

# The Microfinance Program

**The Microfinance Program (MFP)** 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.**

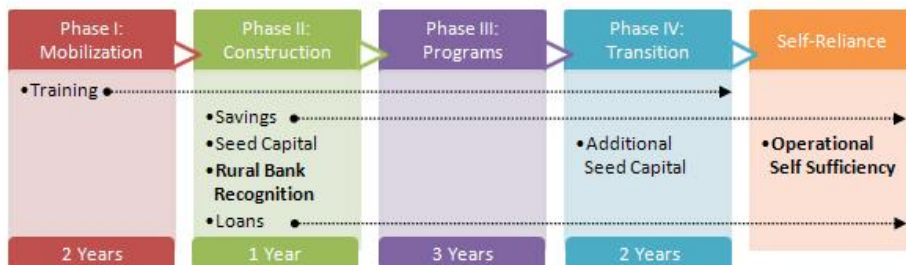
By providing rural villagers access to credit, adequate training and a safe place to save, THP enables women to engage in income-generating activities (IGAs) and improve their and their families' lives. Thanks to the MFP, women typically gain the ability to send their children to school, consistently put nutritious food on the table, lead healthier lives and make home improvements. Furthermore, through participation in the program, women develop confidence and pride, thereby earning them the respect of their household and community members.



To demonstrate its 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 African women, 70 percent of the MFP partners are female.

THP's Microfinance Program was originally implemented as an independent program from 1999-2002 (the *African Women Food Farmer Initiative*). However, in 2003, the program was incorporated into THP's Epicenter Strategy and in 2009, it was renamed as the Microfinance Program.

## Implementation



To fully integrate the MFP into the Epicenter Strategy, it is implemented in four distinct phases. During **Phase I (Mobilization)**, the MFP focuses on training and cultivating leadership.

During **Phase II (Construction)**, THP allocates approximately USD 25,000 in seed capital and partners are required to mobilize savings to compliment these funds and increase the amount available for lending.

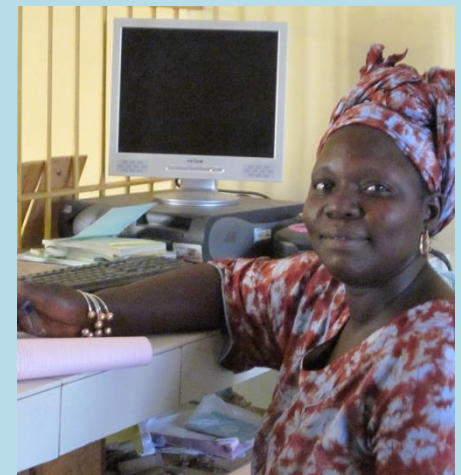
Most importantly, THP seeks government recognition for a rural bank, located in the new epicenter building, which disburses loans that are repaid and loaned out

## MFP Quick Facts (2020)

- **Countries:** Benin, Burkina Faso, Ethiopia, Ghana, Malawi, Mozambique, Senegal, Uganda and Zambia
- **Loan Portfolio:** USD 2.4 Mio. / 59'558 Loans
- About **62'053 partners (70% women)** saved more than **USD 2.8 Mio.**
- Average individual savings account balance: **USD 46**

## About The Hunger Project

The Hunger Project (THP) is a global, non-profit organization committed to the sustainable end of world hunger. In Africa, South Asia and Latin America, THP empowers people in poor, rural areas to lead lives of self-reliance, meet basic needs and build better futures for their children.



again in additional cycles. In 2012, THP made a shift from facilitating government recognition of the rural banks during Phase IV to doing so in Phase II, in order to improve sustainability. Throughout **Phase III (Implementation)**, the rural bank continues to offer training, collect savings and disburse loans.

Although the rural bank is an independent, member-owned and women-led institution, THP subsidizes all operational expenses during Phases II and III. At the end of Phase III, the rural bank must meet a set of THP criteria to qualify for up to USD 25,000 in additional loan capital and graduate **to Phase IV (Transition)**, during which THP reduces its financial support. Finally, the rural bank must demonstrate **operational self-sufficiency**, indicating that it no longer requires financial or technical support from THP and that it will be able to provide financial services to the whole community on a sustainable basis.

It is important that the rural banks reach self-reliance in a meaningful and sustainable way. So, while there is an optimal timeline (eight years), some of our rural banks may require more time and others less. To guide this process, THP requires that rural banks meet criteria to graduate from one phase to the next. They include mobilizing **USD 15,000** in initial **savings**, recruiting **500 members**, electing a **Board of Directors**, hiring a **bank manager** and a **cashier**, maintaining **portfolio quality** and demonstrating **asset growth**.

Throughout these four phases, MFP activities can be divided into three fundamental components:

1. **Training:** Trainings build the capacity of rural partners to increase and manage their income. Anyone interested in participating in the MFP must first attend THP's Vision, Commitment and Action Workshop to learn about THP's principles and methodology. They must also attend sessions on group dynamics, financial management and basic business skills before receiving credit. Critically, all MFP partners must enroll in basic literacy and numeracy courses if they are not already literate. And finally, either before accessing their loan or during repayment, partners must also participate in health trainings on topics like nutrition and family planning.
2. **Savings:** To sensitize partners to the benefits and importance of savings, MFP partners are required to mobilize USD 15,000 to create their own rural bank. This instills a culture of savings and a sense of ownership of their financial institution. Then rural banks offer two savings products: (1) Required Saving (10% of the loan principal each cycle); and (2) Voluntary Saving (accessible at any time).
3. **Credit:** Credit provides partners with the capital to realize their business aspirations and generate income. First cycle loans of  $\leq$  USD 100 are disbursed to solidarity groups of 5-15 people, relying on the concept of group solidarity to mitigate risk. After successfully repaying the first loan, the group may apply for a larger one and after completing three cycles on time, partners may apply for individual loans. The ceiling is USD 500. The interest on these loans, is far lower than the common ones in our work areas and all of its earnings stay within the community.

## A MFP Partner in Action



**Véronique Amoussou** is a 20-year-old member of Kpinnou Epicenter in Benin. Véronique had to leave school when her parents could no longer afford the fees. Unwilling to give up education, she underwent animator trainings as a partner at THP lead Kpinnou Epicenter. After completing her training, she put her new skills to use by creating a rabbit farm and opening a small store.

THP-Benin assisted Véronique in constructing her small business. She began her rabbit farm in 2010 with five female rabbits and one male. The group of rabbits has grown quickly and Véronique has rapidly earned USD 280 from rabbit sales.

**Véronique is committed to passing on her training** to other epicenter members and has trained seven youth epicenter members, three of whom were girls, on how to care for their own profitable rabbit farms.

The revenue from Véronique's rabbits has enabled her not only to meet her daily needs, but also to **put her savings towards her younger sister's school fees**. Véronique wants to make sure that her sister never has to abandon her education due to lack of money.

Véronique's goal is to become a farming entrepreneur and to continue to participate in new and innovative income-generating activities. **She hopes that her participation at the epicenter is a model for other young women in her area.**

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