

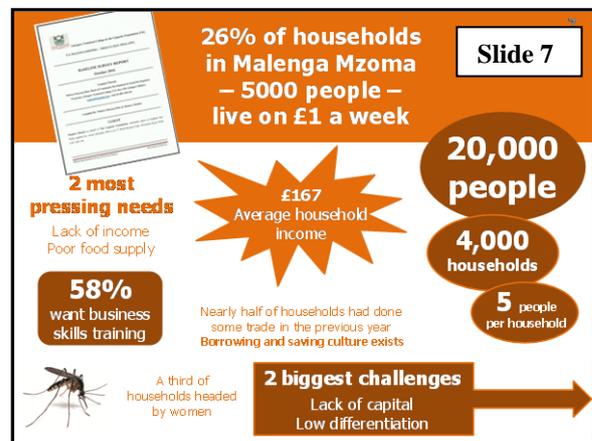
CWDF Forum, 17th January 2017

Prior to our regular agenda we welcomed **Stephen Maund**, to give an update on his micro-finance initiative in Malawi, which aims to moving communities toward true self-sufficiency and away from dependence on aid. These notes from Stephen's talk refer to a number of slides from his PowerPoint presentation. The full PowerPoint can be seen on the CWDF website.

Stephen began by addressing the question "*International aid – It's a good thing – right?*" There is no doubt that international aid saves lives, relieves poverty, educates children and empowers women. But he believes that self-sufficiency is the only alternative to aid – his past experiences in supporting the charity "Ripple Africa" have led him to this conclusion. In 2009, aid for this charity reached £4000 - £5000, but it is difficult to maintain this level of funding and the level of commitment for those running the charity. When people retire there is no one to take over.

Stephen went on to look at the example of Botswana, the biggest diamond supplier in the world. The diamond industry has resulted in huge growth in Botswana's national economy -it grew by 9% for 34 consecutive years - and yet nearly half the population live below the poverty line. We have to consider these 2 facts together.

Facts such as these began to change Stephen's way of thinking about aid, so he decided to do some serious research in a specific area of Malawi, Malenga Mzoma. Community consultations took place between 2015 and 2016 for 18 months - looking at what they have i.e. "Reading their own Reality". A baseline household survey was undertaken by local people. The results of the baseline survey are shown on **Slide 7**. They clearly reveal that many people are living at subsistence level and that this area is the poorest in the region. The two biggest challenges exposed were lack of capital and low differentiation (meaning too many people are growing the same crops).



Slides 9 and 10 show startling facts about the lack of education and access to clean water in this area. So what's wrong? In Stephen's experience international aid tends to tackle poverty piecemeal and perhaps instead of aid "trickling down", self sufficiency should "bubble up". He cited the example of a dispensary which was built in Malawi by one charity with funds from another, but once built there were no funds from the local authorities to pay for its running.

UK

A typical primary school classroom on the UK

Slide 9

In Malenga Mzoma 44% have no formal education

Shortage of desks, chairs, books and other materials – and teachers

Malawi

99%
of UK homes have mains water

In Malenga Mzoma 1 in 7 seven families don't even have access to a borehole

Unless boiled, water is unfit to drink within 3 hours

Slide 10

Slide 15 -Income alone doesn't measure poverty – it's whether people's basic needs are being met. So how do communities become self sufficient? Stephen believes that the way forward is through microloans.

Why do microloans work? – see **Slides 16 and 17**. Some have expressed concern over the interest rate of between 25 – 32% but a loan from a bank would have a 34% interest rate and no advice or support. With a microloan then the interest rate is slightly lower BUT, in addition to money, borrowers get mentoring and support from the lenders.

Income alone doesn't measure poverty

Poverty also has to count
whether your children can go to school,
whether your roof is sound,
whether you have clean
water and enough food,
and whether you can reach a health centre
that doesn't take two hours to walk to when
you're sick.

Slide 15

Inspired by Muhammad Yunus, Nobel Economics Laureate

Microloans work

98%
repayment
rate

Loan periods
2 – 9 months

25-32%
interest

£250
average loan

34%
Bank Rate

NOTICE OF FORECLOSURE

Slide 16

Borrowing and saving culture exists
Village savings & loans already in place

Most borrowers take successive loans

Mentoring and handholding

And why do microloans work?

- Financial literacy & business skills training**
- Loans start off at a modest level (£75)**
- Mentoring and support**
- Borrowers formed into clubs of 15**
Mutual support in times of illness or during setbacks
Club members have to agree before a new member joins
Weekly meetings with Co-ordinator and to repay loans
- Loan period flexible**
- Successive loans available**
- Savings accounts facilitated**

Slide 17

98%
repayment
rate

There is a danger that some development charities focus on short term outcomes because donors are paying more attention to the uses of their money rather than long term sustainable outcomes. Some microloan companies support lots of small projects dotted over an area. See **Slides 19, 20 and 21**. The loans are clearly lifting individual families out of poverty but not allowing communities to become self sufficient. Stephen suggests that concentrating on one area will really solve problems and because of the integrated thinking.

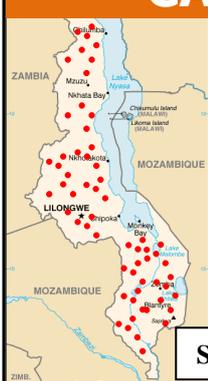
Microloans are very effective
at raising individual families
out of poverty




But their donor-driven
policy, based on powerful
individual stories, is to
extend to ever more areas

Slide 19

CASE STUDY



One microloan organisation's loanbook of **£5 million** is spread thinly, making a few people more comfortable in a lot of different areas.

Concentration of investment in one area would lift the local economy – **and create self-sufficiency.**

Slide 20

Standard microloan system



Loans



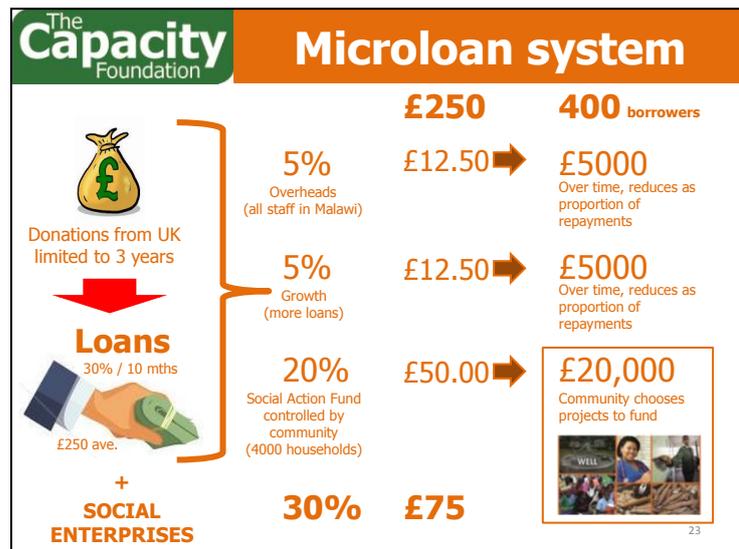
Programmes

Relief targeted on individual women over wide area

Slide 21

... a process geared to continuously breaking new ground

Slide 23 shows how The Capacity Foundation's microloan system will work. The company and charity has just been set up. Loans should start from The Capacity Foundation in April. Some literacy training is needed first and then people in Malenga Mzoma region can start applying. A certain percentage of profits made from the new businesses will have to put into a savings account known as the Social Action Fund. The fund will be owned by the community and they decide which projects to fund – maybe pre-school nursery or building a borehole.



A dignified way forward

- Unlock skills and energy within people
- Break dependence on aid
- Empower the community
- Enable people to influence their destiny




Stephen concluded his presentation with **Slide 25**: “A dignified way forward”, the approach to development he is advocating.

In questions, Gill Miller asked how much would an individual have to put into the savings account. *Stephen will find out how much and let Gill know*

Terry Green thanked Stephen for his very interesting presentation and for sharing his “vision” with the Forum.