The Hunger Project’s Microfinance Program in Africa

Overview
The Hunger Project’s (THP’s) Microfinance Program is a training, savings and credit program that addresses a critical missing link for the end of hunger in Africa: the economic empowerment of the most important but least supported food producers on the continent—Africa’s women.

By providing women food farmers easy access to credit, adequate training and instilling in them the importance of saving, THP enables women to engage in income-generating activities to increase their incomes and invest in their businesses, pay their children’s school fees, construct pit latrines, purchase medicines, pay for health care, and make home improvements or build new homes. Furthermore, through participation in the program, women leaders develop self-confidence and assertiveness, gaining elevated status in their households and communities. They are creating a new future where women and men are equal partners in the development of the well-being of their families and their community.

To demonstrate THP’s commitment to all members of the community, THP also offers men the opportunity to participate in the Microfinance Program, following the same principles and procedures. However, because the focus of the program is on rural women, THP allocates close to 90 percent of all loan funds to women.

THP’s Microfinance Program was originally implemented as an independent program in 1999 (under the title, the African Woman Food Farmer Initiative). In 2003, the program was incorporated into THP’s Epicenter Strategy in Africa, an integrated rural development approach that mobilizes clusters of villages where women and men are mobilized to create and run their own programs to meet basic needs. The Epicenter Strategy is a proven, replicable, low-cost methodology for empowering the women and men of rural communities in Africa to be self-reliant.

Implementation
The Microfinance Program is implemented through two phases: (1) Direct Credit (approximately four to five years); and (2) Rural Bank. The ultimate object of the Microfinance Program in each epicenter is to have the facility gain government recognition to operate as a licensed Rural Bank, owned entirely by community members and managed by a 100-percent female board. The Rural Bank then provides the entire epicenter community with sustainable access to savings and credit facilities.

The program has the following components:

1. **Training Component:** Trainings build the capacity of rural partners to increase and manage income. Anyone interested in participating in the Microfinance Program must first attend THP’s Vision, Commitment and Action Workshop to learn about THP’s principles and methodology. They must attend the required training sessions before receiving credit (group dynamics, project identification, basic business management, credit management and functional literacy classes). Either before accessing their loan or during repayment, partners must also participate in health trainings, on topics such as nutrition, hygiene, HIV/AIDS prevention and family planning.
2. **Savings Component**: Partners are required to save in order to participate in the program. This sensitizes them to the importance and benefits of savings and instills a savings’ culture in the community. When partners save, they mitigate risk and create a more secure future. A minimum savings deposit of 10 percent of the applied loan principal is required as savings prior to accessing credit.

3. **Credit Component**: Credit provides partners with the capital to realize their business aspirations and generate income. Loans are only disbursed to solidarity groups of 5-15 people, relying on the concept of group solidarity to mitigate risk. Group meetings become forums where members can voice and address common concerns and make decisions toward collective action on issues from education to clean water. All credit obligations elsewhere must be repaid before applying for a loan with The Hunger Project. Another precondition is that all partners must enroll their children, girls as well as boys, in school.

The community, in collaboration with the local Hunger Project team, determines the country-specific annual rate of interest for loans. The annual interest rate, which ranges between 10 and 36 percent, is always well below commercial rates. While partners may take out increasingly higher loans after repaying their initial loan, the program prioritizes small loan applications from the poorest, rather than larger loan requests. Loan terms are for one year or less. All loans must be used for income-generating activities, such as farming, food processing, animal husbandry, handicrafts and small business and trade ventures.

Initially, THP allocates a Revolving Loan Fund (RLF) to the epicenter (about US $25,000). The epicenter community elects its own leaders to serve on the loan committee and manage the RLF, which is disbursed into the community, repaid by members and disbursed again. In this process, the funds accumulate interest and grow. There is one Epicenter Loan Committee that manages the women’s portion of the Microfinance Program and another that manages the men’s portion. There are also village-level loan committees that interact with the various solidarity groups.

Once the Direct Credit phase has entered its fourth year and the microfinance operation in an epicenter community meets a certain set of government-based criteria for recognition, the operation can apply to become a savings and credit cooperative (a Rural Bank). Although all members of the epicenter community may deposit savings and access credit from the Rural Bank, only women participants in the Microfinance Program may stand for election to leadership positions on the bank board.

After the Rural Bank is government-recognized, it is authorized to lend its members’ savings to other members, which is in contrast to the Direct Credit Phase where the RLF is held separately from members’ savings. The Rural Bank then plays a critical role in using the communities’ wealth to create more wealth. The RLF is gifted by THP to the Rural Bank. THP pays the salary of the bank manager for the first two years to ensure full compliance and helps prepare reports for the appropriate government office. After two years, the Rural Bank becomes operationally self-sufficient and no longer receives financial assistance from THP.

Since the Microfinance Program’s inception in 1999, THP has disbursed **over 100,000 loans** in Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Mozambique, Senegal and Uganda. **Nineteen Rural Banks** have graduated to operate as their own independent, community-owned and women-led rural financial institutions. In total, over **US$8.3 million** has been disbursed in our epicenter communities, roughly 40 percent of which has been distributed by the Rural Banks.