECOMMENDATIONS

SYNOPSIS AND RECOMMENDATIONS

The prize of “the most brilliant idea, which has made a mark with grass-root level development in the recent years” would certainly be awarded to the microfinance sub-sector. The last award was celebrated during the World Summit on Micro-credit held in 1997 in Washington, as one of the rare initiatives which has effectively contributed to the alleviation of poverty. Microfinance has, since then, become officially an instrument to combat poverty, and partners in development have undertaken to support this sub-sector through diverse means.

Microfinance is a movement essentially characterized in Benin by a supply of highly varied products and services. The number of formal microfinance institutions has increased from 25 in 1995 to 75 in 1999, to which it is advisable to add some 1,000 informal decentralized bodies. According to estimates, the sub-sector has some 430,000 clients, mobilizes savings to the tune of 30 billion CFA.F, a loan capital evaluated at 25 billion CFA.F and a staff strength some 2,200 people¹.

To support efforts deployed by the Government to make the best profit from this situation, USAID has placed its support for the sub-sector within the framework of its “Governance and Democracy” component. In this respect, it has decided to effectively support the decentralization scheme of the Government of Benin, increase the income of the citizens and bring about synergy in sectors of development.

In 1997, USAID took the initiative of linking the development of microfinance to governance. Through such a strategic approach, USAID expects to increase Beninese populations’ participation in local development. More precisely, “such a strategy rests on the assumption that increase in beneficiaries’ income through microfinance can help meet their vital needs of education and health and increase their participation in decision-making at local levels, as they are in a position to pay their local taxes”. As a result, it is not possible to talk about local governance without satisfying the priorities of local people.

The major intervention of USAID/Benin in the sub-sector of microfinance has materialized through the establishment of VITAL FINANCE BENIN (former VITA-MICROBANK) which commenced its activities in June 1998. It belongs to the better managed rare institutions in the country with a loan capital evaluated at 404 million as at 30/06/2000, a number of active clients reaching 3,000² (of which 85% are women) and a repayment rate of 98%. The institution has to date three (3) branches and envisions a countrywide coverage. It is also to be noted that USAID/Washington supports PADME, CRS and AFRICARE in the implementation of activities related to microfinance.

On the basis of encouraging results and considering the political will shown by the Government of Benin in giving priority to microfinance as a means and strategy for poverty alleviation, USAID envisions from now on to adopt a new approach to the continuation of its support for the sub-sector. This strategy will be a more global approach to create the enabling environment required for the harmonious development of the sub-sector.

This mission falls in line with such a statement and aims at exploring opportunities and reviewing impediments to the development of the sub-sector of microfinance, so that USAID/Benin could

¹ Estimations made on the basis of data collected during our field investigations.

² GIRAFE Evaluation report on VITAL FINANCE BENIN, 2000

complement its support to make microfinance more productive, efficient and targeted on the objectives of poverty reduction.

At the end of the mission, the sub-sector of microfinance would have been evaluated and proposals for strategic options would have been worked out to enable USAID/Benin to back up and promote the economic and social development of Benin.

I.USAID APPROACH

USAID/Benin interventions in the sub-sector of micro-finance in Benin are relatively recent and tend to fall in line with good governance. Integration, coordination and synergy are the strategic approaches used by USAID to achieve the special objective of democracy and good governance.

Conscious of the fact that USAID's support alone is not sufficient to attain the objective of poverty reduction, the other strategy consists in creating links between the civil society, the public administration and programs of the other donors. Support for the decentralization policy embarked upon by USAID supplements to the actions taken by institutions responsible for cooperation in France, Germany, Switzerland and the World Bank. Therefore, in order to achieve its special objective in Benin, USAID/Benin has supported diverse initiatives aimed at reinforcing democracy and improving governance for a sustainable economic and social development. The synergistic approach proposed by the Mission is to encourage and facilitate a greater involvement of communities in decision-making at the local level, in anticipation of more transparency and accountability from local leaders. To achieve this objective, it is important to give a real content to governance without which the word would be meaningless. It is in compliance with the aforementioned that USAID decided, in 1997, to combine microfinance development with governance.

By such a strategic liaison, USAID looks forward to increase the participation of the local community in grass-root development and the generation of local income. Local communities' access to financial resources enables them to develop income-generating activities. Profits from such activities would enable them to fund their education and health expenditures. The surplus will fund their participation in the development of their localities. Through payment of taxes, local communities would be able to demand more transparency, accountability and efficiency from local governments.

USAID/Benin supports microfinance through VITAL FINANCE BENIN, an institution of microfinance which commenced its business in 1998. The strategy of VITAL FINANCE BENIN consists in establishing a sustained facility of support for the sector of micro-enterprises. To ensure the sustainability of such a facility, the institution uses loan and recovery procedures, which enable it to reach a greater number of micro-entrepreneurs while curbing operating expenses and defaulting rates. VITAL FINANCE BENIN, therefore, uses the counters of a commercial bank to ensure the disbursement and repayment of loans. Such an interaction with the standard banking system enables the project to beat down its operating expenses while allowing the target populations to familiarize with the banking sector.

By recognizing the private sector as essential in its strategy to achieve all the objectives set by the Mission, USAID decided to launch the VITAL FINANCE Benin project which has been functioning since 1998. The success achieved through this action is revealed in the findings of this evaluation which are presented below.

II. PROPOSALS FOR STRATEGIC OPTIONS AS REGARDS USAID/BENIN INTERVENTIONS

Such proposals rely on diagnosis conducted which reflect, in actual fact, the expectation and commitment of the stakeholders to stand out together against the future in a common vision of the development of the sub-sector and the increase in its impact.

The conception of such a strategy takes into account the demand of all the major active partners in the sub-sector:

- i. Microfinance institutions (MFIs) wish that their profession should be recognized by political decision-makers and are prepared to actively contribute to the elaboration of clear options and measures in favor of the development of the microfinance professional sub-sector;
- ii. The group of donors has a similar request but it also seeks to gradually align their support with sound and internationally recognized practices, especially through the renunciation of the “lending project” logic for the building of sustainable microfinance institutions;
- iii. The Ministry of Finance and Economy considers that the strategy of microfinance provides a major input for more globalization of poverty alleviation which will be used as a basis for back-up programs negotiated with MFI and the World Bank. The strategy will also be for the Ministry an essential reference that will enable it to attain the objectives of recovery and development of the financial sector and play the supervisory role entrusted to it by virtue of the provisions of the law relating to the regulation of savings and loan associations as well as credit unions ;
- iv. Ministries in charge of development and especially, the Ministry of Agriculture, Animal-Farming and Fishery (former Ministry of Rural Development) advocate for the introduction of sustained systems of microfinance. They are, however, apprehensive that compliance with the legal framework and the cost-effectiveness of microfinance systems would question the objective and impact of microfinance as a tool to combat poverty and support for economic development;
- v. The Central Bank of West and Central African States (BCEAO) recognizes the need to adopt an organized approach for the development of microfinance which will allow for the diversification of the sources of financing of the economy.

For all these reasons, we think of the necessity to validate USAID’s approach which will from now on consist in having a more comprehensive vision of the sector by supporting it through the

improvement of the environment required for its growth. It is in this respect that the following strategic options have been worked out for USAID /Benin future interventions.

2.1-Strategy for intervention

2.1.1-Improvement of the environment

They are actions aimed at supporting the microfinance sub-sector as a whole. In this respect, the Microfinance Unit, the ALAFIA Consortium and corporate private sub-sector constitute the three levels of actions really keeping the entire sub-sector together. It is, however, important to take into account the critical situation of the FECECAM network whose improvement or degradation may have a significant impact on the sub-sector in general.

2.1.1.1 – The Microfinance Unit

The Unit in its present situation needs support in capacity-building. It must be provided with the appropriate capacities and means of a private institution. Support should be coordinated according to this vision. The support of the World Bank, leading donor of this Unit, is inadequate. Rendering this Unit functional will enable it to sanitize the sub-sector in order to guarantee deposits, render MFIs trustworthy, thereby enabling their growth and protecting the sub-sector from any dereliction.

These resources should enable the Unit to:

- ❑ Train MFIs in the production of financial statements and various technical reports to ensure follow-up;
- ❑ Back-up MFIs in the compilation of their authorization files in order to help them come out of the informal sector;
- ❑ Proceed to the regular inspection of the system of microfinance.

As regards the support for capacity-building:

- ❑ Training of the Unit officers through seminars on microfinance;
- ❑ Training of officers for a better control of the law governing MFIs;
- ❑ Supply the Unit with a Technical Assistant highly qualified in microfinance ;
- ❑ Reinforcement of the operating budget of the Unit so as to enable it to intensify its activities of MFI control.

As regards institutional and logistic support:

- ❑ Additional equipment of (5) laptop computers for inspectors so that they can be efficient on the field;
- ❑ Additional means of transportation (one 4-WD car + 4 scooters to upgrade the rolling stock of the Unit).

2.1.1.2 - The ALAFIA Consortium

It plays an important role in the development of microfinance in Benin with its program of technical assistance to MFIs to reinforce their capacity and promote the development of better practices. The Consortium needs institutional and logistic support to carry out these activities.

Concerning technical assistance to MFIs:

- ❑ Capacity-building and training of MFIs;
- ❑ Enhancement of better practices: rating and best performance award;
- ❑ Upgrading of the centre of information and documentation.

Concerning institutional and logistic support:

- ❑ Operation and training of the personnel;
- ❑ Building of a training centre for the network;
- ❑ Establishment of a capitalisation fund (credit).

2.1.1.3 - The private sector: institutions supporting microfinance

A few private-type institutions specialised in the area of microfinance operate at present in this country. They include : BIM (Engineering Bureau of Microfinance), ISPEC (Panafrican High Institute of Cooperative Economy), BASF (Bureau of Support for Financial Services), and CANAL AUDIT as well. These institutions have human resources qualified for the training of MFI officials but the latter are not willing to pay for the real costs of the support. These

institutions need resources to cover their expenses and update their knowledge (as microfinance is an area in which concepts evolve quickly). Needs identified are as follows:

- Financing needs to attend important international seminars on microfinance (knowledge update);
- Financing needs to cover expenses of training (MFIs may contribute 25% and partners 75%).

2.1.2 - Reinforcement for local governance

Southern regions are exposed to the interventions of microfinance whereas Northern regions are inadequately covered (three institutions out of sixteen in Benin cover the Northern region)³. Likewise, urban areas are more adequately covered at the expense of rural areas.

In the light of the preceding, the present conception of microfinance networks (FECECAM and FENACREP) should be revisited as they are well maintained and structured at the top but with inadequate resources at base. It would have been preferable to have to adopt the contrary approach: better-structured grass-root MFIs (3rd and 4th levels) then organize super-structures along with needs. Some grass-root MFIs, which met in the North as part of this mission, have complained about the far-fetched perception of federations.

It is imperative for USAID to envisage an approach in this respect. There is need to avoid concentrating all efforts at the higher levels; there should also be some focus on the needs of local or village banks and the populations. USAID could gear its support toward MFIs operating in rural areas, especially savings and loan associations which develop interesting experiences in democracy and governance. This know-how at the level of mutual associations can easily be shifted to local governance in the framework of decentralization.

USAID can also gear its efforts towards the funding of private supporting institutions for the direct supervision of local MFIs operating in rural areas. Prior consideration for such supports can be directed to areas where USAID is already implementing activities.

³ Data bank of MICROFINANCE SYSTEMS, 1998.

2.1.3 - FECECAM network

It constitutes an important link of the industrial chain of microfinance in Benin. The latest data (February 2001) reveal the following performance parameters: a savings of 20,169 billion CFA.F, an outstanding loan of 8,170 CFA.F, about 386,000 dealers and an import penetration ratio of 18%. These figures explain a lot about the importance of the network in the sub-sector. According to the data released by the bank on SFDs in 1998, FECECAM alone has 87% of members of the associations. This network is currently experiencing serious crises of growth and appropriation management.

Essential requirements for rehabilitating the network are:

- Provision of specialized technical assistance capable of rehabilitating a network in serious crisis;
- Facilities to monitor and control the cash transactions;
- An efficient management information system capable of providing accurate and timely information.

In addition, it is important to reinforce the operational capacities of some MFIs in the areas of women-oriented credits that could help them develop income-generating activities. This could help them to stay away from prostitution through which sexually transmitted diseases, including HIV/AIDS are contracted.

In short, the success of the above-planned actions is subject to stakeholders' compliance to a minimum set of rules without which such actions will fall through. The major stakeholders above-mentioned are the Government, partners in development and MFIs.

2.2 - Needs of the sub-sector

- General and regulatory framework level

The sub-sector requires that:

- i. the government should outline the macro-economic essential framework for the efficient operation of MFIs: elaboration of a national policy on microfinance;
- ii. the government should create favorable conditions to enable recipients make profit on their credits by developing communication and transport infrastructure to ensure the fluidity of trade;
- iii. the government should provide credit funds from the national budget or mobilize funds with donors for lending to MFIs. The government should not directly issue microcredits;
- iv. the government should further improve the legal, economic and financial environment by providing new frameworks more conducive for commercial microfinance;
- v. State decision-makers should personally participate in various seminars on microfinance to understand the sub-sector and the opportunities it can offer.

- Microfinance institutions level:

- i. Operating requirements. Some MFIs have difficulties with loan processing. Need for necessary support towards their institutionalization and a better insight into the legislation;
- ii. Need for a more open regulatory framework which takes into account the commercial approach;
- iii. Financial needs. Almost all MFIs contacted have expressed the need for financial resources to fund credit activities and particularly investment loans. Funds also needed to finance institutional support;
- iv. Need for a well-designed technical support for the elaboration and exploitation of plan for strategic development;

- v. Need for capacity-building in the area of:
 - Production of financial statements and parameters of performance
 - Introduction of management information system
 - Planning and budgeting....
- vi. Need for setting up a credit information center for better management of portfolio;
- vii. Need for the development of new financial products to keep abreast with the expectations of the populations who have no access to banks.

- Beneficiaries' level

- i. The demand for loans is increasing. Market dynamics requires that MFIs be inventive in order to keep abreast with the recent demands of the consumers;
- ii. Need to reinforce and intensify the sensitization and education of credit recipients on the effects of sexually transmitted diseases (STD);
- iii. Need for adequate financial resources to fund investment loans;
- iv. Need for nearby institutions equipped with human and financial resources capable of providing adaptable services to populations within their vicinity;
- v. Need for an insurance scheme to improve the profitability of the activities of MFIs (reduction in capital loss, stabilizing fluctuation of deposits, mobilization of capital from new sources) and customers (improvement of income);
- vi. Need for a guarantee scheme to extend the ranges of products developed through the granting of investment loans.

- Partners in development level

Partners in development need:

- i. reinforcement of capacities to enable them to better target their actions;
- ii. coordination to be better informed on each other's initiatives in order to avoid duplication of efforts and unreasonable competition.

- At the level of Microfinance Unit

There is the need for:

- i. skilled manpower to work efficiently;
- ii. a technical assistance highly specialized in microfinance;
- iii. additional staff for a better geographical coverage;
- iv. training of senior officers through seminars and refresher courses;
- v. permanent and motivated staff;
- vi. technical skills and support from a private institution;
- vii. deep knowledge of the regulation governing MFIs to enable them play their role conveniently;
- viii. the development of an operational system of communication for a better management of information relating to the MFIs.

2.2.1 - Estimates of the needs

Meeting all these needs at the various levels of implementation would require approximately 5,515,000,000 CFA.F⁴ or US\$7,878,571 broken down as follows:

⁴ This amount does not take into account loan requests made directly by MFIs estimated at approximately 115 billion CFA.F.

Priority needs identified over the next 5 years (in thousands of CFA.F)						
N°	Needs	Microfinance Unit	Alafia Consortium	Supporting Institutions	FECECAM and other MFIs	Total
1-	Capacity-building in the elaboration and management of strategic plan	30,000	100,000		400,000 ⁵	530,000
2-	Management information system			-	250,000 ⁶	250,000
3-	Award for Best practices		100,000	-	-	100,000
4-	Training incentive for MFI staff	30,000	30,000	300,000	-	360,000
5-	Building of a training center	-	70,000	-	-	70,000
6-	Support for sensitization /information on STD	-	-	-	50,000	50,000
7-	Logistic and institutional support					
7.1	Per Diem and inspection expenses	150,000	50,000	-	-	200,000
7.2	Transportation costs	37,000	25,000	-	-	62,500
7.3	Laptop computer (5)	7,500	-	-	-	7,500
7.4	Training of personnel	50,000	10,000	-	100,000	160,000
7.5	Incentive for software design	-	-	300,000	-	300,000
8	Information and documentation center	-	200,000	-	-	200,000
9	Loan capital funds ⁷		2,000,000			2,000,000
10	Funds for special loans				1,000,000	
11-	International seminars on microfinance	50,000	25,000	150,000	-	225,000
	TOTAL	355,000	2,610,000	750,000	1,800,000	5,515,000

⁵ Including 300 million CFA.F for FECECAM

⁶ Including 150 million CFA.F for FECECAM

⁷ These funds will be managed by Alafia Consortium to enable it issue loan capital to needy MFIs. These funds will constitute reimbursable contributions from diverse donors.

III. MAJOR RECOMMENDATIONS

3.1 - Regarding the Government

- The government should outline the macroeconomic framework for the operation of the MFIs through the national policy of microfinance. Such a policy should be adopted as an outline regulation to protect it from being affected by any change of government;
- The government should help improve the economic, legislative and financial environment by providing the regulatory framework and proposing a better incentive program for commercial microfinance. The financial regulation should be clear and strict on the quality of MFI management while allowing greater self-sufficiency;
- Interest rate should be set up by the market forces. The government should not, therefore, set up limited or subsidized interest rates, so as to avoid rationing of loans and promote mobilization of capital;
- Income-generating activities in rural areas are not very profitable. The government should create conditions that would allow the recipients to make their credits profitable by developing communication and transportation infrastructure to ensure the fluidity of the market. The government should also facilitate access to public health care services to prevent recipients from expending their credits on private health care;
- The government should include microfinance funds in the national budget or mobilize resources with donors for onward lending to the MFIs through selected channels. It can also secure for the MFIs loans capital from local and international bank, but should never issue credits directly;
- The government should play the role of demand manager, credit facilitator and monitor. It should not act as a substitute for microfinance systems. Past experiences have proved that the government is a poor banker. The government is not supposed to issue credits and should stop any transactions of the kind in the sub-sector. The Ministry of Family, Social Welfare and Solidarity and some CARDER should refrain from getting involved in loan transactions to avoid mixed financing that have cropped up from their activities in the field;
- The government should envisage special incentives to encourage the staff thereby reduce the mobility of the senior staff of Microfinance Unit.

3.2 - Regarding partners in development

- Donors should comply with established rules and directives of the outline-regulation that will soon be laid down.
- They should search for partnerships with operational MFIs instead of encouraging the establishment of NGOs which vanish at the end of projects. They also need to professionalize and to be equipped with the skills required to better focus their actions. In Benin, they can rely on existent local skills, though not numerous.

- The microfinance sub-sector is part of the private sector. Going by this logic, partners in development should encourage the establishment of private supporting structures such as specialized consulting firms.

3.3 - Regarding the MFIs

- The interventions of the government and partners in development are necessary to solve problems related to resources. To this effect, the MFIs should make sufficiently strong cases to convince partners and the government that microfinance is, per se, the first tool to fight poverty. A system of social marketing is therefore important to galvanize the interest of government and donors. Such actions cannot be embarked upon by MFIs which display poor performances.
- The FECECAM network is presently undergoing a serious crisis of development and management of budget appropriation. In actual fact, existent facilities do not match the rapid growth of the institution and could not keep up with the enthusiasm of shareholders on their investments. The main lesson to be drawn is to avoid very large networks in future, to avoid such crises.
- Reinforcement of the inter-institutional dialogue to increase the coverage of risks relating to multiple interventions and organize the provision of more complementary and professional services. Within this framework, the development of the code of ethics has to be accelerated to give a real meaning to this proposal.
- MFIs that receive direct loans should organize themselves to launch savings products to bridge the different gaps in their funding levels.
- Increasing awareness of microfinance institutions on the dangers of HIV/AIDS and envisaging, where appropriate, activities of mitigation and prevention of HIV/AIDS.
- Formulate poverty assessment approaches to enable MFIs to better target objectives aimed at poverty alleviation. In this prospect, they can draw on the following approaches:
 - Flexible methods to identify or attract poor clients;
 - Rapid appraisal methods which can classify households by using proxy methods or community-based techniques;
 - Studies requiring visits to households during which questionnaires centered on economic indicators will be applied;
 - “Integrating” elements encompassing a larger scope of indicators by using simple techniques and very short interviews.

Furthermore, it is very important that the government and partners in development should strongly support FECECAM in its efforts of recovery, for it constitutes the most vulnerable aspect of the sub-sector. Its disappearance could negatively affect the entire sub-sector.

Part Two: MAIN REPORT

INTRODUCTION

1. The importance of microfinance to development assistance has been recognized for many years. But it is only recently that the support of partners in development to sustained microfinance institutions has significantly increased. Such an increase is attributable to many reasons, especially the growing importance of the private sector as the mainstay of development, the emergence of micro-enterprises in the informal sector and the confirmed success of some microfinance institutions.
2. This situation has enabled actors of development to realise that microfinance can provide another important weapon for poverty alleviation. Financial services enable, through the loan instrument, to exercise a guarantee leverage on the economic activity, the most recognized aspect. As a rule, modern or traditional finance companies such as savings, insurance as well as credits not only provide tools for management, reduction and risk-sharing but also contribute to maintenance and strengthening of social linkages. They are instruments of social peace as underlined by the Minister of Finance and Economy of Benin. Having access to financial services also makes possible to swoop into the nearest or farthest future to plan possible risks or engage in a business or a project.
3. The relevance of these principles is universally recognized today considering the economic activities not only of enterprises but also of poorest households as regards their economic and productive activities and their social needs (health, education, systems of solidarity and interrelation, etc.).
4. This perception of the diversity of the roles and potential of financial services in the improvement of the living conditions of the poorest households has recently been developed. For long, the vision remained limited only to farm-loans to encourage the modernization and development of agriculture. It is, therefore, during the past ten years that the other aspects have gradually consolidated. For instance, insurance facilities adapted to the low-income people which remain at a low level of development for the time being.
5. Such an awareness has been accompanied by a similar approach at the level of agencies in charge of providing these services. It is generally admitted today that state-owned institutions and even formal private banks are not capable of ensuring the provision of services adapted to the poor populations in an efficient, sustainable and profitable manner. To cope with this situation, the informal economy which functions with maximum returns have quickly embarked upon creative financial and banking innovations adapted to the structure of micro-enterprises.
6. The microfinance approach has focussed on the development of savings and income-generating activities so as to reduce risks and uncertainties facing the poorest populations. It has been shown that under some conditions and in compliance with some principles, it is possible to establish sustainable institutions specialised in microfinance.
7. In a number of countries, microfinance institutions have become important components of the national financial sector and are recognised as full-fledged partners, complementary to the formal financial sector on which it hinges.
8. In Benin, microfinance has recorded a similar development. Like many other countries, Benin has been prompted to experiment in the 1960s both the formula of development bank and national agricultural lending institutions. Such institutions have not succeeded in providing services available and adapted to the poorest rural populations, or in ensuring their own sustainability. Both CNCA and BBD or CNE and BCB had got to close down by 1990s. The new commercial banks did not undertake to finance the rural world or

the provision of financial services available and adapted to the poorest populations, as they are deemed to be too risky generating too much management and administrative expenses.

9. Providing only financial services aimed at the rural and the poorest populations, outside the informal channels, can be attributed to credit-oriented development projects whose duration hardly exceeds that of the very project. They did not focus on the establishment of sustainable credit facilities. Credits were only designed often as an instrument intended to provide selected populations of the projects with facilities to contribute to the achievement of the true objectives of the projects.
10. It was during the past decade that the first attempts to build the sustained institutions capable of providing financial services adapted to the poorest populations had cropped up in Benin with the first steps of FECECAM system which has stemmed from the rehabilitation of CNCA. Other activities have also developed within the same period, and there are today according to the Microfinance Unit some fifty diversified ventures. But almost all of them aim at the building and reinforcement of sustained credit facilities available for the poor populations. Such systems and ventures remain fragile and their coverage of needs limited, only that they have already given the evidence of their capacity to respond to the demand of the poor populations and enable them to improve in terms of:
 - i. Securitisation of household economy and a barrier against social exclusion;
 - ii. Guarantee leverage and security of household or individual economic activities (especially women);
 - iii. Reallocation of a very important share of the added-value generated from farming business to small-scale producers.
11. This development has been replicated and sustained by the one induced by national but also regional development policies (with the design and adoption of a common legal framework at the level of WAEMU). National strategies and policies of rural development have played and continue to play a leading role. But microfinance is also taken into account today as such in the overall strategy of the government as well as that of poverty alleviation and reform of the financial sector.
12. Against this background, USAID/Benin, in its strategy of support for the government of Benin and its decentralization scheme, has decided to relate the development of micro-enterprise to governance. Through this strategic linkage, USAID/Benin hopes to increase the involvement of local governments in grass-root development and income generation at grass-root levels. Under this impetus, support for the development of micro-enterprise has become an important approach to achieve the special objective of USAID/Benin in the area of democracy and governance.
13. This mission falls in line with such a problematic whose aim is to assess the sector of microfinance in Benin and propose strategic options for USAID/Benin and thereby enabling the latter to *“scale up its support for the sub-sector and make it more productive, efficient and focused on the objectives of poverty alleviation in Benin”*.
14. These concerns have been reflected in this document through:
 - i. A background review and a diagnosis of microfinance in Benin

- ii. An assessment of the supporting mechanism and needs for the sub-sector
- iii. A series of proposals for strategic options to USAID/Benin.

I. METHODOLOGICAL APPROACH

15. The approach adopted has gone through three important stages marked by:

- i. A mapping out of the scope of the study carried out through preparatory meetings of Consultants, a workshop on method with USAID and a well-researched documentary review ;
- ii. An appropriate field investigation undertaken through interviews and focus groups, from a diversified sample of actors operating in the microfinance sector in Benin ;
- iii. A workshop of review and validation of the main trends pointed out by the Consultants after a presentation and short analysis of the information collected.

16. This step has enabled the mission to take into account the overall concerns expressed by USAID in the terms of reference, but mainly to involve the major stakeholders of microfinance in the proposals of the strategic options that will enable to reinforce its support for the microfinance sub-sector in Benin.

1.1 Mapping out the scope of the study

17. This introductory study has enabled the mission to develop the most appropriate methodological approach in order to advise on the development of a diagnosis of the sub-sector of microfinance in Benin. To this effect, the mission has addressed the following steps:

18. Identification of the major stakeholders of microfinance: during the preparatory working sessions and on the basis of insight into the sub-sector, the mission has conducted the typology of stakeholders who control microfinance. They are:

- Practitioners commonly called Microfinance Institutions, in short, MFIs, including VITAL FINANCE BENIN, FECECAM AssEF, and so on.
- Microfinance partners, divided into two sub-categories:
 - donors such as USAID, UNDP, World Bank, and so on
 - technically-supporting institutions such as the Engineering Bureau of Microfinance (BIM), the Alafia Consortium, the Office of Support for Credit Systems (BASF), and so on.
- Beneficiaries and non-beneficiaries of MFIs services.

19. A USAID workshop on method: that meeting has given the research-commissioner the opportunity to take cognisance of the methodology, the background of the analysis and the work plan as proposed by the mission. On this occasion, USAID has insisted on the aim of this study which is supposed to help evaluate the needs in the sub-sector of microfinance in Benin in order to propose strategic options for its future interventions in Benin.

20. An in-depth documentary review⁸: it has consisted in reviewing the available literature on microfinance in Benin and sorting out publications shedding qualitative light on this study, especially from the point of view of diagnosis and assessment of needs. This study can only be useful since it brings new elements to the global consideration of the issues undermining microfinance and the development of an inventive strategy for intervention. In this prospect, the mission has bent itself on the assumption that the strategy can be operational in USAID's rationale only if it can bring about a far-reaching and comprehensive sector effect on all the issues being faced by microfinance. The documentary review has, therefore, enabled the mission to underline the limitations of the strategies of support for microfinance as formulated in the framework of further studies. Research at the level of centres of documentation has been supplemented with consultations of microfinance web sites. In this respect, the following websites have been consulted : the main microfinance site in Benin (www.Beninweb.org/microfinance), the site of USAID (<http://www.mip.org>) and the site of DEV Finance.

Mapping out the scope of the study has paved the way for the next step devoted to field investigations.

1.2 – Data collection

21. It took place from 26th March to 9th April 2001 all over the national territory divided as the case may be into five investigation zones:

- Northern Zone comprising the provinces of Borgou and Atacora, according to the former administrative zone
- Central Zone limited to the former province of Zou
- Zone of Cotonou and surrounding
- Zone of Mono, former province of Mono
- Zone of Ouémé, current provinces of Plateau and Ouémé.

22. The collection was simultaneously conducted in the five zones by various categories of selected stakeholders. The sample is made up on the basis of diversity.

Table 1: Stakeholders interviewed in the field

Stakeholders	Strength of the staff	
	Number	Percentage (%)
Practitioners	33	41.8
Supporting institutions/resource persons	21	26.6
Donors	15	19
Beneficiaries and non-beneficiaries	10	12.6
TOTAL	79	100

Interviews have been conducted on the basis of guidelines for interview designed for each category of stakeholder.

Information collected has been the subject of a presentation and processing which have enabled to work out the first trends. These trends have been presented within the framework of a workshop organised in this respect with the participation of stakeholders interviewed in the field.

⁸ See the attached list of publications consulted

1.3 - Review and validation workshop

23. This report has been enriched by submissions made by the participants⁹ (practitioners of microfinance, government and partners in development including USAID) of this workshop which lasted half a day in the presence of USAID representatives. USAID's contribution to the reinforcement of this sub-sector is unanimously accepted.

⁹ See the attached attendance list of this workshop

II. BACKGROUND

2.1 – National background

24. The national background¹⁰ is marked by:

- i. Population growth and the intensification of town-planning: from 3,331,000 people in 1979, the Beninese population has increased to 4,915,555 people in 1992, and was estimated to be 6,376,591 people in 2000. At the same time, the percentage of the urban population has increased from 27% in 1979 to 36% in 1992;
- ii. The proximity of Nigeria which is experiencing a recurrent economic and political crisis partly due to a fall in oil prices and the poor management of proceeds from oil;
- iii. Political crises and instabilities in sub-Saharan Africa bringing about an important flow of refugees toward our country with an escalation of theft and insecurity;
- iv. Devaluation of the CFA Franc dating back to January 1994 which has contributed to the re-establishment of a certain competitiveness of the export sector (textile, cotton, and so on) and to the improvement of the situation of the public finance system thereby stimulating a development of the inflationary spiral;
- v. The increasing importance of the transit role played by Benin for countries of the sub-region which have legitimated the activities of export and re-export especially as a result of the import quota system established by the Nigerian authorities to reduce trade deficit and the erosion of foreign exchange reserves;
- vi. The liberal economic option adopted at the National Conference of the Active Forces which has confirmed the divestiture of the government from productive activities introducing economic reforms including especially restructuring, privatization and deregulation of the economy ;
- vii. Constraints related to SAP limiting the operability of resource allocation

25. National economy has recorded a growth rate of 4.63% from 1991 to 1997. The primary sector which is the least exposed to the effect of international economic trend contributes to about 35.67% of GDP. Its main components are the sector of food production and cash crops. Apart from a few years of bad crops, the agricultural sector has the best contributed to economic growth. The quasi-inexistent secondary sector (13.76% of GDP) is the weakest element of the national economic system. Mining, the other industries, building and public works account for more than 90% of the industrial GDP. The tertiary sector, highly vulnerable to the international economic trend contributes to more than 50% of GDP as it makes of the national economy a customs-based economy whereby trade (17.87% of GDP) plays an important role with reexportation within the framework of regional trade. The informal sector largely plays an essential role in the national economy with a non negligible absorptive capacity of the unemployed people.

¹⁰ Data utilized in this section are drawn from :

1. National Survey on long-term Perspectives, Benin 2025, August 2000
2. 1998-2002 Guidelines – Topical report.

26. The geographical position of Benin and the fact that it belongs to a community space, WAEMU with a common currency – CFA.F – provides its main strengths. Change in the economy of Benin during the past seven years from a controlled economy to an open economy has been translated into a recovery of the economic growth which has recorded an average to the tune of 4.63% over the 1991-1997 period against only 1.2% at the close of the 80s decade (1988-1990).
27. However, the relationships with neighbouring countries continue being marked by multiple hindrances to the free movement of goods and people and the absence of political will for the implementation of decisions adopted at community level (ECOWAS and WAEMU of which Benin is a member).

2.1.1 – Poverty and microfinance

a) Status of poverty

28. Poverty as an intricate phenomenon is defined as “a long term status of deprivation, deemed inadequate to live decently”¹¹. According to the UNDP, poverty can be explained by ¹²:
- i. Inadequate income to meet expenses on basic needs (food, drinking water, clothing, housing);
 - ii. Impossibility of having access to essential needs (health, education in particular);
 - iii. Destructuring and social exclusion (non involvement in decision-making in civil, social ... and cultural life) as a result of exposure to risks.

These diverse perceptions of poverty were supplemented in 1997 by the UNDP with the introduction of the concept of human poverty which accounts for “the absence imposed from outside by the most essential opportunities and choices such as the opportunity to live a long, healthy and constructive life and enjoy a decent standard of living, as well as freedom, dignity, self-respect and the respect of the other”.

29. All available data stress the importance of poverty in Benin. The real Gross Domestic Product (GDP – 1985 base) has recorded a steady growth since 1990. The average annual rate is 4.5% for the 1990-1999. Should this trend be extended through its basic scenario up to 2000, in accordance with the 1998-2002 strategy for development, an overall increase of about 46% of GDP can be obtained for the entire decade, which would correspond to an increase of only 12% of GDP per capita, thereby giving an idea of the setback suffered from household consumption and anticipating impoverishment.

¹¹ S. LARIVIERE et al, « Approaches to living conditions and poverty : a global vision » in Handbook of poverty review, collective work, UNDP, 1997, P.16

¹² UNDP, Human Development Report, 1997.

Table 2 : Evolution of the Population, real GDP and GDP per capita

Year	Population	Population growth rate	Real GDP (in billion of CFA.F)	Growth rate of real GDP (%)	Real GDP per capita (CFA.F)	Growth rate of real GDP per capita (%)	Household consumption (in billion of CFA.F) at 1985 constant prices	Growth rate of household consumption
1992	4,916,000		533.9		108,604		454.3	
1993	5,085,000	3.44	552.7	3.5	108,692	0.1	478.1	5.24
1994	5,252,000	3.28	576.9	4.4	119,843	1.1	453.7	-5.10
1995	5,424,000	3.27	603.5	4.6	111,264	1.3	472.9	4.23
1996	5,603,000	3.30	636.9	5.5	113,671	2.2	510.1	7.87
1997	5,791,000	3.36	673.3	5.7	116,266	2.3	546.3	7.10
1998	5,986,000	3.37	703.7	4.5	117,557	1.1	572.5	4.80
1999	6,187,000	3.36	738.6	5	119,379	1.5	586.7	2.48
2000	6,397,000	3.39	779.5	5.5	121,853	2.1	613.7	4.60
		Acc. 30%		Acc. 46%		Acc. 12%		Acc. 35%

Source : INSAE

30. In rural area, overall poverty line has been estimated at 65,638 CFA.F per equivalent adult and per year. The poverty rate based on this OPL was 36% in 1999 versus 33.3% in 1994. Poverty incidence is 18.6% versus 16.3% in 1994 showing a worsening of poverty between the two years. This is attributable to the emergence of new low-income people in 1999 and to the fact that the status of the 1994 low-income people has not improved. While the average size of rural households in Benin is 7 people, the size of households in the group of the low-income people averages 8 people with a 51% ratio of under-10 children depending on each active person of the household. The most affected provinces in terms of poverty are Couffo, Borgou, Atlantique, Plateau and Donga. Sheer poverty is the most abject in Borgou, Atacora and Atlantique. However, Donga has the lowest net income per equivalent adult (73,393 CFA.F) in the country.

31. In urban area, the overall poverty line is 159,407 CFA.F per equivalent adult and per year. Cotonou, which covers 60% of the Beninese surface area, is the city the most affected by sheer urban poverty. The Abomey-Bohicon section which accounts for 7% of sheer poverty is the least affected. The overall income share of one-fifth of the highest income people is 74 times higher than the share of one-fifth of the lowest income people. This information drawn from the reconnaissance survey on household consumption (ELAM) and living standard survey in rural area (ECVR) reveal some of the challenges at national level so that the entire population of Benin can benefit from the progress made on an equal footing.

32. According to the UNDP's Human Development Report 1998, the Beninese women hold in the society a place which does not allow her to be very productive. According to the UNDP, this may compromise the effort deployed by Benin to fight poverty. Furthermore, the same report draws attention on her lack of access to highly enabling land, credit and job opportunities. Such a situation very often protects Beninese women and their family from the spectrum of poverty.

b) Microfinance: instrument of poverty alleviation

33. The private sector has become very important and constitutes the mainstay of growth in developing countries. The fast development of micro-enterprises in the informal sector and the substantiated success of some microfinance institutions (for instance, Grameen bank in Bangladesh, Bancosol in Bolivia, K-REP in Kenya, and recently FECECAM, PADME and PAPME in Benin), have prompted partners in development to significantly increase their supports for institutions which work from the point of view of sustainability. The actors of development have realised that microfinance produces Another important weapon in the fight against poverty. Access to a time-slice loan and quick-maturing investments may have a serious effect on the standard of living of the lowest income people.

34. Surveys have revealed that not only the beneficiaries of loan programs witness an increase in their income and savings, and the entire household has a greater access to health services and education. It has also an impact on personal esteem, human resources development even among the lowest income people. The latter would from now on be more trustworthy and confident that they would be involved in the economic, social and political life of their country.

35. The microfinance approach is focussed on the development of savings and income-generating activities in order to reduce risks and uncertainties sustained by the lowest income people. It has been proved that under some conditions (existence of income generating activities, better selection of beneficiaries) and following some principles (efficient management approaches with a sense of enterprise), it is possible to establish sustainable institutions specialised in microfinance.

36. The experience also shows that there is not a single solution to meet all the financial needs of the lowest income and vulnerable people. Nevertheless, it seems essential to adopt an approach offering the interest income requested by the lowest income people by insisting on the beneficiaries' involvement.

37. The demand of financial services by the population of Benin is diversified. The purpose of application are of different kinds:

- i. Financing of (short and medium terms) productive activities, whether for input purchase, storage, fattening, small business, processing and marketing of agricultural products, purchase of equipment...
- ii. Financing of predictable or non-predictable consumption expenditures (for example: crops during the pre-harvest gap period, health expenses, ...), capital outlay (housing scheme...), or related to social traditions (wedding....).

38. If it is possible for all rural households and more generally, households which do not have access to banking services to be potentially applicant of relevant financial services, the appropriateness of such a demand in terms of amount is still difficult to be quantified even though it is undeniably important.

2.1.2 – Microfinance and AIDS¹³

39. At the economic level, AIDS has spillover effects at micro and macro-economic level. As regards individuals and households, it stands out as a loss because of the care expenses brought about and the shutdown inevitably imposed by the disease. AIDS decimates much more the economically active population (the under 49 years old in particular) than the other age groups. This leads to a reduction in the size of the population of this age-group and spillover on the dependency rate.
40. According to data from the National AIDS Control Program (NACP), 100 active AIDS-free people would be in charge of 78 dependents in 2025. Whereas with the epidemics, the dependency rate would increase, oscillating between 79 if the epidemic were under control, and 81 people depending on 100 active people, should the present trends of the epidemic continue. As the family expenditures, and more generally, government expenditures would keep increasing because of the decreasing number of the active population, the short term consequence would be the decrease in domestic savings and, thereafter, of investments and production.
41. Furthermore, AIDS is a cost-consuming disease requiring significant expenses for the health sector. Prominently medicalized disease, the management of people affected by this disease takes essentially place in hospital environments and increasingly requires huge costs both for the government and people infected. The medical management of people living with AIDS, activities of information and prevention of the general public as well as HIV screening significantly put a strain on health budgets already squeezed by adjustment policies and government restrictions. Expenditures incurred by the government would totalled approximately 77 million CFA.F in 1995 and would increase, according to the national long term prospective study, to 364 million CFA.F in 2025 in the case of a controlled epidemic, and to 674 million CFA.F if nothing is done to prevent the expansion of AIDS. All this is not independent from the sub-sector of microfinance.
42. In actual fact, Benin remains to a large extent, a rural and agricultural country. During the 1992 census, the rural population accounted for 64% of the 4.9 millions of the people counted and 56% of the active population were made up with farmers. The rural area is, therefore, not spared since the prevalence rate there is from now on higher than that of urban area (4.5% of rural ante-natal consulting women were PLWH in 1996 against 1.7% of their counterparts in urban areas). The disease also has effects on trade and industry, thereby entailing a loss for enterprises undergoing capital impairment because of the absenteeism of the sick members of the staff. The financial resources of the employees and of their families are compromised by shutdown and management of their cares.
43. The impact of AIDS on the sub-sector of microfinance is not yet perceptible in Benin. Microfinance institutions met are not yet aware of this highly impending risk. In countries of high prevalence rate, this disease is paralysing the entire sub-sector: the MFI staff is regularly absent because of sickness and its management by the MFIs becomes excessively expensive, compromising thereby their financial sustainability. At the level of the beneficiaries of the credit, this disease brings about a high rate of outstanding payments. MFI leaders met have given the assurance that death rate is not especially high at the

¹³ Data set forth on AIDS are drawn from the document « AIDS in Benin: Epidemiology, Projections, Socio-economic consequences, Interventions. Compiled by the National AIDS Control Program (NACP), 2nd edition 1998.

level of their clients to raise the alarm. But the beneficiaries (especially the women) are unflinchingly applying for briefing sessions on sexually transmitted diseases.

44. Although MFIs acknowledge the need of such briefing sessions, they do not have the required financial resources. Experiences lived in other countries reveal the necessity to take into account crucial issues such as, namely: How can the MFIs deal with an HIV/AIDS crisis, whether potential or spreading or already established? How can they reinforce their institutions so that they can continue serving HIV/AIDS-infected communities, and how can they improve the services provided to their clients?

2.1.3 – Microfinance and Banking

45. The enhancement of microfinance systems in the past years should draw the attention of banks. In reality, activities which are the purpose of linkages between the banks and microfinance systems are limited to spot transactions (ST) and roll over.

Table 3: Transactions made by SFDs with banks

	Ecobank	Bank Of Africa	Financial Bank	BIBE	Continental Bank
VITAL FINANCE BENIN	ST		RO	ST	
PADME		ST	ST; RO		
Convergence 2000	ST	ST	ST		
Grass-root Development Association	ST			ST	
FECECAM	ST	ST	ST	ST	ST

Source: Our survey, November - December 2000; ELIFID Program: ILO/ISPEC
ST= Spot Transactions (deposits and withdrawals); RO= Roll Over

Table 4: Amount of loans (in CFA.F) received by SFDs in the form of roll over during the past four years

	1996	1997	1998	1999
VITAL FINANCE BENIN	0	0	0	100,000,000 (FB)
PADME	0	42,205,619 (FB)	190,000,000 (BOAD)	536,274,791 (FB)
Convergence 2000	0	0	0	0
MDB	0	0	0	0
FECECAM	-	-	-	-

FB = Financial Bank; BOAD = West African Development Bank
Source: Our survey, 2000

The above table shows that operations between banks and microfinance institutions are mainly focused on spot transactions. A few cases of roll over are, however, noted between Financial Bank and MFIs such as VITAL FINANCE BENIN and PADME.

II. DIAGNOSIS OF THE SUB-SECTOR

46. The sub-sector of microfinance has been for a few years a very busy area activities in Benin because of the number of interventions and the diversity of approaches. But most microfinance institutions are not yet very professional and show signs of serious weaknesses: inadequately qualified personnel, defective management tools, irrelevant or ambiguous strategy, limited level of structuring or institutionalisation...
47. The legislation and regulation of the microfinance sub-sector are quite complex, though perfectible, for members of credit and savings institutions of mutual associations. On the other hand, they are operating greater changes for institutions which are not members of mutual associations. In addition, facilities and capacities of the Unit of the Ministry of Finance and Economy responsible for the control of microfinance systems are inadequate.
48. Some microfinance systems have now a very limited access to bank roll over. But the lack of financial resources to increase the outstanding loans of microfinance institutions starts being strongly felt to the extent of becoming more acute in future. Furthermore, the way loan transactions are managed within the framework of projects and NGOs activities is not satisfactory.
49. Microfinance institutions have difficulties of access to the provision of external services which will enable to bridge the above-established gaps. The lack of information or financial resources and the fact that specialised service providers in the sub-sector of microfinance which are not numerous in Benin, often constitutes serious constraints.
50. Alafia Consortium which is the national association of microfinance practitioners starts being functional. But many steps should still be taken so that it can meet the expectations of its members and its environment. In other respects, it provides an ideal framework for a better consultation among microfinance institutions. On the other hand, consultations among stakeholders at the level of the sub-sector of microfinance have not, for many years, been very active. For instance, loan transactions are still in the hands of non-specialised teams whose activities are especially harmful.
51. At present, microfinance institutions are not yet making great investments in innovations. Their intervention approach does not often take into account the difficult conditions prevailing in many regions of Benin and their interest income and loan capital are not much diversified. In addition, their poverty evaluation approach is yet to be discussed. Microfinance is an opportunity for poverty evaluation because of its proximity with the most underprivileged layers. The quantitative estimate of poverty based on income and consumption remains inadequate to specify the basic reality of poverty.
52. Many partners in development are interested in the sub-sector. The most important ones are :
 - The World Bank which supports in priority Alafia Consortium and the Microfinance Unit of the Ministry of Finance and Economy. It is still supporting PADME and PAPME as part of its recovery program for the private sector;

- IFAD which funds PAGER in the South and PROMIC in the North. These two projects develop a specific concept in terms of microfinance called ASF (Association of Financial Services) which are self-sustained frameworks;
 - The Danish Cooperation which develops through PADSA, Rural Financing Frameworks all over the national territory which are grass-root credit and savings banks;
 - The Belgian Cooperation through its PAMR (Program of Support for the Rural World) scheme in MONO which has initiated a program of support for village banks and the implementation of a framework called Unit of Support for the Financing of Profitable Investment Microprojects;
 - UNDP through its MICROSTART scheme which supports efforts of the government of Benin in its strategy for poverty alleviation;
 - USAID which has funded VITAL FINANCE BENIN.
53. An effort for the coordination of actions toward the harmonization of interventions in the sub-sector is in progress and is translated into the holding every six months of a meeting of partners in development engaged in microfinance, with UNDP as initiator.
54. The preceding shows that the sub-sector has huge strengths and opportunities even though they are limited by fairly important weaknesses and constraints. They also bring together a variety of experiences which can be distinguished according to their size.

3.1 – Description of SFD

55. The relatively recent emergence of decentralized financial systems (SFD) mostly stems from the failures and limitations of typical financing systems. In fact, the winding-up of CNCA, the only one framework for agricultural financing has deprived the rural area of any formal financing institutions. Furthermore, the lack of interest of commercial banks in rural clients and low income populations, who are considered as too risky and expensive to reach, has not made possible to bridge this gap. This situation has developed the need to recognize and take into consideration the popular practices of savings/credit in strategies for development. Therefore, to meet the financial requirements for the low income rural populations, the government and its partners in development (NGOs, partners in development) have forged ahead with the development of proximity systems of financing. A number of decentralized financial systems (SFD) have, therefore, developed from the beginning of the past decade (1990).
56. Such decentralized financial systems pool the diverse experiences in savings and/or credits in accordance with strength, degree of structuring, rationale, objectives, technical, financial and human resources, external supports.

Table 5: Trends in the number of SFD counted by PA-SMEC

TYPE OF ORGANIZATION	YEARS		
	1995	1997	1998
Savings/Credit	12	11	7
Direct Loan	2	3	3
Loan-based project	11	16	6
TOTAL	25	30	16

57. In Benin, SFDs have three types of structures:

- i. Savings and lending institutions;
- ii. Organizations having credit dispensation as main or single activity (experience in direct loan);
- iii. Organizations for which credit allocation is secondary (loan-based project).

58. Savings and loan institutions mostly focus on the central role of savings to provide loans. The main institutions of such a kind in Benin are FECECAM-Benin (Federation of Savings Banks and Association of Agricultural loan of Benin) and FENACREP (National Federation of Rural Savings and Loans Banks). Their systems of operation and intervention are characterized by the fact that savings is a prerequisite for loans in general. In addition to these institutionalized savings and loans banks, informal experiences in savings and loans which are even more directly decentralized and rooted in the rural area, are developing.

Such practices further introduce slight differences in the combination of various resources intended to foster employments. They use in variable proportions resources external to the area to finance loans. They do not always have the typical structures of a savings and loans bank, their types of organization are highly influenced by the structure of target groups.

59. Practices of direct loan amalgamate systems which have generally given priority to credit as the central activity of their transactions without compulsorily relating them to the prior payment of some money to a savings bank. According to their mode of operation, some of these practices refer to the structure of Grameen BANK of Bangladesh (groups of joint and several guarantee). Some experiences of micro-enterprise financing can also be classified in this type. Such experiences are not numerous in Benin. PADME is the most important structure of credit among those counted in Benin by PA-SMEC.

60. Loan-based projects do not consider loans as their main activity. This component is often considered as bridge to help the other components reach their objectives. Owing to the limitation of project life, it is not possible for them (even for those who like) to be sustainable or job-oriented. Microfinance activity of projects can be seen to be increasingly entrusted (or help contribute) to professional microfinance institutions belonging to any of the two preceding types. The Association for the Promotion of Grass-root Initiatives (ASOPRIB) is the most important structure of this type.

3.2 – Organization of the sub-sector

61. Loan transactions in Benin fall under the law n° 90 - 018 dated 27th July 1990 relating to banking regulation. Very early confronted with the proliferation of microfinance institutions in the sub-region, this institutional framework was supplemented in 1997 by the outline law on the regulation of associative or cooperative institutions of savings and credits of WAEMU (law N° 97-027 dated 8th August in Benin; the implementing decree was signed on 9th February 1998), more recognized by the name of PARMEC law. The adoption of this legislative and regulatory provision regarding microfinance is an important step toward the sanitization and professionalization of the sub-sector.

62. These texts provide the regulation applicable to loans and credit associations ; “group of entities which have a legal personality and are non-profit making and investment trust, based on the principles of union, solidarity and mutual self-help, and whose major purpose is to collect savings from its members and give

them loans”. The institution should in other respect comply with the rules of collective actions established by this regulation which also apply to its unions, federations or confederations.

63. The other structures or organisations non established in the form of mutual associations, and which are engaged in the collection of savings and/or allocation of credits, are governed by a specific agreement to be signed with the Ministry of Finance. Such an agreement namely lays down the conditions governing the right to engage in business, the arrangements for the recognition of these structures, the rules concerning their operation, the provisions for their control.

3.3– Difficulties in the application of the texts

64. Some loopholes and insufficiencies in legislation have been established during its enforcement. This is why, its enforcement should be gradual and pragmatic in consultation with the stakeholders. The very provisions of the law result from a special agreement subsequent to protracted discussions between operators holding separate positions, especially operators who are not members of mutual association and wish to have a text appropriate to their specialities.

65. The law does not apply to two major aspects of dispute in the sub-sector:

- (i) The level of competence required to engage in this activity. Contrarily to the law on banks establishing the criteria to engage in this activity, no level of minimum qualification is required before submitting application file to the institution for approval;
- (ii) Excessive competition between finance houses : the law does not enable to settle disputes arising from the competitive localisations of various structures within the same areas.

3.4 - Coordination of the sub-sector

66. The coordination of actions in favor of the sub-sector is to date inadequate and needs to be better organised both at national and regional levels.

▪ Inadequacy of consultation at regional level:

- Coordination between BCEAO’s programs (PARMEC and PA-SMEC) only becomes operational from phase 2;
- Coordination at sub-regional and international level between various programs supporting Microfinance increasing in number is not formally organized: BCEAO (PARMEC and PASMEC), CGAP, UNDP (Microstart), UNCDF, ADB (AMINA), AFMIN, programs of bilateral cooperation (Germany, France, Switzerland).

If some dynamism can be noted at national level, coordination of the sub-sector remains to be effective between the ministries supervising the sub-sector. There are the Ministries of Finance, Rural Development, National Planning, and Social Welfare.

At the level of partners in development operating in the sub-sector, meetings are organised every six months by the UNDP. Owing to information, such meetings facilitate the harmonisation and coordination of interventions.

Through Microfinance Unit, the Ministry of Finance organises periodical meetings with stakeholders of microfinance. As at present, a national committee of the main stakeholders has been set up to prepare the study of the national policy on microfinance. The establishment of this structure only came up in early 1998 aiming at:

- reinforcing consultation between the various microfinance stakeholders;
- performing the supervision of the Ministry of Finance. In this respect, its mission is to examine the dossiers submitted for approval, recognition and agreement;
- improving the conditions under which loans are managed and savings are mobilized;
- fostering microfinance.

a- ALAFIA Consortium

67. Stakeholders of microfinance in Benin have not yet set up an association of those who are engaged in the microfinance profession. For the time being, it is ALAFIA Consortium which plays this role of contributing to the professionalization of the sub-sector of microfinance in general and its members in particular. Despite this pool of SFDs, some MFIs which have little professional touch and are numerous in addition continue to spoil the sub-sector.

In actual fact, the success of the SFDs showing some professionalism is always compromised by the interventions under mock conditions or even of fraudulent nature. In the first case, projects and NGOs which have incentives or unimpaired capitals do not look for sustainability and give loans at low or zero interest rate, without much concern for an interesting refund rate. There is, therefore, a rigging and slackening of the financial market. In other respects, the collection of highly remunerated savings, thanks to the flow of fresh deposits, enables to finance loans and salaries for a small minority, as is the case with the structure of the Albanese pyramid.

68. Such interventions which are provisional or of a limited amount, are carried out virtually without any control, often on the basis of the simple approval of a specific ministry, whereas “serious” MFIs should increasingly comply with the provisions of a law and regulation, not always appropriate and thereby creating new constraints on the policy of rate, on term loans, or on hedge ratios...

Furthermore, the market of savings/credit is often limited to a specific area to ensure an adequate intensity of activities, thereby allowing many institutions to achieve sustainability. If the market is extensive, fraudulent behaviour can be sometimes observed – for instance, clients who will defray the first instalment of their loan by taking a new loan in another financial institution.

Subsequent to the “quasi vaccum” of the past years as regards financial services, the “spin – off effect” observed in some regions very much update the issue of consultation and the definition of a minimum ethic code, thereby avoiding the too great distortions induced by competition.

3.5 – Donors’ interventions in the sub-sector

a -World Bank

69. The World Bank has been dealing with microfinance in Benin since 1990 through its support for the rehabilitation of CLCAMs subsequent to the disinvestment of CNCA and the establishment of FECECAM in 1994. Moreover, it is the master-minder and the financier of PADME and PAPME, government projects aimed at improving the availability of loans for micro-enterprises as well as small and medium-scale enterprises. Other activities funded by the World Bank and which have been instrumental to the preparedness of microfinance and more generally to the reinforcement of the private sector are CAT/Recovery of the private sector and AGeFIB projects. The World Bank continue to support the sub-sector through its program of recovery of the private sector to scale up the activities of PADME and support its institutionalisation. The Microfinance Unit is assisted by the World Bank in the area of institutional support in order to make it functional and develop a system appropriate for the SFDs. Priority should be given to this action to ensure the sustainability of microfinance. The Bank also supports the development of the Alafia Consortium at the institutional level. Supports are therefore envisaged to support the development of the network, especially through capacity-building.

b- United States Agency for International Development (USAID)

70. The interventions of the United States Agency for International Development (USAID) in the sub-sector of microfinance in Benin are relatively recent and tend to fall in line with good governance. The interventions it makes at present in the sub-sector are generally carried out by international organizations such as Africare and CRS. It was in 1998, that USAID/Benin established the microfinance institution today called VITAL FINANCE BENIN for the development of income-generating activities at grass-root level in order to support populations in their local actions toward health and education.

c- Swiss Cooperation for Development (CSD)

71. The Swiss Cooperation for Development (CSD) has been dealing with the sub-sector of microfinance in Benin since 1990 through FECECAM. It has also supported at the institutional level some local NGOs such as AssEF and Initiative and Development (ID), and more recently CBDIBA. Some experiences are related to support for the development of “health associations” to help their members cover their health expenses and to the financing of group income-generating activities such as village stalls which facilitate the availability of staple food for the local populations.

d- Program Supporting the National Microstart Scheme

72. As part of its support for the action of the Government of Benin toward the eradication of mass poverty, UNDP has identified microfinance as one of the instruments which can help the low income populations to have access to decision-making. MICROSTART pilot project aims at reinforcing the capacity of local organisations so as to initiate or develop the existing microfinance activities with a view to making available for the poor people, namely women, financial services on a sustainable basis. To achieve these objectives, the Program would strengthen the capacity of five organizations (Convergence 2000, SIAN’SON, Alafia Consortium, CERIDAA and FENACREP) so as to enable them provide a quality service to their members.

e- Catholic Relief Service (CRS)

73. Catholic Relief Service (CRS) has been active in the sub-sector of microfinance in Benin since 1992. It is working at present with three (3) NGOs (SIAN'SON, UAEEPS and IAMD) using the village bank approach. CRS aims at increasing the capacity of institutions to provide clients with better quality services. Such a strategy will help improve food security through financial deepening with the poor people. To achieve these objectives, CRS provides NGOs with training, institutional support and overdraft facilities.

f- International Fund for the Development of Agriculture (IFDA)

74. IFDA supports the sub-sector of microfinance through two government programs : PAGER in the South and PROMIC in the North. The aim of these two programs is to develop financial deepening and food security with the rural and periurban populations. To support income-generating activities and foster development in rural and periurban areas, PAGER and PROMIC are instrumental for the establishment of Associations of Financial Services (ASF) which are original structures of decentralized financing and put in place term loans. There is a plan to establish 50 ASFs over the 5 years of PAGER life and 78 other ones over the 6 years of PROMIC life

g- The Belgian Technical Cooperation

75. It operates in the sub-sector through PAMR-MONO (Project Supporting Rural Area Development in Mono). The aim is to improve credit availability. To achieve this objective, PAMR has retained in its plan of actions measures in favour of village banks as well as the establishment of a credit Unit.

As regards the reinforcement of village banks, PAMR provides technical and financial support for sustainable structures in order to enable them better organise themselves for a transparent management of savings and credits. They would, therefore, be able to efficiently play their role of intermediation in deposit-taking and supply of call money between producers and financial institutions of the rural world.

As to the Unit, it would play the role of interface between rural entrepreneurs and finance companies by providing them with a technical support for the compilation of their financial package and setting up a guarantee fund with finance companies to overcome the lack of guarantee which limits the availability of investment loans.

Conclusions on the assistance of partners in development to the sub-sector

76. Regarding the improvement of donors' interventions, the field has revealed that:

- Actions should be geared toward professionalism and only microfinance professionals should be funded. In this frame of mind, the role of multipurpose NGOs must be set out again on a basis that is much more consistent with their status. For instance, NGOs are competent in the field of community development and should be limited to this role in the field of microfinance : their interventions will hinge on outreach activities at the level of village communities and all targets involved in microfinance, as a support for the activities of microfinance practitioners.
- Donors should organize themselves at two levels:
 - At the political level: it is noted the lack of a national microfinance policy which, inter alia, points out the way donors should operate in the sub-sector and financing approaches as well to avoid deviations and

biases. The government as well as practitioners and donors should be involved in the elaboration of such a policy;

- At the level of coordination: the need to coordinate actions is always accepted unanimously; apart from some initiatives with mitigated performance, this coordination has never found any specific testing ground.
- Concerning MFIs, rather than trying to organise donors, efforts should be made to upgrade their system of operation, specify and make functional a moratorium, an ethical code. To this effect, it is within Alafia Consortium that a shared vision of donors' support should be set out.
- Microfinance has today become a priority area of intervention for donors who want to use it to attain diverse objectives of development while expecting a very short-term economic performance. However, there is still a long way to go for microfinance to gain ground .. As a matter of conclusion, donors' interventions are in most cases inconsistent for the sub-sector of microfinance: time-slice loans are even granted to NGOs. These NGOs which are not entitled to engage in microfinance should rather promote, foster and forge ahead with the dynamics of the sub-sector, by getting involved as organisers and not as practitioners.

77. It has therefore become necessary to assess donors' funding approaches in order to select the most appropriate on which it would be advisable for all donors to concentrate their efforts. Although there have not been any significant investments in the sub-sector of microfinance in Benin, it is noted that FECECAM has mostly benefited from the major investments, which is all the same fair, considering the fact that FECECAM is rallying 80% of the clients reached today by microfinance institutions in the country. On the other hand, donors' assistance to the income-generating components of larger, though laudable grass-root development projects, may not bring about a sustainable performance of microfinance and the development of the entrepreneurial spirit. USAID can play an essential role in providing support for sustained quality services so as to enable the sub-sector of microfinance to better upgrade its potentialities and cope with its highly significant weaknesses.

3.6 - The microfinance sector in Benin has huge potentialities at the economic level:

- The three (3) most important MFIs members of mutual associations (FECECAM, CBDIBA and FENACREP) total 286,988 members including 41% of women with a penetration ratio of 34%¹⁴;
- The strength of the personnel employed by the 16 MFIs pointed out in the 1998 data base of BCEAO has risen to 1,038 people;
- The total of deposit liabilities amounts to more than 20 billion CFA.F with an increase of 13% with reference to the previous year (1996 data base);
- Term deposits account for 60% of the overall investments of mutual associations which contribute thus to upgrading long-term inventory investments at the level of commercial banks while overdraft facilities are scuttling back at the level of these SFDs;
- SFDs admit the need to comply with the legislation and increasingly apply for the authorisation to engage in business;
- Ownership-based incentives (deposits, net worth) have an upward trend;
- The emergence of the ASF- (Association of Financial Services) like proximity financing systems developed by PAGER in the South and PROMIC in the North provide interesting experiences in the field of microfinance marketing and local good governance;
- The dynamism of women, major motivators in the informal sector.

¹⁴ See Data Bank on Decentralized Financial System of BCEAO.

3.7- But such performance should not blur the major weaknesses in the sub-sector:

- The sub-sector remains fragile with the proliferation of unqualified initiatives implying serious policy discrepancies as regards the management and monitoring of loans;
- The sustainability of the sub-sector remains questionable for many reasons: in spite of FECECAM's efforts, debts payments (about 15% as at late February 2000) remain important and are likely to become pervasive (accounting for 14.18% for the whole sub-sector). Financial and technical extraversion remains crucial at the level of nearly all structures, thereby reflecting a functional self-reliance and inadequate self-financing;
- The sub-sector achieves a negative net profit of 550,246,633 CFA.F. Such a situation shows that SFDs financial profitability in Benin is in a critical position since 50% of the structures achieve a negative net profit;
- The delay in the enforcement of the provisions of the code of ethics does not contribute to a consistent development of the sub-sector: professional transactions are often compromised by short-sighted initiatives characterized by the lack of discipline in the allocation and recovery of loans;
- There are regional discrepancies since the regions of Borgou and Atacora are only covered by three (3) institutions out of the sixteen (16) surveyed. Such a concentration limits loan availability for the largest number, in situation under review, the most underprivileged layers;
- MFIs of Benin do not feel the influence of HIV/AIDS in their activities. They are not yet aware of the impact HIV/AIDS can have on the sustainability of their institutions. However, crucial issues are supposed to be taken into account considering the experience lived in other countries (how to face a potential, expanding or already established HIV/AIDS disaster? What arrangements to make in order to keep serving the communities infected and how to improve services to be provided to them?);
- MFIs giving direct loans do not attract deposit from their clients and express strong needs for loans. Such a situation makes them liable to a strong financial dependence as regards loan capital;
- The absence of reliable guarantees is a limiting factor for the availability of loans for the most underprivileged layers.

Such weaknesses can be overcome thanks to the numerous opportunities available for this sub-sector.

3.8 - Opportunities

- At the level of the general and regulatory framework
 - i. the significant potentialities for the development of agriculture, stock-farming and especially a tertiary sector bustling with activities;
 - ii. the capacity of the Benin society to succeed in its fight for democracy;
 - iii. a government which relies on partnership and decentralization;
 - iv. the current regulatory framework takes into account in a globally satisfactory way structures of the mutual-type association.
- **At the level of human and financial resources, the organization of the sub-sector and government strategy**
 - i. the sub-sector can rely on a core of highly qualified senior staff;
 - ii. the quasi-totality of foreign donors recognizes today the importance of microfinance to poverty control as well as the need to rely on the development of a sustained offer provided by specialized and vocational institutions;

- iii. the government has initiated the policy-dialogue between the state, the social and economic shareholders and the civil society as the foundation of its program;
- iv. clear-cut options at the level of aggregate policies and strategies for development have been adopted thereby making possible the rapid expansion of a professional sub-sector of microfinance;
- v. through the setting up of 12 provinces for 77 municipalities from now on, decentralization can be instrumental in scaling up and reinforcing the coverage of MFIs, through the emergence of a new local dynamism which makes of microfinance an active component of decentralized cooperation and an instrument of sustainable development and local good governance.

- **At the level of demand**

- i. creditworthy applications exist and are potentially important; financial services have crucial positive impacts;
- ii. diversified experiences are in progress in Benin which has interesting potentialities.

Such opportunities are blurred by numerous constraints which may strongly curb the efforts deployed to date.

3.9 - Constraints

- **With reference to the general and regulatory framework**

- i. A regulatory background which can still be improved as regards the systems of mutual associations;
- ii. The regulatory framework does not take into account the situations of systems which do not belong to mutual associations;
- iii. It is inadequately implemented;
- iv. Operation of the judiciary system is faulty and some of its awards lack in clarity ;
- v. The legal background of microfinance is not recognized by the judiciary machinery.

- **With reference to human and financial resources, to the organization of the sub-sector, and to government strategy**

- i. The existing human resources remain qualitatively and quantitatively inadequate;
- ii. The internal organization of microfinance systems shows in general many shortcomings;
- iii. Accountancy and management tools are inappropriate;
- iv. Internal audit mechanisms must be put in place or improved;
- v. Only a few microfinance systems invite for external audits;
- vi. Commercial banks do not deem attractive the rollover of microfinance systems;
- vii. Most microfinance systems have inappropriate level of equity or long- term permanent resources (unbalanced assets and liabilities) which reduce their net lending and refunding;
- viii. The subsequent imbalance between resources and expenditures limits their possibility to provide term loans.

- **At the level of supply and demand**

- i. A great deal of microfinance systems operate on the basis of sight liabilities and do not have any short-term business plan;

- ii. Methodologies and products existing today only enable to partially meet the demand of the poor or rural populations;
- iii. Loan/project transactions undertaken by non-capital structures and the government still exist and introduce important bias detrimental to the development of a sustainable supply of financial services. The increasingly important and growing number of promoters galvanised by these transactions reveals a kind of compliance. Considered as a “way” of development, microfinance brings about rather erratic interventions, which could significantly reduce its chances of sustainability and its emergence as a model. In order to make of the sub-sector an efficient way of poverty alleviation, the government has developed some strategies to support the sub-sector.

IV. GOVERNMENT MAJOR STRATEGIES FOR MICROFINANCE

78. The macro-economic objectives of the government as specified in its guideline of economic and social policy aim at gradually meeting the convergence criteria adopted within WAEMU. They mainly consist in:
- i. restoring macro-economic and financial sustainability;
 - ii. promoting a sustained and steady growth;
 - iii. reinforcing the integration of national and regional economies within WAEMU and ECOWAS;
 - iv. alleviating poverty through the reinforcement of the impact of private sector investments;
 - v. pursuing the liberalisation of the economy;
 - vi. encouraging small and medium-scale enterprises in order to ensure the integration of urban and rural economies;
 - vii. putting in place a stimulating facility for the promotion and development of performing loans.
79. In addition, in its Declaration of General Policy, the government lays down a number of principles, values or objectives implicitly related to microfinance, namely with a view to:
- i. adopting and causing to adopt universally admitted principles of good governance;
 - ii. relying on the establishment of an active and constructive dialogue between the government, economic and social actors and the civil society;
 - iii. causing the reform of the judiciary system to be a priority objective;
 - iv. causing the recovery of rural development to be one of the main bases of recovery in a rationale of structuring as per branch of industry.
80. The government has implemented a lot of initiatives with the support of partners in development:
- a. **The government adopted in 1994 a strategy called the “Social Dimension of Development” (DSD) as part of poverty alleviation. This strategy aims at:**

- simultaneously tackling the multifarious aspects of poverty by reinforcing macro-economic and sector policies so that they can integrate DSD into their strategies;
- formulating and implementing a program of actions geared towards identified vulnerable groups with the full involvement of the latter;
- controlling the causes of poverty through a dynamic observation of the living conditions of the populations.

To support these strategies, a National Economic Conference was organised in 1996 to be followed in 1997 by an International Colloquium on Basic Needs. The whole arrangement was completed in 1998 by a 1998-2002 National Policy Package articulated on poverty alleviation whose main objective is to achieve by the year 2000 a sustainable economic growth capable of bringing about a substantial increase in per capita income.

b. Program Supporting the National Private Sector (PRSP) also centered on good governance. This program adopts a strategy grounded on:

- i. Privatization, a major component of the Structural Adjustment Programme in progress;
- ii. Improvement of the regulatory framework with a view to promoting the private sector growth and performing job creation;
- iii. Introduction of a permanent dialogue between the government and the private sector;
- iv. Reinforcement of the support for private enterprises;
- v. Enhancement of the private sector growth through the active promotion of industrial activities, the promotion of exports, export processing zones , ...

c. National Employment Scheme (NES): Despite the macro-economic and financial performances of structural adjustment programs, the conditions of living and existence of the populations remain difficult as to their access to basic social services and to input. To reverse this trend, the government adopted in 1996 a National Employment Scheme whose strategy hinges, inter alia, on:

- i. the creation of an environment favourable for the emergence of private initiatives in all sectors of the economic and social life;
- ii. the decentralization and deconcentration of economic activity.

81. All this takes place in a context whereby the government is determined to pursue not only actions toward economic and financial stabilisation occurring within the framework of Structural Adjustment Program (SAP) but also toward the program for the private sector recovery. In all, the government objectives and strategies listed in the NES encompass all the transversal concerns of sustainable human development and enshrine both recommendations and conclusions of world great conferences such as the Rio summit on environment, the Copenhaguen summit on social development, the Beijing summit on the role of the women, the Rome summit on food and the Washington summit on micro-credit.

d -Rural development

82. The government of Benin considers the agricultural sector as the vector of an accelerated and sustained growth especially for the benefit of the poverty-stricken populations. The operational strategic plan, which takes into account the present structure and the revitalization of the economy and agriculture of Benin, the economic guidelines adopted since 1990 and objectives assigned to the sector, has given a priority to the gradual modernisation of household farming in order to facilitate access to the market. Such a modernisation should, inter alia, contribute to poverty alleviation and facilitate the improvement of the standard of living of the populations, through an increase in income and, therefore, the purchasing power of the rural populations. Through the Letter of Rural Development Policy (LDPDR) dated 31st May 1991, the following objectives assigned to the agricultural sector may have a link with the sub-sector of microfinance, thereby:

- i. Contributing to the improvement of the living standard of the populations through an increase in the purchasing power of producers, poverty alleviation , ...
- ii. Contributing, within rural communities, to the improvement of sex ratio
- iii. Diversifying and scaling up agricultural production in a sustainable manner, that is to say without impeding the national productive base...

All these government strategies and policies seem to create conditions auspicious for the harmonious development of the MFIs. Vital Finance, an MFI put in place thanks to the financial support of USAID/Benin gives from now on evidence of an institution capable of meeting the credit requirements for great number of small-scale entrepreneurs.

V. EVALUATION OF VITAL FINANCE BENIN

83. VITAL FINANCE Benin has been initiated by the VITA Volunteers in Technical Assistance NGO. The main goal of VITAL FINANCE Benin project is the promotion, development and diversification of micro-enterprises. It has been established thanks to the financial support of USAID/Benin. The project commenced in June 1998 in Cotonou with the recruitment of the project manager and the expatriate technical assistance. It had about one hundred clients in the beginning and is supposed to reach the 3,500 active clients expected for late 2000. Already in July 2000, VITAL FINANCE Benin had 3,059 clients and three branches (Cotonou, Porto-Novo and Parakou).

84. VITAL FINANCE Benin is in the process of signing a framework agreement with the Ministry of Finance for a period of five years renewable. Its eligibility conditions can be summarised through its management information system (MIS), its activities, liquidity portfolio management, cost-effectiveness and profitability.

5.1-At the level of management information system

85. It has a management information system which enables to obtain useful data on time. It tallies with the current needs of the institution and should as a matter of principle, be easily adjustable to its future requirements. In addition, there are background papers to support its daily management.

5.2 - At the level of risks

86. The major risks to which VITAL FINANCE Benin happens to be exposed are clearly identified and actions are taken toward their control and reduction. A service of internal audit recommended by the donors and backed up by the external auditors of the institution has been set up to work jointly with the management and cover risks, guarantee the reliability of data, protect the tangible assets of the institution and facilitate its sound operation.

5.3 -At the level of operations and loan portfolio

87. VITAL FINANCE BENIN has experienced a very rapid increase in its number of clients and its portfolio. Its outstanding loan of 74,703,851 CFA.F in December 1998 reached 195,081,918 CFA.F in December 1999, making an increase of more than 160%. The present level of its outstanding loan is nearly 500,000,000 CFA.F in December 2000. The aggregate amount is very low and does not exceed 1% for each of the proceeds.

Despite competition in the sub-sector, the market remains open. Studies should, however, be undertaken for the development of new products adapted to the needs of the clients if VITAL FINANCE Benin has to keep the same timing of growth and the creditworthiness of its portfolio.

5.4 -At the level of financing: Loans and Net Worth

88. VITAL FINANCE Benin largely depends on its main donor, USAID, which puts overdraft facilities, investment grants and operating subsidies at its disposal.

However, VITAL FINANCE Benin is taking actions towards the diversification of its resources by securing an overdraft made available for it by FINADEV, the window of microfinance at Financial Bank. It has also obtained a loan from ETIMOS since February 2000 for an amount of 104,000,000 CFA.F.

5.5 - At the level of efficiency and profitability

89. According to the evaluation conducted by "GIRAFE" in 2000, "VITAL FINANCE Benin is rapidly improving its administrative and operational efficiency. The rapid intensification of risks combined with cost control has enabled it to achieve in two years very low operating expenses as compared with the level of performance (operational performance less than 15%)".

The 1999 net result is positive, yet it is still largely based on subsidies received (operating subsidies and the writing down of investment grants accounting for more than 60% of the aggregate amount).

VI - REQUIREMENTS FOR THE SUB-SECTOR

90. Applications for loans are increasingly growing. The dynamism of the buyer's market requires that MFIs should be inventive and know how to comply with the additional needs of those who consume their

services. One of the things MFIs are informed of is that loans for micro-entrepreneurs only meet a small part of the demand relating to the financial services of low-income communities. A micro-loan can help a household to increase its revenue and even to ensure crowding in. It will, however, reduce neither vulnerability, nor risks. The services of savings which are easily offered can help to satisfy such needs in the long run since households can save money from which they may withdraw some money in case of emergency or to face dissaving.

91. But what happens when they are exposed to risks which they cannot overcome? Insurance is a promising answer to clients of this kind. By making use of insurance products so that low-income households can overcome such risks, MFIs can reduce risks sustained by their clients and subsequently improve their capacity to increase their earnings.
92. Insurance as a new financial product can improve profitability through the reduction of credit losses and a change in clients' need to make withdrawals from their savings in emergency cases. This would stabilize investments and could enhance the development of new products such as investment credits. Then, insurance products can be a new source of loan capital. The insurance product should be developed with an insurance company authorized in this respect.
93. In theory, insurance supply can create a winner's situation for microfinance stakeholders: it will reduce vulnerability and mitigate clients' exposure, on the one hand, and MFIs can make an inventory investment, on the other hand. But these benefits have to be streamlined in view of the fact that the law governing microfinance systems prohibits this type of products whose acquisition falls within the scope of the law governing non-banking financial institutions. They are not interested in the markets of low-income populations. Just like micro-credit, typical insurance companies face obstacles as regards the provision of insurance services to the poor people who require innovations as regards products engineering, delivery or even marketing facilities.
94. Furthermore, it is assumed that the multiplicity of MFIs can be seen as a limitation to the dynamism of small-scale enterprises and to applications for loans in terms of adjustment. If multiplicity can stimulate complementarity, it is possible to change the quantity of stakeholders into a better management of clients' needs, and succeed in setting up dynamic MFIs appropriate for demands.

In this respect, URCLCAM-ZOU has been experimenting since last year a product called Equity Loan plus Education (CEE), with the support of Freedom from Hunger. This product tends to replace TPCF (Very Small Loan to Women). It is allocated to groups standing together with women.

95. This need is also felt at the level of guarantee in order to serve a greater number of beneficiaries and direct financing of value-added intensive activities by allocating not only short-term/commercial lending but also substantial medium-term loans. This will enable microfinance to stabilize households by allocating loans mainly to women and stopping to be a coat hiding the shabbiness underneath as is the case at present. There is need to secure a loan capital or a guarantee fund to satisfy the greatest number. In other words, microfinance will be far from achieving its objectives of significant poverty alleviation.
96. As regards the system appropriation by members of mutual associations, the field has revealed that FECECAM is improving on its governance and on the authority exercised by those who are elected by these institutions. It is envisioned a balance of power between the members elect and the professionals. Concerning self-liquidating asset banks (CAVECA, ASF), ownership is actually discharged by members handling the management. On the other hand, the serious issue of professionalism is at stake.

6.1-Requirement for capacity-building

97. All MFIs have expressed the need to train their personnel at the level of technical structures and their remote branches. Professionalism implies a continuous retraining of workers. MFIs training strategy is not yet what it should be. In all, it remains inexistent. Most decentralized financial systems continue to be managed by amateurs and, worse still, by such SFDs leaders who are not often aware of weaknesses at the managerial level. This is why most SFDs do not have any strategic development plan, using as a result, a true “sight flying” style of management. Even those which have one do not always have the capabilities for a reasonable use.

6.2 - Requirements for MFIs financial support

98. The search for a financial stability remains an important objective for all MFIs visited. However, all of them are marked by character loans which create a paradoxical situation as regards the sustainability so much aimed at by the actors. All SFDs visited have expressed various types of needs ranging from loan capital to formal loans. In other words, everything is expected to come from outside. Some MFIs such as CAVECA are in actual fact victims of financial difficulties because of a low capacity of deposit-taking at local level, which should help allocate loan.

99. This statement is really preoccupying and raises the true issue of SFD sustainability. An enterprise which do not succeed in generating the resources required for its existence is doomed to close down. It is therefore important to create the conditions or regulatory framework auspicious for the emergence of commercial initiatives. To this effect, the sub-sector will become attractive for private capital and, therefore, the issue of resource gap currently observed may be settled substantially.

100. The examples of PROMIC and PAGER are instructive. Very early, they have accorded a great importance to the financial self-sufficiency of ASFs. These two schemes have limited their support to the supply of background papers and the training of members elect and professionals of the banks. Loans are directly allocated from deposit-taking during off-the-shelf purchases. The face value of a share is 2,000 CFA.F. Loan application coverage is gradually increasing, as banks are recording new membership and a good repayment of call money.

101. A close look at the policy of FECECAM network in respect of financial partnership reveals that it is no more based on the research of overdraft facilities but rather on financial resources thereby allowing to improve the internal technical capacities of the institution or to pay for technical assistance. In this respect, it has introduced an (unreplied) application to USAID to support the establishment of Equity Loan plus Education (CEE): the development of such a product has led to a decline of cost-effectiveness at the level of pilot banks (4 in number), especially with the expenses generated by recruitment of outreach workers. The subsidy requested from USAID should, therefore, be used to cover losses sustained during the exercise.

6.3 - Requirements for financial credit

102. Rural and urban micro-entrepreneurs are marked by the activities in which they are engaged and which are often in the sector of trade, services and small-scale processing. Borrowing requirements are, therefore,

first and foremost at the level of call money (one year maximum), intended to supplement the initial float of the micro-entrepreneur. According to the activities envisaged, such requirements are more or less important. Their amount may be very low, ranging from 2,000 to 20,000 CFA.F to fund sales activities undertaken by women in rural areas, for many hundreds of thousands CFA.F to commercialize cattle or manufactured goods.

103. Most often, micro-entrepreneurs react to opportunities and their activities comply with clear-cut seasonal criteria. Loans should be quickly disbursed and procedures should be very simple. On the other hand, interest rate plays a rather marginal role, especially for small amounts. This sub-sector need for loans could be estimated, according to MICROSTART project document of 1998, at some 300 billion CFA.F of which 200 billion for the agricultural sector.

104. The sector of micro-enterprises is especially developed in secondary cities and in the capital. They are artisanal enterprises of production and services, essentially manned by a family manpower and apprentices. These enterprises have been formed on the basis of a self-financing of the entrepreneur as well as family and informal loans. They have a very limited equity. Most often, they operate on the basis of advance loans brought by the client with the order, even the raw materials, thereby limiting the provision of their services to a remuneration of the manpower.

105. Concerning these enterprises, three types of financing would be inclined to enable them go beyond their current level and modernize their organization:

- financing their float requirements for the purchase of raw materials ; especially when they have firm orders, they can use their order form to guarantee the loan and lodge the payments with borrowing financial institution ;
- cash advances for craftsmen Associations to enable them display their financial resources required while submitting their tenders on market overt (often accounting for 30% of the market) ;
- capital investment expenditures ranging from materials and plants, refundable over 12 months, to heavier equipment requiring loans of three years or so.

The first two types of loans prevent markets from being overcome by wholesalers who contract out to micro-enterprises on unfavorable terms.

106. No thorough study has been conducted on these buyers, and no precise identification of their needs in a qualitative and quantitative manner is available. This aspect should be taken into account during the implementation of the plan of actions at the unanimous request of SFDs in urban areas, so as to better grasp this market.

Needs for loans in the sector of micro-enterprises could be estimated at some 15 billion CFA.F on the basis of 15,000 micro-enterprises for term loans of one million CFA.F.

6.4 - Requirements for interest repayments on savings

107. The rural area is inadequately served. Furthermore, the cultural gap between formal banks and rural populations, as well as urban micro-entrepreneurs remains deep. Administrative documents to be produced and filled remain intricate. Minimum amount required to open accounts are after all not affordable for

many people. Therefore, the formal sector does not adequately meet the requirements for interest repayments on savings as far as the large majority of the population is concerned. Yet, this requirement exists, and is not fully met through the existing traditional mechanisms such as tontines and safe-keeping, which are not always fully secure. Therefore, potential savers cannot but react positively to incentives such as returns on a guaranteed loans.

108. In rural areas, the need for interest repayments on savings is expressed through:

- micro-entrepreneurs, trying to guarantee and remunerate their float during the crop year when there is a slackening of business;
- households, to face contingencies and to make new investments in the acquisition of sustainable goods;
- groups, to guarantee and increase their resources, during some periods of the year, and thereby increase their creditworthiness and assistance to members;
- diverse management committees on social infrastructure (water, school, dam, scheme...) to guarantee and pay back stock-taking for the maintenance and depreciation of such infrastructure.

109. In urban areas, the requirements are also vital:

- women retailers and artisans wishing to engage in the accumulation of capital to increase their float or to invest in performing sustainable goods;
- households, to face contingencies, improve on housing, and invest in sustainable goods.

All these needs for a proximity service of interest repayments on savings that is flexible and appropriate, are expressed both for call money (to the tune of 1 month to 6 months) and term loans (up to two years or so).

110. There is no precise study to assess this informal savings which could be harnessed to finance producer goods of the country. But it is almost sure that this can, straight away, be translated into dozens of billion CFA francs and cover a substantial part of the requirement for loan capital. This is all the more important than approaches for direct loans deserve to be thought over in the sense of a deposit-taking which is normally an activity indispensable to support loan transactions. The argument according to which the target populations are too poor to be subjected to inventory investment as far as loans are concerned, is questioned by outstanding loans of more than 8 billion available at the level of FECECAM.

ANNEXES

ANNEX 1: TERMS OF REFERENCE

SHORT-TERM CONSULTANCY TO ASSESS THE REQUIREMENTS FOR THE MICROFINANCE SUB-SECTOR IN BENIN AND IDENTIFY POSSIBILITIES TO STRENGTHEN THIS SUB-SECTOR

I - GOAL

The goal of this short-term consultation is to assess the sub-sector of microfinance in Benin and propose strategic options to USAID/Benin in its efforts to support and promote economic and social development.

II - OBJECTIVE

The objective of such an assessment is to examine opportunities and review the constraints so that USAID/Benin can complete its support for the sub-sector of microfinance, by identifying weaknesses the Mission can help Benin to remedy in order to make this sub-sector more performing, efficient and focused on the objective of poverty alleviation in Benin. Data collected in the framework of this assessment will also be taken into account in the planning of future programs of Democracy and Governance.

III -BACKGROUND

Since 1990, when Benin was embarking upon a system of democratic government and adopting a free market economy, Benin has become an important actor of microfinance within the sub-region. According to a UNDP report, nearly 62 formal organisation of micro-credit and 439 community-based associations, though informal were identified as microfinance institutions in Benin in 1998. These organizations serve 350,000 clients with an aggregate savings of 30 billion CFA francs and a current loan portfolio of over 18 billion CFA.F. These microfinance institutions can take on many forms: NGOs, cooperative associations, chambers of commerce, associations charging illegal rates of interest, tontines and credit unions. Though there are nearly 62 formal microfinance associations in Benin, most of them are engaged in savings activities, rare are those (3) which operate as associations of direct Micro-credit. These associations cover less than 20% of the market. Microfinance institutions which have not been registered as banks are under the PARMEC law which regulates the activities of microfinance in Benin. The Ministry of Finance and Economy has put in place a microfinance unit to facilitate transactions and monitor the development of microfinance.

In order to efficiently support the decentralization program of the government of Benin , increase the income of citizens and bring about revitalization within the sectors of development, USAID/Benin decided in 1997 to link the development of micro-enterprises with governance (= management of public affairs). Through this strategic link, USAID/Benin anticipated to increase the involvement of local governments in grass-root development and income-generation.

The synergistic approach adopted by the Mission consisted in stimulating and facilitating a greater involvement in the local process of decision-making so as to enable the latter to demand more transparency and accountability from local leaders. Support for the development of micro-enterprises has, therefore, become a vital approach to achieve the specific objective of the Mission in the field of Democracy and Governance (D/G).

As part of its Specific Objective in Benin, USAID supports a diversity of initiatives aimed at strengthening democracy and improving governance for a sustainable economic and social development. Among these initiatives, there are: The Micro-enterprise Development Project implemented by VITA/Micro-bank. This

activity is based on the fact that Micro-credit allocation to individuals and vulnerable groups such as women for the development of small-scale trading activities may promote democracy and sound management practices in Benin. More specifically, this activity is based on the assumption that increase in the income of the beneficiaries through microfinance can help to meet their basic needs for education and health and increase their involvement in the local process of decision-making, since they are in a position to pay rates.

USAID/Benin has been supporting micro-credit activities for three years as part of the VITA/Micro-bank program. Considering the political will demonstrated by the government of Benin to give priority to microfinance as a means and strategy to alleviate poverty and increase the involvement of vulnerable groups in economic growth, USAID envisions to continue its support for the reinforcement of the microfinance sub-sector in general.

Many studies reveal the growing interest of the civil society and other private groups in the business of micro-credit activities in Benin. However, the enabling environment has not yet been worked out by the government with the involvement of actors operating in this sub-sector. Through the “Microfinance Unit” established by the Ministry of Finance and Economy, a great effort is being made at present to regulate the sub-sector and make it secure so as to reduce its vulnerability. However, this unit is still to set forth its own role and facilitate the overall development of the sub-sector.

On the other hand, the civil society and private organisations engaged in microfinance should be trained so as to bring about the new environment required for the advancement of the sub-sector.

Recently, a link has been established between poverty alleviation and microfinance, since microfinance can be a way to ensure that the low-income groups can benefit directly from economic growth. From an even still recent period, microfinance has been considered as a vital element of poverty alleviation in Benin and other developing countries as well.

IV - SPECIFIC TASKS

The Consultant should review the sub-sector of microfinance as it is in Benin, and evaluate strengths and weaknesses and formulate recommendations for strategic options with a view to reinforcing the program within the framework of the National Strategic Plan of the Mission. More specifically, the Consultant should:

- Map out the economic and social backgrounds, the links between microfinance and poverty ;
- Evaluate HIV/AIDS effects on the sub-sector ;
- Retrieve from internet and other networks information on:
 - (a) legal environment
 - (b) various actors (creditors and beneficiaries of loans)
 - (c) performance of the sub-sector of microfinance in Benin
- review the document and reports on VITA/Micro-bank subsidies in order to assess achievements or progress made as well as the contribution of this program to the development of the sub-sector;

➤interview actors of the sub-sector (Ministry of Finance and Economy, Ministry of Social Welfare, microfinance networks, local savings and credits small-scale unions, local banks and donors engaged in microfinance in Benin) in order to evaluate the support given to the sub-sector and identify other needs which, once they are met, would make the sub-sector more performing and geared toward poverty alleviation;

➤Assess needs in terms of the coordination of donors' efforts in the sub-sector of microfinance, as well as the role the "Microfinance Unit".

The Consultant should present a methodology and a time-frame for the evaluation.

In the light of the preceding, he/she should formulate strategic recommendations for any possible interventions of USAID/Benin. The recommendations should include the methods for further actions, especially towards women and other vulnerable groups.

Such recommendations on the evaluation should aim at:

- a) a better regulatory environment which guarantees microfinance sector sustainability
- b) reinforced microfinance institutions which are aware of the foundations of the sub-sector
- c) a developed sector of micro-enterprise which is instrumental to the implementation of the objective of poverty alleviation.

The Team of Democracy and Good Governance plans to embark upon this evaluation from January to March 2001.

V- SKILLS AND QUALIFICATIONS REQUIRED FOR THE EVALUATION

The Consultant should be conversant with the development of micro-enterprise in West Africa and other developing countries. More specifically, he/she must hold at least a Master degree in Economics, Socio-Anthropology, Law, Corporate Finance, International Development, or in other related subjects. He/she must have at least seven (7) years of experience in the design and implementation of development projects in the private sector, with emphasis on the development of microfinance and micro-enterprise. He/she must be fluent in English (SR4) and French (SR4).

IV - DELIVERY

The Consultant should submit to the Team Leader of Democracy and Good Governance a report including :

- a) an insight into the sub-sector of microfinance in Benin
- b) strengths and weaknesses of the sub-sector of microfinance
- c) an insight into the legal and/or regulatory environment of the sub-sector
- d) a prioritization of the needs to reinforce the sector, and
- e) recommendations to USAID/Benin as part of their Specific Objective to support the sub-sector, especially in the field of coordination of the donors' interventions.

The plan here-below is suggested for the report to be submitted by the Consultant:

- A. Insight into the environment of microfinance in Benin as compared with development efforts

- Background
 - Procedure for the establishment of the microfinance tradition in Benin
 - Role of microfinance in the development plan of Benin, specifically as a strategy for poverty alleviation
- B. Constraints of the sub-sector of microfinance
- a) Institutional/technical constraints
 - geographical/physical factors
 - economic/financial factors
 - b) National and regulatory constraints
 - constitutional factors
 - legislative and regulatory factors
 - traditional/cultural factors
 - technological factors
 - judicial factors
- C. Efforts of the government of Benin to promote and reinforce the sub-sector (strengths and weaknesses).

ANNEX 2: Restitution of the major outcome of the mission of evaluation of the microfinance sub-sector in Benin

Observations of participants on the report:

I. As regards the form

- Examine in greater depth the progress made
- Scale up the plan, in compliance with the terms of reference, to take into account strengths and weaknesses of microfinance in Benin
- Improve the pattern of the diagnosis by making a difference between internal diagnosis (strengths and weaknesses) and external diagnosis (opportunities and threats)
- Simplify the write up and avoid equivocal terminologies. To this effect, simplify the phrase “cadrage macro-économique” (macro-economic adjustment), avoid the term “environmental” which refers to Benin Environmental Agency (ABE). There is no “populations non banquables” (non creditworthy populations), as microfinance should facilitate credit availability for the entire populations.
- Specify the sources of data used
- Take into account the following items: do not consider microfinance as a sub-sector, but as a whole sector, the study on the sustainability of microfinance institutions, identify needs both at the level of sector and target, review the approach of the strategy.

II - As regards substance

As regards the diagnosis:

- Specify loans because financial resources are not necessarily a priority for all MFIs, knowing that CLCAMs are for instance oversaving. Talking about resources, there should be a difference.
- Is it not advisable to state again the financial intermediation of MFIs to better place them in their role as far as deposit-taking is concerned? It is at this level that they seem more efficient.
- Microfinance seem a business in which promoters engage after failing in the other development projects. Specialization in microfinance should be required to make more operational the objectives of professionalization.
- It is of paramount importance to show the efforts of microfinance in terms of usury.
- Examine thoroughly the diagnosis at the level of village banks which enable to reach the greatest number of people.
- Take into account the outcome of diagnosis conducted by MFIs themselves (reference made by Mrs DIOGO to a recent MFI seminar).
- What might be the limitation of microfinance in connection with the importance of needs and their diversity ?
- Bring out as clearly as possible how MFIs combine the economic with the social.
- Make a difference between poverty alleviation and development objectives.

As regards opportunities and constraints

- With the arrangements of OHADA, the regulatory framework of microfinance is upset, because MFIs vis-à-vis OHADA are considered as “outlaws”. Such a legal difference deserves being ironed out.

- The legal and judiciary environment is not secure.
- There is a framework of consultation at the level of the sector and the main actors meet twice a year, to the tune of a semester.
- There is inconsistency as regards the interventions of the government : the government should not be a practitioner.
- The penetration rate of FECECAM is 10%. As far as stockholders are concerned, they are around 300,000 in number.
- Introduce issues related to the management of mutual associations and growth.

As regards needs:

- There is need to innovate in terms of technical support;
- Insist on the professionalization of the sector;
- Take into account refinancing requirements;
- Reinforcement of management capability;
- Propose a strategy for financing in rural areas.

As regards recommendations:

- The support USAID can give to the sector should not be underestimated. The budget should take into account the extent of the needs while laying a specific emphasis on:
 - The needs in the process of satisfaction;
 - Needs already met;
 - Needs still to be met;
- Propose a strategy for deposit-taking
- Propose the utilization of evaluation tools such as “rating”
- Proceed necessarily to a legal review for a contribution of the positive law to the sector of microfinance.

APPLICATION FOR FEDERAL ASSISTANCE		2. DATE SUBMITTED	APPLICANT IDENTIFIER
1. TYPE OF SUBMISSION		3. DATE RECEIVED BY STATE	STATE APPLICATION IDENTIFIER
Application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		4. DATE RECEIVED BY FEDERAL AGENCY	FEDERAL IDENTIFIER
Preapplication <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction			
5. APPLICANT INFORMATION			
Legal Name		Organizational Unit	
Address (Street, County, State and ZIP code)		Name and telephone number of person to be contacted on matters involving this application (give area code)	
6. EMPLOYER IDENTIFICATION NUMBER (EIN)		7. TYPE OF APPLICANT (enter appropriate letter in box)	
<input type="text"/> - <input type="text"/>		<input type="checkbox"/> A. State <input type="checkbox"/> B. County <input type="checkbox"/> C. Municipal <input type="checkbox"/> D. Township <input type="checkbox"/> E. Interstate <input type="checkbox"/> F. Intermunicipal <input type="checkbox"/> G. Special District <input type="checkbox"/> H. Independent School Dist.	
8. TYPE OF APPLICATION		<input type="checkbox"/> I. State Controlled Institution of Higher Learning <input type="checkbox"/> J. Private University <input type="checkbox"/> K. Indian Tribe <input type="checkbox"/> L. Individual <input type="checkbox"/> M. Profit Organization <input type="checkbox"/> N. Other (Specify) _____	
<input type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es)		9. NAME OF FEDERAL AGENCY	
<input type="checkbox"/> A. Increase Award <input type="checkbox"/> C. Increase Duration <input type="checkbox"/> E. Other (specify) _____		<input type="checkbox"/> B. Decrease Award <input type="checkbox"/> D. Decrease Duration	
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER		11. DESCRIPTIVE TITLE OF APPLICANTS PROJECT	
Title:			
12. AREAS AFFECTED BY PROJECT (Cities, Counties, Street, etc.)			
13. PROPOSED PROJECT		14. CONGRESSIONAL DISTRICTS OF	
Start Date	Ending Date	Applicant	Project
15. ESTIMATED FUNDING		16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?	
a. Federal		a. YES. THIS PREAPPLICATION-APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON DATE _____	
b. Applicant		b. NO. <input type="checkbox"/> PROGRAM IS NOT COVERED BY E.O 12372 <input type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW	
c. State		17. IS THE APPLICATION DELINQUENT ON ANY FEDERAL DEBT?	
d. Local		<input type="checkbox"/> Yes If 'Yes', attach an explanation. <input type="checkbox"/> No	
e. Other			
f. Program Income			
g. Total			
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.			
a. Type Name of Authorized Representative		b. Title	c. Telephone Number
d. Signature of Authorized Representative		e. Date Signed	

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- | Item: | Entry: | Item: | Entry: |
|--|--------|---|--------|
| 1. Self-explanatory. | | 12. List only the largest political entities affected (e.g., State, counties, cities). | |
| 2. Date application submitted to Federal agency (or State if applicable) & applicant's control number (if applicable). | | 13. Self-explanatory. | |
| 3. State use only (if applicable) | | 14. List the applicant's Congressional District and any District(s) affected by the program or project. | |
| 4. If this application is to continue or revise an existing award, enter present Federal identifier number. If for a new project, leave blank. | | 15. Amount requested or to be contributed during the first funding/budget period by each contributor. Value of in-kind contributions should be included on appropriate lines as applicable. If the action will result in a dollar change to an existing award, indicate only the amount of the change. For decreases, enclose the amounts in parentheses. If both basic and supplemental amounts are included, show breakdown on an attached sheet. For multiple program funding, use totals and show breakdown using same categories as item 15. | |
| 5. Legal name of applicant, name of primary organizational unit which will undertake the assistance activity, complete address of the applicant, and name and telephone number of the person to contact on matters related to this application. | | 16. Applicants should contact the State Single Point of Contact (SPOC) for Federal Executive Order 12372 to determine whether the application is subject to the State intergovernmental review process. | |
| 6. Enter Employer Identification Number (EIN) as assigned by the Internal Revenue Service. | | 17. This question applies to the applicant organization, not the person who signs as the authorized representative. Categories of debt include delinquent audit disallowances, loans and taxes. | |
| 7. Enter the appropriate letter in the space provided. | | 18. To be signed by the authorized representative of the applicant. A copy of the governing body's authorization for you to sign this application as official representative must be on file in the applicant's office. (Certain Federal agencies may require that this authorization be submitted as part of the application.) | |
| 8. Check appropriate box and enter appropriate letter(s) in the space(s) provided:

-- 'New' means a new assistance award.

-- 'Continuation' means an extension for an additional funding/budget period for a project with a projected completion date.

-- 'Revision' means any change in the Federal Government's financial obligation or contingent liability from an existing obligation. | | | |
| 9. Name of Federal agency from which assistance is being requested with this application. | | | |
| 10. Use the Catalog of Federal Domestic Assistance Number and title of the program under which assistance is requested. | | | |
| 11. Enter a brief descriptive title of the project.
If more than one program is involved, you should append an explanation on a separate sheet. If appropriate (e.g., construction or real property projects), attach a map showing project location. For preapplications, use a separate sheet to provide a summary description of this project. | | | |

BUDGET INFORMATION - Non-Construction Programs

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget	
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)
1.	-				
2.	-				
3.	-				
4.	-				
5. Totals					
		Grant Program Function or Activity			
6. Object Class Categories		(1)	(2)	(3)	(4)
a. Personnel					
b. Fringe Benefits					
c. Travel					
d. Equipment					
e. Supplies					
f. Contractual					
g. Construction					
h. Other					
i. Total Direct Charges (Sum of 6a-6h)					
j. Indirect Charges					
k. TOTALS (Sum of 6i and 6j)					
7. Program Income					

BUDGET INFORMATION - Non-Construction Programs (cont'd)

(a) Grant Program	(b) Applicant	(c) State	(d) Other Source	
8.				
9.				
10.				
11.				
12. TOTAL (Sum of lines 8-11)				
	Total Amt 1st Year	1st Quarter	2nd Quarter	3rd Quarter
13. Federal				
14. Non-Federal				
15. TOTAL (Sum of lines 13 and 14)				
(a) Grant Program	FUTURE FUNDING PERIODS (Years)			
	(b) First	(c) Second	(d) Third	
16.				
17.				
18.				
19.				
20. TOTAL (Sum of lines 16-19)				
21. Direct Charges:	22. Indirect Charges			
23. Remarks:				

Public reporting burden for this collection of information is estimated to average 180 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0044), Washington, DC 20503

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET, SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

General Instructions

This form is designed so that application can be made for funds for one or more grant programs. In preparing the budget, adhere to an existing Federal grantor agency guidelines which prescribe how a budgeted amount should be separately shown for different functions or activities within the program. For some program grantor agencies may require a breakdown by function or activity. Sections A, B, C, and D should include budget estimates for the whole project except when applying for assistance which requires Federal authorization in annual or other funding period increments. In the latter case, Sections A, B, C, and D should provide the budget for the first budget period (usually a year) and Section E should provide the need for Federal assistance in the subsequent budget period. All applications should contain a breakdown by the object class categories shown in Lines a - k of Section E

Section A, Budget Summary Lines 1-4 Columns (a) and (t)

For applications pertaining to a single Federal grant program (Federal activity breakdown, enter on Line 1 under Column (a) the catalog program title and the catalog number in Column (b)

For applications pertaining to a single program requiring budget amounts by multiple functions or activities, enter the name of each activity or function on each line in Column (a), and enter the catalog number in Column (b). For applications pertaining to multiple programs where none of the programs require a breakdown by function or activity, enter the catalog program title on each line in Column (a) and the respective catalog number on each line in Column (t)

For applications pertaining to multiple programs where one or more programs require a breakdown by function or activity, prepare separate sheet for each program requiring the breakdown. Additional sheets should be used when one form does not provide adequate space for all breakdown of data required. However, when more than one sheet is used, the first page should always provide the summary totals for all programs.

Lines 1-4 Columns (c) through (g)

For new applications, leave Columns (c) and (d) blank. For each line entry in Columns (a) and (b), enter in Columns (e), (f), and (g) the appropriate amounts of funds needed to support the project for the first funding period (usually a year).

For continuing grant program applications, submit these forms before the end of each funding period as required by the grantor agency. Enter in Columns (c) and (d) the estimated amounts of funds which will remain unobligated at the end of the grant funding period only if the Federal grantor agency instructions provide for this. Otherwise leave these columns blank. Enter in Columns (e) and (f) the amount of funds needed for the upcoming period. The amount(s) in Column (t) should be the sum of amounts in Columns (c) and (d)

For supplemental grants and changes to existing grants, do not use Columns (c) and (d). Enter in Column (e) the amount of the increase or decrease of Federal funds and enter in Column (f) the amount of the increase or decrease of non-Federal funds. In Column (g) enter the new total budgeted amount (Federal and non-Federal) which includes the total previous authorized budgeted amounts plus or minus, appropriate, the amounts shown in Columns (c) and (d). The amount in Column (g) should not equal the sum of amounts in Columns (c) and (d)

Line 5 - Show the totals for all columns use

Section B Budget Categories

In the column headings (1) through (4), enter the titles of the same programs, functions, and activities shown on Lines 1-4. Column (a) Section A. When additional sheets are prepared for Section A, provide similar column headings on each sheet. For each program, function activity, fill in the total requirements for funds (both Federal and non-Federal) by object class categories

Lines 6a - i Show the totals of Lines 6a to 6h in each column

Line 6j Show the amount of indirect costs

Line 6k - Enter the total of amounts on Lines 6i and 6j. For applications for new grants and continuation grants the total amount

in Column (5), Line 6k, should be the same as the total amount shown in Section A, Column (g), Line 5. For supplemental grants and changes to grants, the total amount of the increase or decrease as shown in Column (1) - (4), Line 6k should be the same as the sum of the amount in Section A, Columns (e) and (f) on Line 5

Line 7 - Enter the estimated amount of income, if any, expected to be generated from this project. Do not add or subtract this amount from the total project amount. Show under the program narrative statement the nature and source of income. The estimated amount program income may be considered by the Federal grantor agency determining the total amount of the grant

Section C. Non-Federal Resource

Lines 8-11 Enter amounts of non-Federal resources that will be used on the grant. If in-kind contributions are included, provide a brief explanation on a separate sheet

Column (a) - Enter the program titles identical to Column (a) Section A. A breakdown by function or activity is not necessary

Column (b) - Enter the amount of the State's cash and in-kind contribution if the applicant is not a State or State agency

Column (c) - Enter the amount of the State's cash and in-kind contribution if the applicant is not a State or State agency. Applicants which are a State or State agencies should leave this column blank.

Column (d) - Enter the amount of cash and in-kind contribution to be made from all other sources

Column (e) Enter total of columns (b), (c) and (d)

Line 12 - Enter the total for each of Columns (b)-(e). The amount in Column (c) should be equal to the amount on Line 5, Column (c) Section A.

Section D. Forecasted Cash Need:

Line 13 - Enter the amount of cash needed by quarter from the grant agency during the first year

Line 14 - Enter the amount of cash from all other sources needed quarter during the first year

Line 15 - Enter the totals of amounts on Lines 13 and 14

Section E. Budget Estimates of Federal Funds Needed for Balance of the Project.

Lines 16-19 - Enter in Column (a) the same grant program titles shown in Column (a), Section A. A breakdown by function or activity is not necessary. For new applications and continuation grant applications enter in the proper columns amounts of Federal funds which will be needed to complete the program or project over the succeeding funding periods (usually in years). This section need not be completed if revisions (amendments, changes, or supplements) to funds for the current year of existing grants

If more than four lines are needed to list the program titles, submit additional schedules as necessary

Line 20 - Enter the total for each of the Columns (b)-(e). Where schedules are prepared for this Section, annotate accordingly a show the overall totals on this line

Section F. Other Budget Information

Line 21 - Use this space to explain amounts for individual direct object-class cost categories that may appear to be out of the ordinary or to explain the details as required by the Federal grantor agency

Line 22 - Enter the type of indirect rate (provisional, predetermined final or fixed) that will be in effect during the funding period, the estimated amount of the base to which the rate is applied, and the total indirect expense

Line 23 - Provide any other explanations or comments deemed necessary

ASSURANCES - NON-CONSTRUCTION PROGRAMS

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0040), Washington, DC 20503

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NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the awarding agency. Further, certain Federal awarding agencies may require applicants to certify additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant I certify that the applicant:

1. Has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this application
2. Will give the awarding agency, the Comptroller General of United States, and if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of person or organizational conflict of interest, or person gain.
4. Will initiate and complete the work within the applicable time frame after receipt of approval from the awarding agency
5. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. 4728-4763) relating to prescribed standards for merit systems for programs funded under one of the nineteen statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F)
6. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited by (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title I of the Education Amendments of 1972, as amended (20 U.S.C. 1681-1683, and 1685-1686), which prohibit discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975 as amended (42 U.S.C. 6101-6107), which prohibit discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention and Treatment Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse; (g) 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 cc-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.) as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and (j) the requirements of any other nondiscrimination statute(s) which may apply to this application
7. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-64) which provide for fair and equitable treatment of persons displaced whose property is acquired as a result of Federal or federally assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
8. Will comply, as applicable, with provisions of the Hatch Act (5 U.S.C. 1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds
9. Will comply as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. 276a to 276z - 276a-7), the Copeland Act (40 U.S.C. 276c and 18 U.S.C. 874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), regarding labor standards for federally assisted construction subagreements
10. Will comply if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more

ASSURANCES - NON-CONSTRUCTION PROGRAMS (cont'd)

11. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (E.O.) 11511; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. 17401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. 1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system
13. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470 EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq.
14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development and related activities supported by this award of assistance.
15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. 2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance
16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et seq.) which prohibits the use of lead based paint in construction or rehabilitation of residence structure:
17. Will ensure to be performed the required financial and compliance audits in accordance with the Single Audit Act of 1984 or OMB Circular No. A-133, Audit of Institutions or Higher Learning and other Non-profit Institutions.
18. Will comply with all applicable requirements of other Federal laws, executive orders, regulations and policies governing this program

SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	TITLE	
APPLICANT ORGANIZATION		DATE SUBMITTED