

NIGERIA ASSESSMENT REPORT¹

I. Executive Summary

In consultation with practitioners and donors, MicroStart has been devised as a pilot programme to build the capacity of local organizations, and to initiate and upscale existing microfinance activities. The programme will, in its pilot phase, work at country level in a maximum of 25 countries globally. Nigeria has expressed an interest in participating in this programme, and has committed financial resources for the necessary programme components.

The performance of the Nigerian economy, has not been satisfactory despite its enormous potentials for growth and development. Although the country is endowed with a sizeable natural resource base and financial resources accruing from the oil sector, it is still considered poor with a low per capita income and a ranking quite low according to its Human Development Index (HDI). The 1995 UNDP Human development report estimated that the life expectancy in the country is about 50 and that the human development index is 0.406 which ranks Nigeria as number 141 out of 174 countries in the world. The situation has been aggravated during the last decade by attempts to restructure the economy. Consequently, about 40 per cent of the population are estimated to be living in absolute poverty with about 80 per cent of them living in the rural areas. The gap between the rural and the urban, formal and informal sectors continues to grow rather than diminish with increasing economic growth and development.

Consequently, a big number of groups and institutions have been created over more than 15 years to meet some of the needs for financial and non financial services, particularly in rural poor areas. The results produced by the Nigerian microfinance institutions have been remarkable and can be shared with other West African countries, however many of the MFIs need to enhance their capacity, increase their management skills and provide more technical assistance to their clients.

MicroStart has been identified as one of the tools that can be used by the UNDP Country Programme to alleviate poverty in Nigeria. The objective of this programme is to improve access to appropriate financial and non financial services offered by micro finance programmes to the financially active poor, in order to enhance their economic activities, increase their revenues, and promote opportunities for ownership. The immediate objectives are as follows :

- (a) Increase access to credit, as well as productive assets and enhance opportunities for ownership.
- (b) Increase the financial capacity of participating organizations to provide microfinance services to the economically active poor.
- (c) Develop coordination and collaboration between the different actors in the microfinance sector and promote an appropriate regulatory framework.
- (d) Contribute to the development of knowledge, expertise, and information in microfinance.
- (e) Enhance the local capacity to provide technical assistance on a sustainable basis and ensure the continuity of the initiatives taken in the pilot programme.

¹ *In lieu of an Assessment Report, this document is extracted from the MicroStart Project Document and attempts to portray the state of microfinance in Nigeria*

II. National Context

A. Country Situation

1. Political and administrative structure:

Nigeria, Federal Republic of, Western Africa, is bordered by *Niger* to the north, Chad and Cameroon to the east, the *Gulf of Guinea* to the south, and by Benin to the west. The most populous country in Africa, Nigeria has an area of 923,768 sq. km (356,669sq. mi.). Its name is derived from that of its major river, the *Niger*. Abuja is the capital and Lagos is the largest city.

Initially composed of a number of ethnically based kingdoms and states, the area of modern Nigeria was brought under British rule in 1906. It became an independent state on October 1, 1960.

a. Government

The case of Nigeria's political state, since independence in 1960, has been one of rivalry and suspicion between the traditional, Muslim, Hausa and Fulani groups of the north and the more modern, Westernized Yoruba and Ibo of the south. Following military rule during 1966-79, a civilian government was restored on October 1, 1979.

b. Executive

Under the 1978 constitution, the president, who is elected to a 4 year term by popular vote, is both head of state and head of government. The constitution stipulates that the president must receive one - quarter of the vote in at least two-thirds of the 21 states which comprise the Republic of Nigeria. Since 1985, executive powers have been vested in the president, acting in consultation with the 19 - member Armed Forces Ruling Council.

c. Local Government

At independence, Nigeria was divided into three regions the north, ruled by the Hausa and Fulani; the West, governed by the Yoruba; and the east, controlled by the Ibo. In 1966 the country was divided into a number of small states. Under the 1978 constitution, state governors were to be elected. From 1983 through 1990, however, the ruling military council appointed all state governors. Nine new states were created in 1991, raising the total to 30; elections for governors and legislatures in all states were held in December.

d. International Organizations

Nigeria is a member of the United Nations, the Organization of African Unity, the Commonwealth of Nations, the Organization of Petroleum Exporting Countries, the Economic Community of West African States, and several other international associations.

2. Socio-Economic Situation

a. Land and Resources

Much of Nigeria consists of a low plateau cut by rivers, especially the Niger at Benue. Most of the country is suitable for agriculture. Its major economic resources are its massive petroleum and natural - gas deposits.

b. Physiographic Regions

Nigeria can be divided into four distinct geographical regions. Along the coast is a belt of mangrove forests and swamps, stretching some 16-km (approximately 10 miles) inland. Beyond the coast is a broad,

hilly, forested belt, which gradually rises to the rocky terrain of the Jos and Bauchi Plateaus. Beyond these plateaus is a region of Savanna, which stretches to a semi-desert zone in the extreme north. A great plain, marked by occasional outcroppings of granite, the savanna region is Nigeria's main agricultural area. In the east is the Adamawa Massif, which borders Cameroon and in which is Nigeria's highest point, Dimlang (Vogel Peak), 2042 m (6699 ft) high.

c. Rivers and Lakes

Niger River and its tributaries - principally the Benue, Kaduna, and Sokoto rivers - drain into most of Nigeria. In the northeast, the rivers drain into *Lake Chad*. Rapids and seasonal fluctuations in depth restrict navigation.

d. Climate

Nigeria has two distinct climatic zones. Along the coast the equatorial maritime air mass influences the climate, which is characterized by high humidity and heavy rainfall. To the north the tropical continental air mass brings dry, dusty winds (harmattan) from the Sahara; the temperature varies considerably with the season, as does rainfall, which is far less than in the south.

e. Principal Cities

Lagos, Nigeria's largest city, had a population (1990 estimate) of 1,307,000. Other cities with more than 225,000 inhabitants include Aba, Abeokuta, Ado - Ekiti, Ede, Enugu, *Ibadan*, Ife, Ila, Ilesha, Ilorin, Iwo, Kaduna, Kano, Maiduguri, Mushinm Ogbomoso, Onitsha, Oshogbo, Port-Harcourt, and Zaria. Many communities have more than 100,000 inhabitants. In December 1991 the capital moved from the coastal city of Lagos to Abuja in the centrally located Federal Capital territory.

3. Analysis of the National Development Problem

As stated in the UNDP document titled "Summary Of The National Programme Framework," the performance of the Nigerian economy, has not been satisfactory despite its enormous potentials for growth and development. Although the country is endowed with a sizeable natural resource base and financial resources accruing from the oil sector, it is still considered poor with a low per capita income and a ranking quite low according to her Human Development Index (HDI). The 1995 UNDP Human development report estimated that the life expectancy in the country is about 50 and that the human development index is 0.406 which ranks Nigeria as number 141 out of 174 countries in the world. The situation has been aggravated during the last decade by attempts to restructure the economy. Consequently, about 40 per cent of the population are estimated to be living in absolute poverty with approximately 80 per cent of them living in the rural areas. A fundamental cause of the underdevelopment of the economy is attributed to the structural characteristics of the economy, which has resulted in the persistent marginalization of the majority of the population. The gap between the rural and the urban, formal and informal sectors continues to grow rather than diminishing with increasing economic growth and development.

The cumulative impact of the structural distortions in the economy has worsened the incidence of poverty over the years, particularly amongst the people at the lower end of the income ladder, thereby widening of income differentials in society. GDP per capita which was about US\$1000 in 1980 stood at only US\$260 in 1995, placing Nigeria among the 20 poorest countries in the world.

With the downturn in the formal sector, unemployment of secondary school graduates has been aggravated. In mid 1985, the government estimated the rate of unemployment within this group in urban areas to be 40%. The situation has further deteriorated since 1985 and consequently an increasingly large number of job seekers now rely on the informal sector for employment. This drift to the informal sector

for employment has further intensified the marginalization of the greater part of the Nigerian people, although the country remains potentially a viable economic entity.

a. Profile of poverty in Nigeria

The World Bank conducted a study in 1997 entitled “Poverty and Welfare in Nigeria” in which concluded that:

1. Poverty in Nigeria has been widespread. In 1985, 43% of the population was living below the poverty line. This means 36 million people subsisted on 395 naira a year and could not consume more than 2,100 kilocalories. In the absence of an official definition, this poverty line was obtained by calculating two-thirds of the mean per capita household expenditure for 1985. By this poverty line measure, half of the rural population was poor, while in urban Lagos a quarter was poor.

Those unable to spend more than 198 naira a year in 1985 prices were extremely poor, and they were 10 million people or around 30% of all poor people in 1985.

2. In 1985-1992, the incidence of poverty fell, but income inequality worsened. The 1992 household survey indicates that the number of people who fell below the poverty line declined from 43% in 1985 to 34% in 1992. This, however, translates into only a small decline in the number of poor people, from 36.1 million in 1985 to 34.7 million in 1992.
3. In 1985 the top 10% had more than 35% of income, rising to 45% in 1992. In contrast, the lower 10% had only 2% of income in 1992. One in five Nigerians lives on less than 164 naira a year, which barely provides half the nutritional requirements for healthy living. In both urban and rural areas, a family spends around two-thirds of household expenditures on food, while the poorest households spend up to 90 percent of their income on food.

b. Distribution of poverty

The World Bank study revealed also that poverty in Nigeria is highest in rural areas. The number of rural poor is roughly twice that of the urban poor. The average per capita expenditures of a rural poor household was one-fifth of the non poor in 1992. Of the extremely poor, 85 % lived in rural areas and more than two-thirds lived on farms. Rural poverty fell in 1985-1992, urban poverty increased. The number of rural poor declined from 26.4 million in 1985 to 22.8 million in 1992. In towns and cities, it rose from 9.7 million to 11.9 million in 1985-1992. The depth of poverty declined from 19 to 16 % in rural areas, while it increased in urban areas from 9 to 12 %, consequently, extreme poverty rose substantially in urban areas.

c. How To Reduce Poverty In Nigeria

According to the World Bank study in “Poverty in Nigeria” any successful strategy to improve welfare, involving all stakeholders, must include three simultaneous courses of action:

1. A strong and focused emphasis on economic growth
2. Better access for the poor to social services and adequate infrastructure
3. Targeted interventions to protect the poorest or the most vulnerable.

To achieve economic growth and reduce poverty, the World Bank recommended a prudent fiscal and monetary policy with incentives to create increased sources of growth, and to support the development of the private sector as the catalyst for growth.

4. Cultural Context

a. Population

With more than 250 ethnic groups, Nigeria is a complex linguistic, social, and cultural mosaic. More than half the population consists of the Hausa and Fulani peoples of the north, the Yoruba of the southwest, and the Ibo of the southeast. Other ethnic groups include the Edo, Ijaw, and Ibibio of the south, the Nupe and Tiv of the central part of the country, and the Kanuri of the northeast.

b. Population Characteristics

Although Nigeria is recognized as the most populous country in Africa, the exact size and distribution of Nigeria's population have been a matter of great political controversy. Estimates of the country's population by the United Nations (UN), the World Bank, and the Nigerian government in the late 1980s ranged well above 100 million, but preliminary results of the 1991 census showed a total of only 88.5 million. In 1993, Nigeria's population was estimated at (95, 060, 430. The median population density in 1993 was 102 persons per sq. km (266 per sq. mi.). About 35 percent of the people live in urban areas.

c. Language

English is the official language of Nigeria. Hausa, is the most widely used language, followed by Yoruba, Ibo, Kanuri and Tiv.

5. The Structure of the Nigerian Financial System

The Nigerian financial system is comprised of regulatory/supervisory authorities as well as banks and non-bank financial institutions. The regulatory/supervisory authorities are the Federal Ministry of Finance (FMF), Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Securities and Exchange Commission (SEC), National Insurance Commission, Federal Mortgage Bank of Nigeria (FMBN), and the National Board for Community Banks (NBCB). The CBN is the principal regulator and supervisor in the money market with the NDIC playing a complementary role. The CBN exclusively regulates the activities of finance companies and specialized/development finance institutions such as the Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI), and the Nigerian Agricultural and Co-operative Bank (NACB). The SEC is the apex regulatory/supervisory authority in the capital market. The Nigerian Stock Exchange (NSE) is a self-regulatory or user-regulatory institution. The registrars, stock brokers and issuing houses that also interact in the market complete the capital market chain. In the recent (1997) amendment to CBN Decree No. 24 of 1991, the CBN is to report to the Presidency through the Federal Ministry of Finance. Also, with effect from 1 January 1997, the Central Bank of Nigeria has effectively assumed the leadership of all the banking institutions in the financial system. In this regard, the CBN now has responsibility for controlling and supervising all commercial, merchant and community banks, the People's Bank, finance companies, discount houses, primary mortgage institutions, bureau de change and all development banks.

a. The Regulatory Authorities

The regulatory/supervisory authorities are very crucial for the functioning and orderly development of the financial system. Highlights of the roles of the various regulatory authorities provided below:

i. The Central Bank of Nigeria

The CBN is the apex regulatory authority of the financial system. It was established by the Central Bank of Nigeria Act of 1958 and commenced operations on 1 July 1959. Amongst its primary functions, the Bank promotes monetary stability and a sound financial system, and acts as banker and financial adviser to the Federal Government, as well as banker of last resort to the banks. The Bank also encourages the growth and the development of financial institutions. The

promulgation of CBN Decree 24 and Banks and Other Financial Institutions (BOFI) Decree 25, both of 1991, gave the Bank more flexibility in regulating the supervising the banking sector and licensing finance companies, which hitherto operated outside any regulatory framework. The responsibilities of the Bank in regulating and supervising the financial system were enlarged in the recent government pronouncements that placed all financial institutions, including development banks, under the Bank's supervision.

ii. The Federal Ministry of Finance (FMF)

The Federal Ministry of Finance advises the Federal Government on its fiscal operations and co-operatives with the CBN on monetary matters. Before 1991, the responsibility for the supervision and licensing of banks was shared between the FMF and the Bank. The CBN became the sole authority for the licensing of banks since 1991. However, the recent amendment to the law directs the CBN to report through the Federal Ministry of Finance to the Presidency.

c. The Money Market and Its Institutions

This is a market for short-term debt instruments. The major function of the money markets is to facilitate the raising of short-term funds from the surplus sectors to the deficit sectors of the economy. The deficit units, which could be public or private, obtain funds from the market to bridge budgetary gaps by trading in short-term securities such as Treasury Bills, Treasury Certificates, Call Money, Certificates of Deposits (CDs), and Commercial Papers (CPs). With the commencement of Open Market Operations (OMO) by the CBN, the scope of the money market has been expanded. The number of participants in the market also increased with the establishment of five discount houses. Money market institutions constitute the hub of the financial system. These institutions include discount houses, commercial and merchant banks, low income and rural sector target institutions constitute the hub of the financial system. These institutions include discount houses, commercial and merchant banks, low income and rural sector target institutions like the People's Bank of Nigeria and community banks, which are special purpose banks. Total instruments outstanding in the market amounted to N123, 655.0 million at the end of 1996 from N103,326.5 million at the end of 1995.

d. Commercial And Merchant Banks

Commercial and merchant banks perform a major role of financial intermediation in the economy and facilitate the payments system within the modern exchange economy. The banks operate under the legal framework of the Banks and Other Financial Institutions Decree 25 of 1991 (as amended). Prior to this, the banks' activities were governed by the 1952 Banking Ordinance and the Banking Act of 1969 (and amendments).

i.) Commercial Banks

The first commercial bank started operation in Nigeria in 1892. Commercial banks perform three major functions, namely, acceptance of deposits, granting of loans and the operation of the payments and settlements mechanism. Since the Government commenced active deregulation of the economy in September 1986, the commercial banking sector has continued to witness rapid growth, especially in terms of the number of institutions and product innovations in the market. The number of commercial banks and their branches rose, respectively, from 30 and 2,397 in 1986 to 64 and 2,402 in 1996. Since the enactment of the CBN and BOFI Decrees, commercial banks have been operating under a changed environment, which seeks to minimize the risks associated with innovation and deregulation. With the recent amendments to BOFI Decree in 1997, the minimum capital requirements of both commercial and merchant banks has been increased to a uniform level of N500 million from N50 million and N40 million for commercial and merchant banks, respectively. The commercial banks continue to

dominate the banking sector accounting for 82.6 and 90.4 per cent of the banking system total assets and deposit liabilities in 1996 as against 83.5 and 89.2 per cent in 1995. The total assets/liabilities of the commercial banks increased from N463,671.4 million in 1995 to N536,057.9 million in 1996, while deposit liabilities rose to N225,298.7 million in 1996 from N186,373.6 million a year earlier.

ii) *Merchant Banks*

Merchant banks are wholesale banks which take deposits and cater to the needs of corporate and institutional customers. Their role in the economy is to provide medium to long-term financing by engaging in activities such as equipment leasing, loan syndication, debt factoring and project financing. They also operate in the capital market by acting as issuing houses and advisers for clients sourcing funds in the market. The first merchant bank in Nigeria, Nigerian Acceptances Limited (NAL), started operations in 1960. By the end of December 1996, there were 51 merchant banks with 147 branches, while their total assets amounted to N111,266.9 million, compared with N91,801.3 million in 1995.

e. Development Finance Institutions (DFIs)

Specialized banks or development finance institutions (DFIs) are established to contribute to the development of specific sectors of the economy. They consist of the Nigerian Industrial Development Bank, Nigerian Bank for Commerce and Industry, Nigerian Agricultural and Cooperative Bank and the Urban Development Bank (UDB). In the recent amendment to CBN Decree 24 of 1991, all development banks are now under the supervisory control of the Central Bank of Nigeria and are expected to render their operation returns to the Bank. The scope of their operations is reviewed below.

i. Insurance Companies

Prior to the establishment of the Nigerian Insurance Supervisory Board (NISB) in 1992, the Federal Ministry of Finance (FMF) licensed and supervised insurance companies in Nigeria. In 1997, the National Insurance Commission Decree established the National Insurance Commission, which replaced the NISB as the regulatory organ in the industry. The insurance companies consist of life and non-life as well as those, which engage in both activities and re-insurance firms. They mobilize relatively long-term funds and act as financial intermediaries. Their investments are mainly in government securities and the mortgage industry. The Nigerian insurance industry has grown tremendously over the years. The number of insurance companies operating in the country remained at 187 in 1996. The total assets/liabilities of the 98 insurance companies that reported on their activities at the end of 1996 amounted to N11,987.4 million. Funds accruing to the industry during the year totaled N4,376.2 million. The funds were sourced mainly through reduction in out going and other assets, which together accounted for 80.8 per cent of total funds.

The Nigerian Reinsurance Corporation was established in 1977 to provide insurance cover for insurance companies. In addition the Corporation is expected to assist the government in achieving its economic and social objectives in the field of insurance and re-insurance. All registered insurance companies in Nigeria are statutorily required to reinsure 20 percent of total premium collected with the Nigerian Reinsurance Corporation.

f. Structure of interest rates

There are various rates of interest in the financial system. These are generally classified into two categories: deposit and lending rates. Deposit rates are paid on savings and time deposits of different maturities. Examples of such rates include savings deposit, one-month and fixed deposit rates. Lending rates are interest rates charged on loans to customers and they vary according to received risks, the duration of loans, the cost of loanable funds, and lending margins, etc. Other rates in interest in the financial system include the treasury bill rate, the inter-bank, and minimum rediscount rates. The treasury bill rate is the discount offered by government to savers who purchase treasury bills issued to cover its short-term borrowing needs. Similarly, the inter-bank rate is the rate paid in the inter-bank market when banks borrow from and lend to one another in order to adjust their liquidity positions. The minimum rediscount rate refers to the amount that is charged by a central bank for lending to banks in the performance of its function of lender-of-last-resort. The concept, term structure of interest rates, refers to a situation where the term to maturity is assumed to be the major factor affecting the rate of interest. In this instance, short-term securities attract lower rates of interest than long-term securities. Occasionally, long-term securities attract lower rates of interest than the short-term ones, a phenomenon referred to as inverse yield curve. This situation may arise when there is acute shortage of funds in the financial system or when the rate of inflation is rising.

g. Management of interest rates

The Management of interest rates has involved two approaches, namely, administrative fixing and free market determination of the rates.

Prior to the Structural Adjustment Program (SAP) in 1986, the level and structure of interest rates were administratively determined by the Central Bank of Nigeria. Both deposit and lending rates were fixed by the Bank based on policy decisions. At that time, the major reasons for administering interest rates were the desire to obtain the social optimum in resource allocation, promote orderly growth of the financial market, combat inflation and lessen the burden of internal debt servicing on the government.

In implementing credit policy, the sectors of the economy were classified into three categories: preferred, less preferred and others. The preferred category included agriculture, manufacturing and residential housing, while the less preferred sectors consisted of import and general commerce. In the group of "others" were credit and financial institutions, government, and "personal and professional" sectors. Such a classification enabled government to direct financial resources at concessionary interest rates to sectors considered as priority areas. The concessionary rates were typically below the minimum rediscount rate, which was itself quite low, averaging about 7.25 per cent between 1978 and 1985. The prevailing rates were unable to keep pace with inflation, resulting in negative real interest rates. Moreover, the demand for credit soon exceeded the rate of savings, and a large proportion of government borrowing had to be financed by the Central Bank. Other implications of the low interest rate policy was that "preferred sectors" could not access funds partly because financial institutions were unable to raise sufficient loanable funds through savings or from the money market at the favored/concessionary rates of interest. A case in point was the directive given to banks to lend to agriculture at 7.00 per cent in 1984 when the average savings deposit rate was 9.50 per cent. Overall, the low interest rate regime resulted in inefficient production and excessive demand for credit.

Banks lending rates were 25% to 35% in the first half of 1997 while deposit rates ranged from 4% to 15% in the second quarter. Interest rates have been fully deregulated in 1997. Data available concern the first quarter of 1997 only. At that time lending rates were between 25% and 35% for the majority of the bank customers. Deposit rates, which stood at between 9% and 14.5% in December, 1996, fell to between 2% and 9% in the first quarter of 1997. By the second quarter they rose, slightly to between 4 and 10% and up to 15.5 % for the first class customers. The net effect in this trend is that the spread between deposit and

maximum lending rates widened from a average of 11 points in 1996 to over 20 percentage points in 1997.

h. Inflation rate in Nigeria

Inflation in Nigeria has dropped in 1997 from an official 29% in 1996 to an estimated 17% in August 1997, with persisting deflationary tendencies. Inflation reported by independent sources was low in the first quarter of 1997, a little higher in the second quarter, lower in the third quarter and seems to have dropped in the last quarter. Estimates are:

- January to March : between 0.8 and 1.1% per month
- April to June : above 2% per month due to fuel scarcity
- July to August : 1.5 to 1.8 per month

This leads independent experts to estimates around 17.3% for annual inflation rate to August, 1997. This figure is close to that of the Federal Office of Statistics (15.7% to July). And the prospect of achieving the target of 15% as a yearly inflation rate for 1997 is good because this have been effectively the inflation rate for 1997.

Official evolution of inflation since 1988 is as follows:

| YEAR | INFLATION | INDEX |
|-------------|------------------|--------------|
| 1988 | 55% | 16,75 |
| 1989 | 51% | 11,13 |
| 1990 | 7% | 10,36 |
| 1991 | 13% | 9,17 |
| 1992 | 45% | 6,34 |
| 1993 | 57% | 4,03 |
| 1994 | 57% | 2,57 |
| 1995 | 73% | 1,49 |
| 1996 | 29% | 1,15 |
| 1997 | 15% | 1,00 |

6. UNDP Country Office:

a. Strategy

In conformity with its mission, UNDP is particularly well suited to assist Nigeria in building and strengthening national capacities to address the country's sustainable agriculture, rural development and environmental degradation problems in view of its central mandate which is capacity building for sustainable human development. The overriding goals are:

- (i) to assist the United Nations become a powerful and cohesive force for sustainable human development
- (ii) to focus UNDP's resources on a series of objectives central to sustainable human development (poverty elimination, creation of jobs and sustainable livelihoods, advancement of women and protection and regeneration of the environment) ;
- (iii) to strengthen international cooperation for sustainable human development and serve as a substantive resource for achieving it.

UNDP is also mandated to assist the government in mobilizing and coordinating donor assistance for poverty reduction ; creation of jobs with a living wage, in small businesses and small-holder agriculture; reduction of gender inequalities in access to wealth, education, land, credit and protection and regeneration of the environment.

Summary of Fourth Country Programme:

UNDP Support To Micro-Credit Promotion (1994-1997) : An analysis has been conducted examining the experience of micro-credit administrations in Nigeria. This study was based on a UNDP survey report , which supported agricultural programmes, and the processing of the selection of Credit Administration Entities in Women In Development(WID) programme. Other components of the survey included knowledge gathered from Monitoring and Evaluation, a review of UN and other donor's credit assisted programmes, documentation of experiences from other African countries, and promotion of networking.

UNDP has also provided initial capitalization funds supporting revolving of micro-credit under the WID programme. This led to the identification of five initiatives for micro-credit management and administration:

1. People's Bank
2. Credit Administration Entities (CAE)
3. Community Development Foundation (CDF)
4. Country Women Association of Nigeria (COWAN)
5. MicroStart

The findings of the UNDP analysis revealed that the present system of direct transfers of loans from commercial banks to the community groups have not been efficient due to limitations in managerial and technical skills of the poor and in their basic literacy. All these factors hinder their prospects for product and service efficiency. There are also limitations in managerial and technical capacity of those administering the credit component. Commercial Banks and other formal banking institutions do not view micro-credit as bankable or as a profitable activity because of the lack of collateral on the part of the poor to guarantee the loans. There is a preference by commercial banks to make larger loans to avoid high administrative costs involved in making small loans.

b. Programme overview

Highlights of the 5th Country Programme :

Priorities and strategies for micro-credit and capacity building : The overall support of UNDP to micro-credit activities is an advocacy for an enabling environment for sustainable micro-finance in Nigeria. Also the strategy of this support have been scheduled between two terms :

Short term : strengthening intermediaries. There is a need to bridge the capacity gap separating the commercial banks and the community groups through the strengthening of existing financial intermediaries (which could be NGOs , non-bank financial institutions or development banks) with the capacity to build sound, responsive banking services to the poor to fill the existing gap.

In the short term the intermediaries will develop capacities, provide social banking, act as agents for project monitoring and implementation, assist in the preparation of business plans, and ensure timely loan payments.

Long term : promote sustainable intermediary institutions, expand services of commercial banks to intermediaries ; establish autonomous bodies of micro-credit operation in each state, the foundation will have a separate Board of Trustees to manage the loan resources and will act as the Apex micro-finance intermediary in each state ; it will mobilize resources and conduct research and studies on best practices.

c. Relationship to MicroStart

The objectives of UNDP in the support programme to micro-credit are as follows :

- to encourage formal banks, and non-government organizations to support micro-credit for the grassroots ;
- to promote sustainable Financial Intermediaries at the state and community levels ;
- to strengthen community groups to access credit ;
- to facilitate access to credit for the poor and bring about tangible change in their lives ;
- to advocate for the enhancement of enabling environment for micro-credit activities in Nigeria.

Several aspects of these objectives are similar to the objectives of MicroStart, therefore, UNDP Country Office considers this new programme as a tool that can be used to reach these objectives.

MFIs, NGOs, Banks

The organizations described below are noted for indicative purposes only, to illustrate the types of institutions available for MicroStart to invest in and work with. The actual institutions participating in MicroStart will be identified by the Technical Service Provider (TSP), and the TSP's choice will be confirmed by the Advisory Board. It is possible that there are other institutions to also be considered for participation that were not contacted during the brief assessment mission.

SUMMARY OF INSTITUTIONAL PROFILES: An institutional profile questionnaire was administered to 44 organizations. A copy of this questionnaire and a matrix compiling the responses is contained in the appendix. The questionnaire elicited information on scale of operation, target group, types and scope of services and portfolio performance. Please note the information is self-reported, unverified. The summary of the mission's findings is noted below. A critical assessment of the responses review some capacity gaps in most of the organizations surveyed. The highlight of the capacity gaps are as follows:

- a) Lack of ability to keep, analyze, and interpret portfolio information: information such as delinquency rate, portfolio at risk rate, and operational self-sufficiency index could not be correctly calculated by most of the organizations surveyed. This is a proxy indication of need to build the capacity of these organizations in the area of record keeping and sustainability planning.
- b) Absence of long term planning: this was evident in the inability of the organizations surveyed to provide credible information on their long term targets, most of the responses were arbitrary and spur of the moment reactions.

7. NGOs Interventions in sector

a. Farmers Development Union (FADU):

Identification: Farmers Development Union (FADU)
Adegoke Adelabu Rd
GRA, Ibadan
Oyo State

Type: NGO, a membership rural organization committed to poverty alleviation through the institutional and enterprise development of the low-income rural Nigerians with particular emphasis on farmers.

Area of coverage: 29 States of Nigeria

Client: Rural Micro-producers

History and Mission: Founded in 1989 to provide development programmes aimed at reaching the poor and vulnerable groups with basic economic and social services for improved rural income, nutrition, employment and living condition. In addition to the above mission, FADU's activities and objectives are those that are community interest driven, emphasize community ownership, create plans for long term solutions, provide structure for integrated programs, facilitate and empower grassroots institutions that are service oriented, support community initiatives that also emphasize quality of life and building partnership with government agencies, donor agencies, NGO's, CBO's, and network.

Management and Governance: FADU has a 17 member board of appointees elected **bi-annually** by FADU Delegates Assembly (FDA). The Chairman of the Board is also elected by FDA.

The Board has two committees - Finance/Budget Committee and Programme Monitoring Committee. Board members meet every six months, while the committees meet every three months.

FADU has four operating divisions - Resource Management Division, and Finance Division, Administrative Division, and Field Operation Division. FADU has a total staff strength of 346 of which 65% are women.

Financial and technical assistance received: FADU receives financial assistance from:

- (a) EZE in Germany
- (b) EEC
- (c) Ford Foundation
- (d) Technoserve (donate technical assistance only)

Financial services: FADU provides several types of financial services to its members. Each service is tailor-made to suit different sectors.

There are 3 types of loan schemes:

- (a) Agricultural loans to farmers
- (b) Working capital loan for members in commerce sector
- (c) Equipment loan

FADU also operates several types of savings:

- | | | |
|--|--|--|
| <ul style="list-style-type: none">(a) Daily Savings(b) Weekly Savings(c) Monthly Savings | | These are either compulsory and or voluntary |
|--|--|--|

Amount saved varies from society to society. Some of the savings are compulsory. Each society must pay on monthly basis the sum of N50 to FADU as monthly dues.

FADU has over 50,000 societies (a society is made up at least 10 people) with over 500,000 members. Members have to save regularly for six months before they can qualify for a loan. Loans can be approved to a maximum of 4 times saving depending on member reimbursement capacity - the ceiling for an average first time borrower. "Trial Loan" is =N=60,000. The interest on loans is currently 3.5% per month or 42% per annum. Duration of loan varies on the type of loan. However maximum loan duration is 12 months and minimum is 6months.

FADU operates a group lending approach.

Non-Financial Services: FADU also provides non-financial services such as provision of training and dissemination of new but appropriate technologies and markets to its members.

They work with communities to design, plan and execute social programs (health, environment youth, literacy and low cost housing) that emphasize quality of life.

Results: Currently FADU has over 500,000 members, of which nearly 65% are women. Similarly they have staff strength of 346 out of which 65% are women. Membership spans 29 states. To date, FADU

has 165,000 borrowers out of which 70% are women. Total loan volume to date is N=100Million. Repayment rate is about 98%.

Future Plans: FADU would like to improve on its savings mobilization in order to generate larger internal resources and also to be able to attract reasonable external support to be able to meet the objectives of its 5 year (1998 - 2002) self-sufficiency project.

b. Community Women & Development (COWAD) :

Identification: Community Women & Development – Nigeria, Ibadan, Oyo State

Type: NGO, supporting rural women by improving socio-economic conditions and to promoting their general welfare.

Area: 3 states

Clientele: Grassroot women

History and Mission: COWAD - Nigeria was originally known as the Committee on Women and Development (COWAD) of Oyo State. It was organized nationally in 1982 by the Federal Government of Nigeria. This was in line with the “Lagos plan of Action” developed by the Organization of African Unity (OAU). COWAD of Oyo State came into existence in February 1983.

In 1991, the organization transformed from a governmental organization into a national non-governmental organization (NGO) with a more focussed objectives towards providing financial and non financial services to the less privileged women of the grass root communities of other states who are committed to embracing COWAD’s ideals and principles. Membership is opened to all women irrespective of their status, need, age or ethnic origin. However, over 5000 of COWAD's membership is clustered around Oyo, Osun and Ogun States.

Management and Governance: COWAD’s members at the grassroots level constitute themselves into primary societies. Each primary society elects its chairperson Financial Secretary and Treasurer. The elected officers govern the activities of the society.

These primary societies together form the general assembly.

COWAD has its national Executive Council - which is the highest policy-making body. It comprises 8 persons elected by the general assembly and is headed by the National President. It also includes the Secretary, Treasurer, Financial Secretary, Auditor and Public Relations Officer. Seven others are appointed from primary group level. COWAD’s activities are managed by a management team of senior staff.

Financial and technical assistance received: COWAD’s programme activities are currently supported by members’ contributions, income realized from sales of publications.

Other financial assistance has come from grants from Ford Foundation of the United States of America, EZE (Protestant churches Development Agency) of the Federal Republic of Germany. They also received Technical assistance from Technoserve.

Financial Services: COWAD provides credit facilities to its members for income generating activities. These activities include cottage industry, farming, food processing, livestock rearing and petty trading.

All primary groups are expected to make a minimum compulsory savings of N50 and a maximum of N200 per month. Members' savings attract an interest (prevailing market rate payable on deposit after considering other operational costs).

To qualify for COWAD loans, certain conditions must be fulfilled;

- (a) The enterprise must have been functioning for at least 6months
- (b) It has to be group lending
- (c) For new enterprise, a feasibility, survey is conducted with the assistance of COWAD's Technical partners.

Loans are not granted to any enterprises owned by an individual. A benefiting primary group must be affiliated to COWAD for a period of no less than six months. It must have experience in administering a savings and credit scheme for the same period. Such group would be entitled to four times its total savings especially for the first loan. For subsequent loans, the group enters into negotiation with COWAD.

Terms of repayment range from minimum of 6months for working capital loans to 18 months for equipment loan. COWAD charges 3.5% interest per month on all loans on outstanding balance. Group savings with COWAD is used as security for loans granted. For guarantees, three key officers of the group stand as guarantors for the loan. These three key officers are therefore liable in cases of default. Default interest charge is 6% per month as against 3.5% per month normally charged. COWAD now operates a special loan scheme. This is for members who require medium size loan to expand their business activities. Minimum savings for this scheme is N500 per month while maximum is N200 per month. Loan recovery rate is above 98%.

Non-Financial Services: COWAD since inception has assisted its members with various services to increase production of food and cash crops. Support for women farming and linking with agricultural extension services are on-going features of this sectoral focus. Workshops on nutrition are also organized for primary societies on a regular basis. Other programmes of COWAD are in health, skills development, non-formal education and training.

Results: COWAD has been able to provide its services to over 2000 rural poor women either directly or indirectly. Recovery rate is quite high indicating groups commitment to business activity.

Future Plans: COWAD is presently in 3states - Oyo, Osun and Ogun States - where they have over 5000 members. It is their intention to spread their membership to three more states in the next two years.

Similarly new product lines are in the pipeline. This they claim will enable to them to improve internally generated resources.

c. **Lift Above Poverty Organization (LAPO)**

Identification : Lift Above Poverty Organization (LAPO), Benin City, Edo State

Type: NGO

Area of coverage : Edo and Delta States

History and Mission : LAPO was established in 1988 as a non governmental organization. It is a poverty focused development organization with the broad aim of assisting its members to break out of the grip of poverty. Beneficiaries are men and women, who could be considered poor. Women constitute over 90%.

Management and Governance : The basic management structure of this organization is a group(self-selecting), made up of five persons, then a union which is made up of six groups with a leader, deputy and a secretary. Unions in several communities constitute a LAPO branch. Operations at a branch are supervised and managed by a branch council and a branch officer. LAPO has a board of elected beneficiaries and nominated experts.

Financial and technical assistance received : They are presently being funded by UNDP-WID programme with grants for capacity building in terms of technical assistance.

Financial Services : LAPO provides its members various types of financial services :

- a) Regular loan : this is obtained by members through their groups for income generating purpose
- b) Emergency loan : this is given to a member on request to meet certain urgent needs.
- c) Joint project loan : this granted to LAPO unions to establish joint projects.
- d) Christmas business loan : this is disbursed in the month of October to enable members benefit from the boom in business activities during Christmas/New Year festivities.

LAPO promotes thrift among members, which helps in their savings mobilization efforts.

Non-Financial Services : LAPO focuses on combating poverty through provision of financial and non-financial services to its members. Some of their non- financial services are in the area of :

- Health Awareness Programmes
- Income generating workshops, skills acquisition and micro-business
- Gender issues focuses on enlightenment in areas such as domestic violence and widowhood practices.
- Environment focuses on sustainability agriculture and food processing practices.

LAPO also offers consultancy services to other organizations, groups and individuals.

d. Women Development Initiative (WDI):

Identification : Women Development Initiative Kano, Nigeria

Type: NGO

Area: Rural communities in Kano

Clientele: Nigeria women with emphasis on Hausa women

History and Mission : Established in 1995 as an NGO. It was formed by a group of professionals who share common interest in the development of Hausa women. It has 15 members, and over 500 affiliated members. Its mission is to provide micro-credit services to its members, with a view to empowering them economically, socially and politically.

Management and Governance : The organizational structure is comprised of the Coordinator, Deputy Coordinator, Secretary, Accountant, 7 Assistant Coordinators, and Trustee. It has full time paid staff, who is assisted by specialist part time staff in executing projects.

Financial and technical assistance received : The organization has received funding from the Community Development Trust Fund and Technoserve.

Financial Services : It operates a revolving loan scheme for its members. To date, it has a loan volume of N450,600 which has been disbursed to its members at an interest rate of 30% per annum. The loan repayment period is 6-12 months, with no grace period. Some 300 members have so far benefited from the loan scheme. The average recovery rate is 98%. It also operates a savings scheme which is used as a group collateral.

Non-Financial Services : The organization is active in community development within its locality particularly in the area of action research, health matters, food security, and environmental hygiene in Local Government Areas.

Results : It has focused on achieving financial self sufficiency while providing valuable services to its members. Although the organization is young, it has made significant impact in rural communities. Over 300 members have individually benefited from the revolving loan scheme, with the minimum amount lent per group being N10,000, while the **maximum** amount is N25,000 for first time borrower. Subsequent loans per groups has been increased to maximum of N65,000.

Future Plans : The current coverage is about 1% of the target population. With an estimated 3.5 million people in Kano of which 52% are women, the services of the organization could expand rapidly to reach other target groups.

e. Country Women Association of Nigeria (COWAN):

Identification : Country Women Association of Nigeria, Akure Ondo state

Type: NGO - African Traditional Responsive banking (ATRB) Approach

Area: Operates in 28 States.

Clientele: Rural and Urban Poor Women

History and Mission : COWAN was established in Ondo State in 1982 with an initial membership of 6 cooperative societies under the leadership of Chief Mrs. Bisi Ogunleye who founded the organization.

COWAN is an apex NGO with the objective of advancing the wellbeing of women in Agricultural production, economic decision making for the total development of the capacities of women to contribute to self-reliance and sustainable development. Presently the organization operates in 28 States with a total membership of 178,000 members are organized in 35,000 working groups. The mission of the organization is to help the rural women overcome the key problems undermining the full participation of women in productive activities and decision making. Specific objectives of the organization include the following:

1. To empower the rural women economically, socially, politically for sustainable development;
2. To promote popular participation and bottom-up approach in decision making;
3. To develop skills, improve knowledge, promote culture and consultative process in decision making;
4. To give the youth a sound knowledge of the local technology, tradition and culture that are sustainable for economic development;

5. To create a healthy environment in which people participate in decision making and in selection of development options;
6. To give the poor rural women a sense of belonging and the opportunity to benefit and contribute to the development of Nigeria.

COWAN operates through six programmes:

- a. Women and Agriculture;
- b. Women and Technology;
- c. Savings and Credit - the nerve center of COWAN activities;
- d. Options life plan for youth;
- e. Health and Family Planning, Education and services;
- f. Women Cooperative, Leadership Training.

Management and Governance :COWAN operates at various levels of governance.

- a. At society level, this is made of 10-25 members who must have something in common such as, age, blood/social relationship or economic affinity. This is necessary as their needs, strategies and solutions to problems must easily be shared. Each society is headed by an elected President.
- b. Community level is made up of 5 societies with a facilitator.
- c. Zonal/Local Government Level: A zone consist of societies and communities in 3 - 10 Local Government Areas. They also have community facilitators, zonal coordinators and field marshals from each village.
- d. State Level: This consist of all society level presidents, community facilitators, zonal coordinators and Field marshals.
- e. National Level: National level is the Headquarters and made of: i) Executive Members from each State chapter; ii) Financial/Executive Committee made up of the National secretary, Treasurer and Financial Secretary; iii). The Board of Directors (15 in number), 115 rural women president, the national Coordinator and Metron. iv) The national Secretariat.

Each of these levels of Governance has administrative roles and responsibilities in the overall operations of COWAN. For instance, community level monthly meetings are held to discuss finances and project problems and solutions. State level meetings are held to resolve macro problems that are common at all the community/LGA levels. It is at the society level that COWAN inculcates the ideals of the African Traditional Responsive Banking initiative. **COWAN also initiates the 100 group concept and participation of members of the community as essential for evaluation the faithful operations of the ATRB initiative.** ATRB is a social bank that encourages its operators to bank money.

Financial and technical assistance received :Over the years COWAN has received various financial and technical assistance from various local and international donors. Most of her projects/programmes have been funded by these donors. Total funding to date is not known. COWAN also relies on its own resources from ATRB to support the technical and credit needs of its member groups.

Financial Services : COWAN pioneered the development of African traditional savings and credit into African Traditional Responsive Banking as a linkage between formal and in-formal credit system. The key to this is daily savings. COWAN provides various types of financial services:

Types of Savings :

1. Children's savings scheme for education. Beneficiaries are children whose parents are COWAN members.
2. Health Savings Scheme. This is for emergency loan for medical care purposes to participating members
3. Industry Development Loan for buying equipment to process other by-products such as palm oil crackers.
4. Agricultural credit for women in agriculture to enable them procure equipment like hoes, cutlasses , hiring of tractor. Beneficiaries save regularly with COWAN on ATRB basis.
5. Technology credit is for supporting members to set up small scale technology in groups. It is COWAN's policy that each member should be involved in daily savings. Savings makes a participant a bona fide member. The organization also supports bottom-up participatory approach in the implementation of projects.

COWAN's loan models:

- (a) A loan to a group of 5 members who must be saving regularly on daily basis. the group is expected to save regularly for 2 - 3 months to qualify for loan.
- (b) A Community Center Loan for five groups. All the five groups must belong to the Center and must have been saving for 2 - 3 months in ATRB Trust Fund.
- (c) A Medium Community Based Enterprise for 2 - 3 Community Centers (10 -15 Groups). Members must be shareholders of the ATRB Trust Fund.
- (d) Youth Business Promotion Loan - Beneficiaries of this category of loan must undergo 7 weeks training for the Youth Option Life PLAN training.

Generally, loans by COWAN are claimed to be easier to administer to the use of ATRB approach. Since inception, COWAN has disbursed a cumulative sum of N74m to over 150,000 poor families. Loan recovery is quite impressive to the saving strategy approach used. That is why they have as their slogan "No Saving No Membership".

Non-Financial Services : COWAN has worked hard to develop powerful tools towards increasing the economic independence of rural women. It intervenes in the area of education, health, technology, and regional exchange. It is also active in action-research, poverty alleviation, grassroots participation, food security, and women development. The non-financial services rendered by the organization are closely linked to the ATRB programme.

Results : With net-work membership of over 178,000 rural poor women, spread across 28 states, COWAN has made significant progress in advancing micro-financial services to the rural areas.

f. Community Development and Micro Finance Roundtable

Identification: Community development and Micro Finance Roundtable (CDM - Roundtable)

Type: NGO - a network Association of Micro finance Practitioners

Clientele: Members of Micro finance institutions.

History and Mission: Community Development and Micro finance Roundtable (CDM - Roundtable) is non-governmental organization and non-profit making. It was formally known as Community Development Association Roundtable (CDA-RT). It is a network of Nigerian Micro finance institutions especially in the area of micro credit delivery to the rural poor with a view to promoting community based enterprises.

The change of name was made in 1991 after a study tour to Senegal and Gambia in 1990 by some group of community Development Associations(CDAs). The study tour was sponsored by IRED (Development Innovations and Networks). It enabled the CDAs the opportunity of knowing and studying micro finance institutions in the two countries. CDM - RT mission is to provide various types of supportive roles to its members such as:

- to act as a forum for the sharing of information on the activities of member organizations.
- to encourage member CDMs to identify and develop their potentials.
- to foster micro finance institutions collaboration and cooperation.
- to identify skills gaps in member organizing and filling such gaps by organizing training sessions and workshops.
- to promote best practices of micro finance in Nigeria; and
- to engage in networking and exchanges through programme collaboration

Membership is open only to NGOs which focus primarily on micro credit delivery to the rural poor, NGO must be legally registered for at least over one year. Today it has about 17 members.

Management and Governance: CDM-RT has an organizational structure comprising the General Assembly, the Executive Committee and the Secretariat. But its policies are formed by the executive Committee, while the Secretariat oversees the routine activities of the organization.

Financial and technical assistance received: CDM-RT receives its funds from members subscriptions and dues and also from grants by international Agencies. They also receive technical assistance to member organizations through training programmes, workshops and study tours. CDMR works in partnership with Technoserve Inc., IRED, Innovations Development and networks), Nigerian Community Development Trust Fund and Women Management Training Outreach Programme (WMTOP) which provide both managerial and technical assistance to member organizations.

Financial services: CDMR is an umbrella body that assist the Federal Government regulatory body to enforce rules and regulations guiding entries, operations and management of micro finance operations in Nigeria. Presently it does not offer any financial services to its members.

Financial Services: CDMR offers quite a range of non-financial services to its member organizations in the areas of providing technical services by providing training workshops that meet the expressed needs of members. CDMR organizes study tours within and outside Nigeria and also among member organizations. To date, CDMR has successfully organized ten training programmes for the board, and different cadres of staff of member organizations.

Results: CDMR has been able to provide its maiden edition of Newsletter designed to acquaint members of current events relevant to their market and the economy as it affects them.

CDMR as an umbrella organization is creating awareness to the need for the micro finance institutions practitioners to be organized and practice under a regulated policy framework. The awareness created has resulted in inquiries from other micro finance practitioners desiring to join the umbrella organization.

Future Plans: CDMR is expected to grow from the present membership of 17 to 50 by the end of the year 2000. The organization will have a legal back up from Government and the Apex Bank to enable it to control and maintain standards at entry point of its intending members as is the case with other umbrella organizations such as Institute of Practicing Accountants etc. CDMR hopes to be able in the future to monitor and evaluate member organizations to avoid abuses and sharp practices.

g. Development Education Center (DEC)

Identification: Development Education Center (DEC) Enugu, Enugu State

Type: NGO

Area of Coverage: 7 States

Clientele: Rural poor women and development females

History and Mission: Development Education Center (DEC) was established in 1988 to provide financial aid and non financial services to rural poor women and unemployed females in order to enable them achieve self reliance. DEC provides services that stimulate women in rural areas to act for positive change in their situations through self help initiatives. The organization also encourages individuals to transform themselves by becoming actors in the transformation and their society.

Today, DEC focuses on a number of issues, including food production, nutrition, natural resource Management, promotion of women and training and education.

Management and Governance: DEC is a General Assembly, Board of Directors and Executive Director (ED). The ED is the principal Administrator and is responsible to the Board and Coordinating officer in 50 coordinating offices. It has 40 staff on the payroll.

Financial and Technical Assistance received: Over the years, DEC has received 90% of its funds in the form of Grant from the Catholic Development Agency in Holland and other international Donors. They also rely on its resources from the women groups. Recently, the organization has established a community Bank " Nnabuiife Community Bank which has now become a major source for funds mobilization when it becomes fully operational . DEC receives Technical Assistance from various Donor agencies for its programmes.

Financial Services: DEC provides various types of financial services to its members both on group and individual basis. However, they are presently de-emphasizing on individual basis. However, they are presently de-emphasizing on individual lending. DEC uses a credit plus approach - that is providing training and savings which are integral to its lending activities. To date, they have average loan portfolio of N20 million and have provided over 5000 women with various types of loan. Interest is charged at 40% per annum. Recovery is over 98%. They provide loans such as fixed assets loans, working capital loan and short term working capital loans.

Loan tenures range from 6 months to 2 years. Loan qualifications are : (a) Member to join group (b) save with DEC finance trust for one year. The loan approved will be 5 times for 1st year, 3 times the subsequent years.

Non-financial Services: DEC also offers training programmes to village health workers, Literacy workers and machine operators annually in the 50 operational zones. Recently, DEC had a programme with over 80,000 women in two States known as Democracy and Governance using 100 women group strategy. More than 200 village Health workers have been trained by DEC since 1993. In 1987, more than 50,000 rural women benefited from DEC's leadership training course.

Results: The performance of DEC's savings and loans Trust for the past few years have further confirmed that methodology group training as a functional strategy for women active participation in self empowerment is a must and needs to encourage by all operators in this market. DEC uses the credit plus approach with total group participation. This resulted to impressive performance recorded. For instance, in 1996 the number of women who benefited in the loan schemes were 3000 and more than 2,000 clients received technical assistance from DEC. By 1997, over 5000 women received loans.

Today, DEC is 60% financially self sufficient. It has fees and interest rates that cover 60% of its operating cost.

Cumulative number of direct loans made since 1993 has been 6,500. Default rate is currently less than 1%. Staff morale is quite high since they are on fixed salary.

Future Plans: DEC plans to increase the volume of loans and amount given. There is need to strengthen her training and technical assistance programme. They plan to strengthen the activities of Nnabuife Finance Trust Fund for women Development to properly take charge of Women's credit. In addition, DEC plans to add new products particularly longer term savings deposit which would provide more stable source of funds for advances to clients especially with the establishment of the Community Bank. DEC expressed strong interest in participating in the pilot programme of MicroStart.

h. Anambra Self Help Organization (ASHO)

Identification: Anambra Self Help Organization (ASHO) Awka, Anambra State

Type: NGO

Area: Anambra State (50% coverage)

Clientele: Poor rural indigenes

History and Mission: ASHO was established in 1996 to provide savings and loans services to poor indigenes engaged in micro enterprises and farmers. It started with a pilot group of 10, but to date over 200 groups have benefited.

Management and Governance: At ASHO, there is Advisory Board, a credit committee, and monitoring committee. They have 8 staff members.

Financial and Technical Assistance Received: The organization has received financial and Technical assistance from both local agencies and international agencies. Also as a self help organization, it has generated international funds through its savings schemes. They have also received funds from another NGO-community Trust Fund.

Financial Services: ASHO provides financial services. It grants loans to its group members - 4 times the amount saved. It charges 36% p.a. on its loans. Loan tenure ranges from 4 Months. Loan recovery is 100%. To date, it has provided over 200 members with loan.

Non-Financial Services: ASHO sees itself as a multi - purpose organization, with the entry point being micro-finance. Apart from their micro-credit services, they conduct literacy campaigns within their communities, embark on campaigns for boys' school enrolment and reduce drop out rate. (This is a very serious issue in Anambra State).

Results: ASHO has supported the development of 14 savings and credit groups (10 women's group and 4 men's group). A total of 200 members have benefited from their loan schemes.

Future plans: ASHO would like to expand its micro credit services and strengthen its organizational abilities to cope with the expected increase in service provided. It would like to be given technical assistance in the area of equipment such as computers for data collection.

i. Nigerian Community Development Trust Fund

Identification : Nigerian Community Development Trust Fund
19, Isaac John Street, GRA, Ikeja, Lagos.

Type: NGO

Area: National (27 States)

Clientele: With a terminal benefit targeted at small, medium and micro scale entrepreneurs, the clientele of the Foundation is made up of rural and urban grassroots development organizations that provide savings, credit and enterprise development programs for their members. Trade associations, cooperative unions & societies and occupational associations are some examples of these organizations.

History and Mission: The mission is to expand the productive capabilities and improve the socio-economic status of low-income people, through effective provision of financial and institution building services to local intermediary institutions that are engaged in enterprise development and micro-credit activities.

Management and Governance: A Board of Directors comprising eight members, serves as the policy-making authority of the Trust Fund. The composition of the board is reflective of the multi-sectoral interests, experience and integrity needed to steer the affairs of the Trust Fund. The board operates through five sub-committees, which works with the Executive Director and staff in the implementation of board policies. These committees are: Program, Finance & General Purpose, Nominations, Fund Raising and Executive committees.

Financial Services:

- Microenterprise services
- On-lending revolving loan.
- Loan guarantee

Non Financial Services:

- Manpower development and training
- Systems development
- Board development
- Research and Development

HOW TO BENEFIT : The Trust Fund may consider providing assistance directly to grassroots development organizations that meet the following criteria among others:

- Engaged in income-generating and environmentally friendly activities that have the potential of improving the social and economic well-being of members and community in general;
- Membership organization with a minimum membership of 50 people, for federated apexes and 10 people for primary groups.
- Democratically governed, having clearly defined objectives and a set of rules and regulations; strong group cohesiveness and commitment among members;
- Been in existence for at least 6 months;
- Non-discrimination against particular religion or gender.

FUNDING : All CDTF activities are supported by grants from local and international donor organizations

8. Bank Interventions In Sector

a. Tropical Commercial Bank Ltd.

Type: Commercial Bank

Area: 18 branches all over the federation

Clientele: Members of the public with preference to farmers co-ops, groups.

History and Mission: Tropical commercial Bank was established in 1976, wholly owned by Kano State Government. Presently there are 16 branches scattered all over the federation. In addition to their conventional banking services they also provide some micro-credit services to the rural poor communities who are engaged in one form of agricultural activity or the other. Their mission is to participate in this area of banking activities which traditionally is not a preferred sector. But because of their interest in contributing to the community development activities on a sustainable basis, Tropical Commercial Bank joined AFRACA. AFRACA is African Rural and Agricultural Credit Association. This association's aim is to promote savings mobilization and Financial Linkages of Self Help Groups with Formal Financial Institutions for Rural Development.

Management and Governance: The Bank just carved out units in each of their branches to handle micro-credit services on group lending basis. An experienced officer (s) is designated to handle this unit.

Financial and Technical Services Received: Tropical Commercial Bank as a fully licensed bank is expected to have received funds from its shareholders in the form of equity. It is expected to have various funds mobilization schemes to enhance its loanable base. The bank has trained professionals who would eventually require technical assistance for the proper micro credit services.

Financial Services: TCB offers normal macro financial services as a commercial bank. But in addition to the above they provide micro finance services for rural development purpose. They charge commercial bank interest but it is only on group lending basis, without the normal collateral but on solidarity guarantee. TCB is a member of AFRACA and it provides linkage banking services.

Non financial Services: TCB as a member of AFRACA provides training and technical advise to group members, provide a medium for exchange of information for the self help Groups(SHOs).

Results: TCB is quite active in the provision of micro credit services. They have supported several Self Help Groups in the areas they are operating.

Future Plans: TCB would like to become much more active in the provision of micro credit services. They would like to extend this service to all the 18 branches of their bank and would also like to capture a significant proportion of this market in the next 5 years.

b. African Nigeria PLC

This is a commercial bank with over 135 branches in States of the federation. They are already discussing with UNDP country office for their participation in UNDP/WID programme. They are also a participatory bank for the disbursement of FEAP's programmes. A MOU has been prepared by African and UNDP is in the process of reviewing the document. In fact African has agreed to provide the sum of N500 million for the WID programme.

They equally expressed interest in micro finance as a new service in terms of identifying areas and opportunities of where they could provide micro-credit analysis criteria. African would like to be a pioneer amongst other commercial banks in providing micro finance services to the rural community. They believe their participation will result to massive publicity and creation of awareness in this area.

c. Habib Bank Nigeria Ltd.

This bank was established in 1983 to carry out the functions of a commercial Bank. It has 46 branches in 26 States. However, over the past 5 years, the Bank has extended its services to the rural communities. Habib bank is a member of AFRACA. It provides linkage services using self help Groups.

Habib bank is involved in a wide range of agricultural Credit Guarantee Scheme Fund (ACGSF) guidelines. However, because of the banks belief in provision of micro finance services to the rural communities, they (Habib bank) have embarked on a number of schemes to assist the low income group. For instance, to the generally low economic capability of peasant farmers, the banks approach has been to organize them into voluntary Self-Help Groups (SHG's). Habib has indicated interest in participating in the MicroStart programme. Their plan is to make use of their existing branches and strengthen them in order to be competent to handle efficient micro-credit delivery.

d. The Community Banks

A community bank in the Nigerian context is defined as a self-sustaining financial institution owned and managed by a community or group of communities to provide financial services to that community. The National Board for Community Banks (NBCB) is responsible for receiving and processing applications for the establishments of community banks. The first community bank commenced operation in December 1990. Since then, the NBCB has issued provisional licenses to 1,366 community banks. The NBCB issues provisional licenses for the operating community banks. The community banks are

expected to be issued final licenses by the CBN after operating for two years. To date no final license has been issued by the CBN. With the recent amendments to the CBN Decree 24 of 1991, the community banks are to be directly under the supervision of the CBN. The modalities for implementing this directive are, however, still being worked out by the CBN.

e. People's Bank of Nigeria

The decision to establish the People's Bank of Nigeria was announced by the Federal Government in the 1988 Budget with an initial allocation of N30 million. The bank attained its legal status by the promulgation of Decree No. 22 of 1990. Specifically, the bank is to meet the credit needs of small borrowers who cannot satisfy the stringent collateral requirements normally demanded by conventional banks.

Thus, the bank is expected to facilitate access to credit for economic operators at the grassroots and thereby increase their self-reliance. Initially, it granted loans in the range of N50 to N5,000. The lending floor and ceiling were removed in 1994 and applications were henceforth to be treated on their individual merits. The activities of the People's Bank of Nigeria continued to expand as the number of branches stabilized at 275 in 1996. Also, its total assets (revised) rose from N1,015.0 million in 1995 to N1,073.0 million in 1996.

9. Government Interventions in Sector

Family Economic Advancement Program: The urgent need to address the poverty situation in Nigeria informed the idea behind the initiation of the Family Support Programme (FSP) and the Family Economic Advancement Programme (FEAP) by the Federal Government of Nigeria. FEAP as a micro-credit scheme is an investment promotion and poverty alleviation programme aimed at stimulating appropriate economic activities in the various wards of each local government area of the country in order to raise the level of productivity and economic power of the people, especially the vulnerable ones, through the establishment of cottage industries.

The aim of FEAP is to:

- provide loans directly to people at ward level with the capital needed to establish cottage enterprises;
- provide opportunities for the training of ward- based business operations;
- encourage the design and manufacture of appropriate plants, machinery and equipment;
- create employment opportunities at ward levels;
- improve living standards of the people;
- encourage producers at ward level to form co-operative societies;
- promote production and development consciousness;
- utilize all available local resources for the benefit of Nigerians, through improved production storage, preservation processing, recycling, packaging and marketing;
- involve private sector participation in its funding and implementation;
- involve state and local governments in its funding;
- reduce the rural-urban migration.

The procedures to obtain FEAP loan are as follows:

1. Only co-operative societies can benefit from the FEAP loan scheme. Some other conditions include:
 - a. membership should be voluntary with a common objective;
 - b. membership of co-operative should as much as possible consist of both men and women.
 - c. co-operative should be set up for productive and manufacturing income generating activities and not for trading;
 - d. membership should be a minimum of 5 people;
 - e. all members of the co-operative society will be held individually and collectively liable for the loan obtained;
 - f. individual co-operative membership must continue throughout the life span of the loan.
2. All interested co-operative societies must register with FEAP secretariat.
3. A co-operative society is entitled to apply and be granted a maximum loan of N 500,000 to cover plants and machinery, working capital and other support services.
4. FEAP loans will be disbursed by FEAP secretariat through selected participating banks. Other procedures and modalities include:
 - a. collection of applications forms from selected participating banks nearest to the applicants
 - b. applications are to be submitted to the ward committee for scrutiny;
 - c. applications are to be accompanied by co-operative societies registration certificates;
5. The collateral required for FEAP loan is deposit of 10% of the loan required to be paid to the participating banks as a mark of commitment, while the equipment purchased is to be used as additional security and community village heads are to identify and recommend the beneficiaries.
6. Applicants are to be contacted on the faith of their applications, by the participating banks after processing the loan.
7. Loans are to be repaid within 3 years after 3 months moratorium from the date of production for industrial projects. This depends also on the nature of the project. There are other categories of loan beneficiaries involved in farming activities that are expected to repay within one year.
8. Beneficiaries are to pay nominal interest of 10% for the loan.

Participating Banks: All loans will be channeled through approved participating banks nearest to the co-operative societies. The participating Banks in conjunction with FEAP Committees will also be involved in monitoring and supervision of the projects as well as ensure prompt and regular loan repayment.

10. SWOT Analysis

A detailed SWOT assessment of a few of the identified micro-finance delivery models are presented below. Please note, the institutions selected are for indicative purposes only, and do not imply a commitment to programme participation. As noted before, selections will be made by the Technical Service Provider, and confirmed by an Advisory Board.

A. Community /village banking approach

- i) *Example:* Peoples Bank of Nigeria.

ii) **Type of Organization:** Development Bank, Established by a special decree.

iii) **Strengths:**

Large number of branches (278 branches country-wide) with wide geographical coverage that span the 36 states of the federation. At least one branch per local government area.

Impressive savings mobilization from about 420,000 savers totalling \$5m.

Over ten years experience in micro-credit delivery in different cultural, linguistic and geographical settings in Nigeria.

High professional management skills will cognate experience in micro-finance.

iv) **Weaknesses:**

100% government ownership and control.

Opening and closing of branches based largely on political considerations rather than financial.

Sole viability dependence on government subvention as loan funds.

No focus on sustainability from the on-set.

Low recovery rate (30% prior to restructuring and repositioning effort) This was largely due to the negative perception of loans as government hand outs by the beneficiaries.

v) **Opportunities:**

On-going restructuring effort presents a good opportunity for a well directed re-start based on microfinance best practices.

Conversion of savings into loan funds beyond existing level of 25%.

Conversion of urban branches into full commercial banks to generate profits

vi) **Threats:**

Sudden withdrawal of government subvention from current levels could pose a threat to the on-going concern of the bank since at the moment over 75% of the loan portfolio is funded by government subvention.

Being a government led initiative, a sudden change in government priority and policies could be a major threat.

vii) **Existing and Potential Local UNDP Initiatives:**

Under its recently concluded **fourth** country program, the UNDP has provided funding for capacity building in form of workshops and staff development training. Efforts are in the pipeline to provide some office equipment mainly computers and essential office equipment.

B. Commercial banking approach

i) **Example:** African

ii) **Type of Organization:** Commercial bank.

iii) **Strength:** Strong commercial orientation that already guarantees a sustainable approach.

iv) **Weaknesses:**

Limited branch network.

Limited experience in micro finance program design and monitoring.

No special focus on women.

- v) **Opportunities:**
Deposit mobilization potential.
Availability of funds which could be channeled to micro finance services.
Source of bank linkage for wholesale and retail micro finance intermediaries that desire to link up with mainstream financial markets.
Matching fund strategy can improve the leverage of donor funds to reach out to a target number of micro finance clients.

- vi) **Threats:**
The policy environment i.e. fiscal and monetary.

- vii) **Existing and Potential local UNDP Initiatives:**
Already, UNDP Lagos office has concluded negotiations with African to provide 100% counterpart funding for UNDP funds to be lodged in the bank for micro finances purposes. The details of collaboration and process methodology is being discussed and an Memorandum Of Understanding (MOU) is about to be signed by both parties.

C. Wholesale micro finance intermediation

- i) **Example:** Community Development Foundation.
ii) **Type of Organization:** Non government organization NGO limited by guarantee.
iii) **Strength:**

The foundation adopts an integrated program strategy that combines technical assistance with direct and on-lending products and services.
Foundation has provided \$162,500 in grants to 64 RMFI to finance a wide range of technical assistance and capacity building programs.
Uses a cost recovery principle to the credit components of its services while the capacity building component is seen as a market development cost for on-going credit business.
Professional management approach to day to day operations.
Strong institution framework with effective and participatory governance and decision making structures.

Five years of local pioneering experience in wholesale micro finance business in Nigeria.

Foundation has provided 73 loans in the sum of \$425,000 to 73 retail micro finance intermediaries in Nigeria, with a combined total membership of 404,000 members.

- iv) **Weaknesses:**
No direct savings products.
No trajectory to measure the extent of success made in sustainability objective.

- v) **Opportunities:**
The foundation is donor attractive given its track record within the short period of its existence.
The Methodology and concept of the foundation is replicable and can therefore be used as a model of managing a pool of funds at regional and state levels. There is potential for bank linkage in view of its corporate and professional management approach to business.

vi) **Threats:**
Being a donor funded program, sudden donor withdrawal may be a major threat to the program especially without an alternative source of portfolio financing or a business plan for sustainability.

vii) **Existing and Potential UNDP Local Initiatives:** In its fourth country program:
CDF already provides credit delivery services to UNDPs WID program as a CAE offering capacity building and credit services to 30 Women groups in 14 states and the Federal capital. The total sum of these activities is about N17 m.
This type of services can still be provided by CDF for WID as well as other program initiatives of UNDP under the fifth country program.

D. **Retail micro finance intermediation approach**

i) **Example:** Credit Administration Entities. CAEs.

ii) **Type of Organizations:** Non Government Organizations NGOs, Registered Trustees, Companies limited by guarantee, State or Local Government registration.

iii) **Strengths:**
Demonstrated ability as effective vehicle of mass mobilization for self-help action at community level.
Open and participatory approach to community development.
Savings mobilization potentials at levels where most formal financial institutions cannot operate effectively.
Methodology can be operated at different scope and scale of generations.
These organization operate at the community level and have a good and sufficient knowledge of the socio-cultural context within their services can be effectively provided.

iv) **Weaknesses:**
Generally low level of professional management capacity.
Some of the organizations still see micro-credit as a social service rather than profitable business to be pursued with professional approaches.
Weak technical assistance components.
Poor institutional and governance and management structures.
Low capitalization that limits the ability of the organizations to reach out to larger number of people.
Low fixed asset base thereby limiting the effectiveness of operations.

v) **Opportunities:**
The channel provides a good opportunity to reach out to wide number of people at the community level.
With the track record achieved, these organizations can be effective channels to commercial banks and major government programs to a wider number of Nigerians.
This approach lends itself to an effective client targeting that is specific in terms of profile and geographical location.
It can be used as an effective channel to reach out to new communities on the basis of MicroStart defined focused intervention strategy in micro finance delivery.

vi) **Threats:**
Largely donor funded with marginal internal contribution to loan portfolio funds.
The risk of donor withdrawal is a major risk that needs to be proactively managed in these organization.

vii) **Existing and Potential Local UNDP Initiatives:**
Under its fourth country program, UNDP has identified ----- CAEs to provide loan administration and capacity building services to community base organizations that operate in its six program areas.
In the particular case of UNDP's Women in Development (WID), program the CAEs have actually commenced implementation and have generated some results upon which the fifth country program can improve.
A policy/procedures and guidelines have been developed by UNDP to regulate the activities of all stakeholders (including CAEs) in the operation of micro finance services in Nigeria.
Potentially, the UNDP would under the fifth country program continue to deal with CAEs under a more structured approach that lends itself to higher effectiveness.

E. **African Traditional Responsive Banking Approach**

i) **Example:** Country Women Association of Nigeria, COWAN.

ii) **Type of Organization:** Membership organization incorporated as an NGO under the Trusteeship act.

iv) **Strength:**
Evolution of a local and culturally sensitive micro finance methodology that appears to be working.
Founder and coordinator widely recognized locally and internationally and declared joint winner of the 1996 Freedom from Hunger Award.
Effective and high level of savings mobilization from its members.
Wide geographical coverage with activities covering 16 states.
Designed a workable alternative to conventional loan repayment that is more conducive to local values.

iv) **Weaknesses:**
Weak institutional governance and management structures.
Organization is largely vision driven. The ability of organization to be self driven through mission policy and systems is yet to be fully tested.
Poor documentation culture.

v) **Opportunities:**
Wide operation network in Nigeria provides opportunity to reach out to a wide number of Nigerian women.

Opportunity exists to test ATRB approach using the principles of MicroStart in existing and new operational areas of COWAN.

vi) **Threats:**

Lack of clear-cut leadership succession planning and over-centralization of authority.

vii) ***Existing and Potential local UNDP Initiatives:***

The local UNDP has been in regular and on-going dialogue with COWAN with a view to providing capacity building assistance for higher efficiency in program delivery. Also the potential of COWAN as a CAE in the core programs of UNDP especially WID is in the works. With the emergence of MicroStart on the scene, all on-going negotiations can be set with a focus intervention that will guarantee long term sustainability for COWAN as an indigenous RMFI.

F. Government Led Special Programs

i) ***Example:*** Family Economic Advancement Program FEAP.

ii) ***Type of Organization:*** Government institution established under a special decree.

iii) ***Strength:***

Government backing and generous provision of funding and policy support. From the 1997 and 1988 national budgets, the government made a provision of \$95m as capitalization fund for FEAP. 85% of this fund is for loans while 15% is for capacity building and overheads costs. The counterpart funding approach adopted in selecting participant commercial banks will increase the resources available for micro finance services of FEAP

iv) ***Weaknesses:***

FEAP has no previous experience or track record in micro finance delivery programs. Absolute government control and potential political motives in the establishment of the program.

Approach is generalist in terms of focus, content and clientele.

No clean separation and detail structures for the social and commercial components of the program thereby making long term sustainability questionable.

The conceptual framework and operating policy of FEAP is yet to be tested for precision, context, specificity and effectiveness.

The current implementation approach of FEAP does not take into consideration the existing best practices in micro finance and informal and semi formal credit delivery services available in Nigeria.

The long chain of application procedures could detract potential clients.

The policy and implementation trust of FEAP is supply led rather than it being demand driven.

v) ***Opportunities:***

FEAP could be repositioned to be a super wholesale portfolio re financial agency for all operating micro finance practitioner institutions of the community level in Nigeria.

Financial resources could be channeled through existing best practice WMFIs, or RMFIs in the country.

vi) ***Threats:***

Being the largest micro finance program in Nigeria (in terms of funding) its activities could have significant effects on the entire micro finance market in Nigeria.

The political origin and motives behind the establishment of FEAP can be pose a major threat to establishing a rational and logical approach to service delivery. The subsidy element as evident in concessionary interest rates which is fixed below market rates can undermine long term sustainability and erode capital base as well as encourage perpetual dependence on annual government subvention Already there exists in the minds of the public of FEAP as a government hand out and another share of the “national cake.

vii) **Existing and Potential local UNDP Initiatives:** Right from the onset of FEAP the UNDP has been providing advisory role to government on best way forward. This relationship is healthy and open. While government is willing to respond to corrective value adding comments as FEAP emerges, the UNDP seems to be desirous of a unified approach that is based on the following principles:

Recognition and use of existing micro finance intermediaries.
Adoption of sustainability principles.

All of these remain the focus of UNDP constructive engagement with the evolving FEAP and would be pursued vigorously during the fifth country program.

G. Cooperatives approach

i) **Example:** Cooperative Unions/Societies.

ii) **Type of Organization:** Cooperatives registered under local cooperative laws.

iii) **Strength:**

Old and long tradition of community based resource mobilization and organization.
Long experience in thrift and savings practice.
Widely practice in every part of the country.

iv) **Weaknesses:**

Undue government interference in strategic design and the day to day running of the cooperatives.
Statutorily regulated interest rates that is fixed below market rates.
No gender focus.
Ineffective regulatory measures resulting in high number of cases of fraud.

v) **Opportunities:**

Effective mobilization at community level which could be converted to effective microfinance market.
Existing saving mobilization programmes can be transformed to sustainable micro finance initiatives.

vi) **Threats:**

High rate of fraud in the cooperative sector can be a major risk to infusion of new funds.
Reducing government subvention into the cooperative sector.
High government intervention and control can hinder effective and efficient management of cooperatives.

vii) **Existing and Potential local UNDP Initiatives:** In its fourth country program, the UNDP through its WID program and in collaboration with Federal and States Ministry of Women Affairs have worked with women cooperatives to provide capacity building and credit. This program which is being implement through credit Administration Entities is successful and will be pursued further in the on-going country cooperation framework CCF.

H. Indigenous Micro-Credit Approach

i) **Example:** Esusu Association.

ii) **Type of Organization:** Traditional

iv) **Strength:**

Indigenous and long standing tradition of savings mobilization and credit delivery to finance private initiatives. Widely practice in all segments of the societies, poor, rich middle class etc. Low rate of default or collapse, which is more rampant in other formal schemes.

iv) **Weaknesses:**

Credit disbursement based on pre-determined lot rather than a specific enterprise need.

No interest rates are charged and therefore does not take the time value of money into consideration.

Poor documentation and record keeping culture.

v) **Opportunities:**

The traditional approach represents a conceptual platform upon which which links to microfinance approaches can be built. There are associations of Ususu Collectors forming and interested in studying innovations which are taking place in neighboring countries (Ghana, Togo etc.) These efforts are being supported by USAID's Microfinance Best Practices Project,

vi) **Threats:**

There is the potential threat of resistance to change among practitioners of the system.

vii) **Existing and Potential Local UNDP** None.

F. Donors Intervention in sector

1. EZE and Ford Foundation:

Ford Foundation (FF) and EZE have over the past decade promoted a number of Community Development Association (CDAs) in Nigeria. While in some cases, both donor agencies provided coordinated financing to CDAs (NUSHO, ISHO, WHEDA, FADU and LAPO), in other cases, only FF is providing financial assistance. Throughout this period of parallel financing, EZE and FF have cooperated in an excellent manner; promotional efforts were complementary to each other, and no case of double financing occurred so far.

Most CDAs have in the past decade received a number of project grants. FF planned to phase out individual support to CDAs in the year 1997. At present, most CDAs receive a final grant to enable them build up their organizational capabilities and get prepared for a time when they have to earn a sufficient margin to cover their expenses. Most CDAs got used to a situation in which many, if not most of their expenses were covered by external grants, coming either from EZE or FF.

Since its founding in 1962, EZE's contributions towards development have been directed by the development guidelines set out by the Protestant Churches in Germany, who are united in their commitment to ecumenical service. They have equally been determined by the visions, the experience and the expectations of its ecumenical partners.

Accordingly, development is understood here as a process through which communities - men and women alike - consciously face the inequitable distribution of the world's goods and opportunities, and direct their efforts towards a just, participatory, liberated, and sustainable society. Solidarity with the poor is an essential component of any cooperation for development.

2. USAID:

USAID has not worked with Government since 1994, and currently works only with NGOs. The USAID/Nigeria funding level has been on the decline due to concerns over governance issues. In January 1998, a meeting had been organized between USAID and Ford Foundation to explore the possibility of these two organizations working together to make it easy for USAID grantees have access to micro-finance. Since FF funding strategy is through grants to bigger organization working with community groups, therefore USAID Sub project grantees identified for micro-credit could link up with the Ford Foundation grantees in their locality.

3. DFID:

Department for International Development (DFID- United Kingdom) has a programme based in Kaduna operating since one year and their primary focus is Renewable Natural Resources (RNR) but they have expressed a potential interest in micro-finance services. The general strategy developed is the use of small funds to test the ground in credit, thus seed grants have been provided to some widow ladies in Kaduna as part of their pilot experimentation. DFID has already initiated a study on inventory of credit programmes that will lead them to the assessment of this type of credit. DFID has also expressed a particular interest in the impact of micro-finance on the beneficiaries in Nigeria.

4. WORLD BANK:

The World Bank and the African Development Bank have on-going assistance programmes with respect to the provision of lines of credit for SME entrepreneurs. The World Bank in 1984 granted US\$41 million loan for on-lending to SMEs in five states as pilot scheme. The Bank has also sponsored in-country and overseas training of staff of FMI. This assistance have been followed up by the SME-II loan of US\$270 million administered by the CBN apex unit.
