



WMI LOAN PROGRAM OVERVIEW

I. BACKGROUND

“Building Assets to Better Lives” is the motto of the Women’s Microfinance Initiative because that’s what we do. We give impoverished, rural women in East Africa the tools they need to climb out of poverty through microbusinesses they launch, own and operate. The WMI program succeeds not just in boosting women out of poverty, but in keeping them out of poverty by providing knowledge transfer through critical skills training and peer-to-peer mentoring. It encourages not just income generation, but also savings and asset accumulation, which dramatically changes the financial paradigm and future opportunities for borrowers’ household.

According to the UN’s Capital Development Fund and the highly respected Consultative Group on the Poor (C-GAP), data collected over the past 10 years indicate that access to financial services, particularly microfinance products, is essential for improving the overall living conditions, quality of existence and income-generating prospects for the very poor. When provided to women these products “empower women, thus promoting gender-equity and improving household well-being.”

Organizations dedicated to reducing global poverty must find ways to vest individuals and communities in the project outcomes in order to ensure ongoing economic success. They must find a way to end dependency on third-party intervention. WMI’s innovative Transition to Independence Program does just that. Through a ground-breaking agreement reached with PostBank Uganda (PBU), WMI has developed a platform that, in just 36 months, takes an impoverished woman from business launch to independent banking. Women conduct business planning, estimate costs and revenue, obtain loans, manage their businesses and learn from their daily business operations. After 24 months, they “graduate” to a bank loan and then 12 months later to independent banking and entry into the formal economy - all in a framework that becomes self-sustaining after 24 months.

II. OPERATIONS

Started in Buyobo, Uganda in 2008 and expanded to Kenya in 2010, WMI provides a comprehensive loan program that offers impoverished, rural women collateral-free, interest-bearing, 6-month term business loans, ranging from \$50 to \$250, in a highly structured environment. Borrowers in 20-member loan groups cross-collateralize loans; human capacity is developed through business training, bookkeeping assistance, support groups and follow up.

The loan program is administered on the ground by an existing, woman-focused, village-level, local partner, such as a widow’s association or self-help group, which is managed by the borrowers who comprise its membership. WMI provides the basic format for the loan program; the local partner is responsible for local operations and daily decision-making. Interest

paid on the loans is retained by the local partner to cover program overhead. Loan income increases quickly; the loan program is cash flow positive on the local level in 12 - 18 months.

Future loans are dependent on borrowers' making timely repayments. Excess revenue generated by the loan program is invested in village-level resources and loan program expansion. This structure vests all members of the local partner, including current and future borrowers, as well as community members at large, in the program's success.

III. TRANSITION TO BANKING

After 24 months, successful borrowers are promoted to the innovative Transition Fund, receiving a \$500 loan for a one year term, directly from PBU. The bank loans are guaranteed by WMI's interest-bearing deposit - the interest is retained on deposit to cover any defaults. The local partner continues servicing the loans for a small fee, and borrowers continue to access training and support services. Borrowers who make their Transition Fund loan payments on a timely basis graduate to independent banking on attractive terms, including most favored nation status.

This progression to independent banking in a 36-month cycle is fully sustainable once initially funded, and continues in perpetuity to graduate experienced rural businesswomen into the formal economy at roughly the same rate loans are issued to new borrowers. Once a woman moves on to the Transition Fund, her loan funds are recycled to a first-time borrower. This allows WMI to focus capital on first-time loans, while the bank acquires a stream of qualified, new customers.

IV. SECTOR CHANGES

Though urban markets are saturated, banks in East Africa do not serve poor, rural women, who desperately need financial services, due to the high risk involved. WMI's loan program brings these two parties together to their mutual benefit. It harnesses the market force of experienced/trained microborrowers to tap into banking services on attractive terms, while providing a pipeline for banks to penetrate the vastly underserved rural market. Typically, microfinance programs fail to introduce experienced clients to more favorable banking opportunities because experienced clients are a huge profit-center. WMI bucks this trend.

V. SUCCESS

Since January 2008, WMI has funded more than 1,000 loans to extremely impoverished, rural women. The loan repayment rate is 100% and almost 99% of borrowers return for follow-up loans every 6 months, demonstrating the ongoing need for working capital. Borrowers' businesses have grown to employ local help and market goods and services as far away as northern Uganda, Kenya and the Sudan. Semi-annual surveys show that income generated has vastly improved the quality of life for borrowers' entire households and brightened future prospects for their children. Local partners maintain a waiting list of prospective borrowers and WMI maintains a waiting list of prospective local partners. In the past two years, the WMI loan program has evolved to accommodate real world operating conditions and it now provides a proven, successful format for combating the extreme poverty endured by the rural women and families of East Africa.

