



No. 2

▲ ◆ ▲ ▲ ▲ ▲ ▲ ▲ ▲ ▲ ▲ ▲
Africa Region/The World Bank

20323
December 1997

Technoserve/Ghana

December 1997



TECHNOSERVE / GHANA

December, 1997

Contact:

Shimwaayi Muntemba, Task team leader
Environment Group
Africa Region
The World bank
Tel: 202 458 7370
Fax: 202 473-8185
Email: SMuntemba@WorldBank.org

TechnoServe/Ghana
P.O. Box 135, Accra
Ghana
Tel: 233-21-773873, 773875, 776149
Fax: 233-21-772789

Edited by Lawrence Mastri

The World Bank task team wishes to thank Anne-helene Lulling who until January 1997 was a member of the team.

The views expressed in this document are those of the authors and do not necessarily represent the opinions of the World Bank or any of its affiliated organizations.

Africa Region
The World Bank
Washington D.C.
December 1997

TABLE OF CONTENTS

| | |
|--|------|
| FOREWORD | V. |
| ACRONYMS AND SYMBOLS | VI |
| EXECUTIVE SUMMARY | VII |
| ESTABLISHMENT AND EVOLUTION | VII |
| OPERATIONS | VII |
| ACCESS, OUTREACH AND IMPACT | VIII |
| FINANCIAL PERFORMANCE | VIII |
| INNOVATIONS AND LESSONS LEARNED | VIII |
| 1. BACKGROUND | 1 |
| INITIAL OBJECTIVES AND EVOLUTION..... | 1 |
| Perceived Population Needs | 1 |
| Influence of Outside Models on Strategy and Operations | 1 |
| Collaborating Institutions | 2 |
| Problems and Initial Difficulties..... | 2 |
| INITIAL ORGANIZATION AND RESOURCES STRATEGY | 2 |
| SOCIO AND MACROECONOMIC CONTEXT | 3 |
| Initial Context | 3 |
| The Period 1992-1994..... | 4 |
| Policy Environment | 5 |
| Financial Services in Rural Areas..... | 6 |
| 2. STRUCTURE AND ORGANIZATION | 7 |
| ORGANIZATIONAL STRUCTURE AND CONDUCT..... | 7 |
| MANAGEMENT AND INSTITUTIONAL ORGANIZATION | 9 |
| HUMAN RESOURCES | 10 |
| 3. MODES OF OPERATION..... | 11 |
| RANGE OF SERVICES | 11 |
| LENDING SERVICES..... | 12 |
| DEPOSIT SERVICES..... | 16 |
| OTHER FINANCIAL SERVICES | 16 |
| NON-FINANCIAL SERVICES | 17 |
| 4. OUTREACH, ACCESS AND IMPACT | 19 |
| SAVINGS | 19 |
| LOANS | 20 |
| FINANCIAL RETURNS | 21 |
| Indirect Economic Impact..... | 22 |
| Savings and Credit Awareness..... | 23 |
| Risk Factors | 23 |
| SOCIAL IMPACT..... | 24 |
| Client Participation | 24 |
| Gender Issues | 24 |
| Impact on Institutional Capacity..... | 25 |

| | |
|---|----|
| 5. FINANCIAL PERFORMANCE | 27 |
| SOURCES AND USES OF FUNDS..... | 27 |
| CHALLENGES AND FUTURE PLANS..... | 29 |
| 6. INNOVATIONS AND LESSONS LEARNED | 31 |
| APPENDIX I | 33 |
| ENTERPRISE DEVELOPMENT METHODOLOGY | 33 |
| APPENDIX II | 38 |
| THE VIEW FROM THE FIELD - AN EXCERPT FROM A TECHNOSERVE NEWSLETTER | 38 |
| REFERENCES | 41 |

FOREWORD

The purpose of the World Bank's Action Research Program on Sustainable Rural and Microfinance Institutions in Africa is to strengthen local rural and microfinance institutions and contribute to mechanisms for supporting sustainable grassroots institutions which provide financial services to the poor. Action Research emphasizes capacity-building at the national level, by distilling and disseminating "best practices" and strengthening local networks of microfinance providers.

The program adopts a participatory approach to capacity-building or strengthening. Leading rural and microfinance institutions, mainly NGOs, oversee the process through a core group, the "champion", one of which is normally the coordinating agency. In Phase 1 of the program, diagnostic studies of practices in two or three selected institutions are conducted and discussed at a national workshop. During this phase networks are also formed or strengthened. During Phase 2, the network may opt for more in-depth studies, as in Phase 1, or it may focus on one issue or delivery mechanism drawn from four or more institutions. These are discussed at a second national workshop. The program also supports a newsletter and periodic meetings of the network to encourage wider participation, dissemination of international best practices, further sharing of experiences, development of guidelines and policy dialogue with the government. Sub-regional workshops facilitate networking and information-sharing across national boundaries. At the end of three years, networks are encouraged to become self-supporting.

This report on TechnoServe/Ghana is one of a series of diagnostic studies being carried out in six countries. It is one of the many efforts by NGOs throughout Africa to reach poor producers normally ignored by the large, commercial institutions. TechnoServe acts as an intermediary between small producers and processors, and commercial banks. It strengthens the capacity of small producers and processors to both manage their enterprises efficiently and sustainably; and it equips them with the technical knowledge for dealing with banks.

The Action Research Program is funded by the Swiss Agency for Development and Cooperation and is managed in the Bank by a cross-sectoral team comprising Shimwaayi Muntemba (team leader, Environment), James Coates (Agriculture), William Steel (Private Sector Finance), Alexander Amuah (Consultant) and Liisa Hietala (Assistant). The team has collaborated with a Bank-wide initiative "Sustainable Banking with the Poor," and with a team of colleagues at headquarters and resident missions working on micro-enterprise issues and with NGOs. TechnoServe documented their experiences in partnership with some of the small producers and processors that they are supporting. The multi-disciplinary and cross-sectoral nature of the management and research teams have brought strength to this grassroots-focused initiative.

Cynthia Cook
Sector Manager
Environment

Thomas W. Allen
Sector Manager
Private Sector Finance

ACRONYMS AND SYMBOLS

| | |
|--------|--|
| ADB | Agricultural Development Bank |
| ASIP | Agricultural Sector Investment Program |
| BOG | Bank of Ghana |
| CBE | Community-based Enterprise |
| CE | Cost-effectiveness |
| CIDA | Canadian International Development Agency |
| DoC | Department of Cooperatives |
| EDCS | Ecumenical Development Cooperative Society |
| ERP | Economic Reform Program |
| FDB | Field Data Base |
| GECLOF | Ghana Ecumenical Church Loan Fund |
| GEPC | Ghana Export Promotion Council |
| GLSS | Ghana Living Standards Survey |
| GoG | Government of Ghana |
| GSS | Ghana Statistical Service |
| MFI | Microfinance Institution |
| MoFA | Ministry of Food and Agriculture |
| NGO | Nongovernmental Organization |
| RoSCAs | Rotating Savings and Credit Associations |
| TIP | Trade and Investment Program, funded by USAID |
| TNS | TechnoServe |
| USAID | United States Agency for International Development |
| ¢ | Ghanaian currency (cedi) |

EXECUTIVE SUMMARY

This report is part of a World Bank-sponsored applied research initiative which examines best practices in Rural and Microfinance Institution (MFI) development in a number of African countries. The objective of the research is to analyze and document the experience of leading MFIs that have developed innovative approaches to providing financial services to the rural and urban poor. It is hoped that the research findings will provide information that can help MFIs to develop more effective and sustainable operations. The TechnoServe (TNS) case was chosen to highlight the role of a nongovernmental organization (NGO) that seeks to link informal sector entrepreneurs with the formal financial sector. It is expected that lessons from TechnoServe's experience will benefit MFIs in Africa and in other developing regions.

ESTABLISHMENT AND EVOLUTION

TechnoServe is neither an MFI nor a non-banking financial institution (NBFI). It was established in 1968 with the objective of helping communities develop viable, group-owned enterprises by providing general management, technical and financial training for community members. TechnoServe established its Ghana program in 1971 with the goal of promoting enterprise development in order to increase productivity, incomes and employment within the participating rural communities.

OPERATIONS

TechnoServe restricts its enterprise promotion activities to a few commodity sub-sectors to ensure acquisition of expertise in the delivery of assistance and also to maximize its impact. The enterprises that TNS supports in Ghana are all in the agricultural sector and involve commodities that are significant for many small-scale producers and processors. The sub-sectors on which the organization currently focuses include palm oil processing, cereal storage and marketing, and non-traditional export crops production, storage and marketing.

TechnoServe's operating strategy involves positioning itself as a financial intermediary by creating linkages between the assisted enterprises and local banks. In Ghana, TNS has interacted with a variety of banks but most intensively with the Agricultural Development Bank (ADB). In the process, TNS has evolved its own financial intermediation strategy which incorporates a number of practices that have grown out of its experience in this area. These practices include: focus on post-harvest activities rather than agricultural production (to reduce the risk of loan default); requiring groups assisted to put their own resources at risk in the enterprises; group lending; mandatory savings; use of commercial interest rates; the provision of external guarantees; and the use of produce as loan collateral.

While TNS devotes considerable effort to credit-related activities, it views access to credit as a necessary but insufficient condition for enterprise viability. Therefore, it places relatively greater emphasis on the provision of business planning, management, group formation and record-keeping skills through training and technical advice for community groups that meet its criteria for assistance.

ACCESS, OUTREACH AND IMPACT

As of January 1995, TNS was providing assistance to approximately 60 communities in the country. The enterprises it assisted provided direct benefits to approximately 55,000 people and indirectly to approximately 340,000 additional persons.

The organization's role in developing linkages between rural enterprises and the formal financial sector has not only assisted rural communities, but also provided models for several banks to lend successfully to the small-scale agricultural sector. The inventory credit model developed by TNS, which uses stored agricultural produce as collateral for bank loans, has been a particularly successful model which several commercial banks now use independently of TNS.

FINANCIAL PERFORMANCE

TechnoServe receives significant funding from the United States Agency for International Development (USAID), the World Bank and the Ecumenical Development Cooperative Society (EDCS). Loan funds come primarily from the Agricultural Development Bank and the Ghana Ecumenical Cooperative Loan Fund (GECLOF). Between 1990 and 1994, TNS assisted enterprises to leverage approximately 280 million cedis*. Recovery rates on loans range between 98 and 100 percent.

INNOVATIONS AND LESSONS LEARNED

Extensive experimentation with sustainable MFI development models has helped TNS to develop some successful best practices in Ghana. These include: specialization in selected agricultural commodities; the use of innovative alternatives to traditional bank loan collateral requirements; provision of initial external loan guarantees to banks to minimize their risk exposure and to increase the likelihood of their participation in new schemes; and emphasis on the provision of training and technical assistance in addition to credit.

* Exchange rate in 1990 was 345 cedis/dollar and in 1994 was 1,053 cedis/dollar.
Source: *International Financial Statistics*, IMF.

1. BACKGROUND

INITIAL OBJECTIVES AND EVOLUTION

TechnoServe Inc. is an international NGO founded in 1968. This nonprofit organization has programs in 14 countries in Africa, Latin America and Central Europe, with headquarters in Norwalk, Connecticut, U.S.A.. The Ghana program was established in 1971. TechnoServe's mission is to improve the social and economic conditions of low-income people through the establishment of sustainable community-based enterprises (CBE) that increase productivity, income and employment.

TechnoServe's objective is to establish viable rural enterprises by providing general management and financial training and assistance. Although the rural poor often cite lack of credit as their most important constraint, TNS has found that lack of financial experience and poor management skills are perhaps more significant contributory factors to their inability to establish viable enterprises.

Perceived Population Needs

TechnoServe's methodology is rooted in its desire to create sustainable and financially independent projects. From its inception, the organization has been opposed to the concept of providing relief food supplies, grants and subsidized inputs to communities, in the belief that such assistance creates dependency and is ultimately unsustainable. Instead, TNS believes that rural communities require technical assistance and financial and business management training in order to make sound business decisions and to learn how to create and operate their own enterprises.

Influence of Outside Models on Strategy and Operations

Initially, TNS believed that in the absence of formal institutional financing, its rural clients needed to learn to save funds to meet their own enterprise-credit needs. Although TNS adhered to this belief for many years, it eventually recognized that credit was a necessary, albeit insufficient, ingredient for community enterprise development. Most communities it worked with lacked sufficient internal resources to raise the funds required to invest in viable enterprises that could achieve economies of scale and generate significant income, productivity and employment benefits for members and their families. TNS, therefore, evolved its own financial intermediation strategy by developing "best practices" in micro-enterprise financing. These included programs based on group lending, mandatory savings, use of commercial interest rates and use of produce as collateral.

Collaborating Institutions

Collaboration with institutions was limited to:

- (i) Department of Cooperatives (DoC), which assisted with legal registration of groups;
- (ii) Ministry of Agriculture (now Ministry of Food and Agriculture) which offered agronomic services.

Problems and Initial Difficulties

Initial problems and difficulties included:

- (i) high illiteracy rates among the member-owners of the enterprises being assisted, which necessitated intensive on-site education; and
- (ii) a general reluctance on the part of clients to accept full responsibility for all aspects of enterprise development, TNS having to perform virtually all tasks.

INITIAL ORGANIZATION AND RESOURCES STRATEGY

TechnoServe's primary strategy is to identify groups interested in managing rural enterprises. Then it provides training in group formation, leadership skills and basic business management. Finally, it provides continuous technical assistance. The aim is to ensure that the enterprises could continue to run on sound business lines. This approach was designed to build a sense of commitment to and ownership of the enterprise by community members.

During the 1971-87 period, TNS' community-based enterprise activities focused on the following interventions:

- (i) technology improvements and business management training for charcoal producers in the Central Region;
- (ii) appropriate technology and business management training for extraction of syrup from sugarcane in the Central and Volta Regions;
- (iii) training and technical assistance for sugarcane and vegetable farmers in the Central Region;
- (iv) assistance to women's groups for pottery marketing in Eastern Region; and
- (v) production and marketing assistance to farmers raising rabbits in the Volta Region.

During this period, TNS employed a few agronomy and accounting specialists who focused primarily on providing technical assistance and financial/accounting training to groups of small-scale farmers involved in agricultural production and processing.

SOCIO AND MACROECONOMIC CONTEXT

Initial Context

The relatively buoyant economic conditions that prevailed in Ghana between 1957 and 1973 deteriorated dramatically during the mid-1970s. The economy remained depressed until the mid-1980s when the Government of Ghana (GoG) launched its Economic Recovery Program. TechnoServe established its program in Ghana during this difficult period in the nation's economic history. The initial years of its operations were, therefore, particularly challenging given the prevailing macroeconomic conditions and TNS' focus on spurring local enterprise development. Selected national economic indicators showing overall decreases in real per capita GDP from 1980 to 1994 are presented in Table 1 below:

**TABLE 1
SOCIOECONOMIC INDICATORS 1980-1994**

| INDICATORS/YEAR | 1980 | 1985 | 1990 | 1994 | Average Annual Percentage Growth | | |
|-----------------------------------|------|------|-------|------|----------------------------------|-------|-------|
| | | | | | 75-84 | 85-89 | 90-94 |
| Real GDP (millions of US dollars) | 4654 | 4613 | 5791 | 6854 | -0.8 | 5.1 | 4.2 |
| Real Per Capita GDP | 433 | 359 | 386 | 405 | NA | NA | NA |
| GDP Growth (% annual change) | 0.6 | 5.1 | 3.1 | 3.6 | NA | NA | NA |
| GDP Deflator (1987=100) | 95.5 | 97.6 | 107.5 | 79.1 | 85.5 | 101.2 | 100.5 |
| Population (millions) | 10.7 | 12.8 | 15.0 | 16.9 | 2.5 | 3.3 | 3.1 |
| Population Density | 47 | 56 | 66 | 74 | NA | NA | NA |

Note: The service sector contributes over 45% to GDP while the industrial sector contributes approximately 15% of GDP.
Source: The World Bank, African Development Indicators, 1996.

A brief historical background may be appropriate at this stage. During 1957-1973, rainfall was generally more reliable than in the decade that followed, and there was also less pressure on the nation's health and educational facilities. The economic deterioration during the period from the mid-1970s to mid-1980s was due to, *inter alia*, an over-valued exchange rate, deficit financing, monetary expansion, local price control mechanisms and major declines in export prices.

Domestic and international programs instituted to reverse the deteriorating trends in agriculture included: Operation Feed Yourself (OFY) and Operation Feed Industry (OFI) which were initiated during the 1970s; and the Managed Input Delivery and Agricultural Services (MIDAS) Program initiated in 1976 by the USAID and the GoG.

While the GoG provided most of the physical and social infrastructure and amenities in the rural communities, a few private entrepreneurs and NGOs were involved in the educational and health sectors. The Ministry of Agriculture provided agronomic advice only. With the exception of TNS, no institutions were involved in providing on-the-ground accounting and management training for rural agricultural cooperatives and enterprises. The Department of Cooperatives provided centralized training for cooperative secretaries and audited cooperative societies' records, but did not provide any significant field level assistance.

The Period 1992-1994

In 1994, the population of Ghana was estimated to be 16.9 million, with over two-thirds living in the rural areas. The population density was estimated at 74 persons per square kilometer, representing a more than 50 percent increase from the 1980 figure, and twice that of the 1970 figure. Other macroeconomic and financial descriptive statistics are presented in Table 2, below.

The main income sources of the rural poor are primary agricultural production, trading and handicrafts. There is gender division of labor, with the off-farm activities (trading and handicrafts) generally being dominated by women. Opportunities are now being created to increase incomes through value-added processing and improved marketing programs being implemented by TNS and a handful of other organizations. However, only a small percentage of the rural population is engaged in these activities.

TABLE 2
FINANCIAL DATA, 1992-1994

| VARIABLES/YEAR | 1992 | 1993 | 1994 |
|--|-------------|-------|----------------|
| Inflation Rate (%) | 13.3 | 27.7 | 23% as of June |
| Formal Sector Annual Interest Rate (%) (Minimum & Maximum) | 19.75- 26.5 | 23-39 | 20-35% |
| Informal Sector Annual Interest Rate (Money Lenders) (%) | 100 | 100 | 100 |
| Exchange Rate (Year End Figures) (cents per dollar) | 525 | 780 | 1035 |

The most recent Ghana Living Standards Survey (GLSS) report (1988) indicated that 87 percent of rural households live in communities with a primary school; 64 percent live in areas with a middle or junior secondary school; and only 11 percent live in communities with a senior secondary or technical school. It was estimated that 50.6 percent of the rural population

have never attended school. Health facilities are also less available in the rural areas. Only 25 percent of rural communities have health clinics or posts and only about 20 percent of doctors practice in rural areas. To reach a hospital or dispensary, over 55 percent of rural dwellers have to travel more than one hour.

About 80 percent of the rural communities have access to motorable roads, which are in very poor condition. Lack of reliable transport not only depresses agricultural production and rural incomes but also restricts access to educational and health facilities. The Ghana Statistical Service (GSS) report of 1993 indicates that 22 percent of rural dwellers live in communities with daily markets, 19 percent with periodic markets and the remaining 59 percent with no market of any kind.

The GoG estimates that 82 percent of rural dwellers live in communities where there is no electricity or generator and that 84 percent have no access to potable water (GSS, 1993). Only 18 percent of the rural population have access to a post office, only about 3 percent have access to a public telephone.

Since the Economic Recovery Program was launched in 1983, Ghana's economy has grown steadily, with real GDP growing at about 5 percent per annum over 1985-89, led by industry and services (Table 1). Inflation was brought down gradually from over 100 percent to an average of 50 percent per annum during the period. By 1992, the inflation rate fell as low as 13 percent though it has subsequently risen again (Table 2). Formal sector interest rates have moved in parallel with inflation rates in the 1990s, although informal moneylenders' rates have tended not to vary.

Policy Environment

Current GoG and donor policies relevant to agriculture and essential for the improvement of socioeconomic conditions include:

- i. increasing private sector involvement in the sale of agricultural inputs and in the marketing of agricultural products;
- ii. trade promotion with emphasis on non-traditional exports;
- iii. special projects, such as the collaboration between the Agricultural Development Bank (ADB) and the International Fund for Agricultural Development (IFAD) designed to make credit available to small-scale farmers in the Ashanti, Brong Ahafo and Volta Regions; and
- iv. the Agricultural Sector Investment Program (ASIP) to finance rural infrastructure. This is, however, hampered by the limited capacity of local institutions to conduct feasibility studies and supervise implementation.

The most important external development intervention is the on-going IMF/World Bank-supported Economic Recovery Program (ERP) which seeks to achieve accelerated economic growth. Significant local initiatives include:

- increased private sector (corporate) involvement in the agricultural sector;

- decentralization to devolve authority for planning, decision-making and implementation of programs to local District Assemblies and local communities;
- diversification of exports; and
- attempts to contain inflation and rationalize the foreign exchange regime.

Financial Services in Rural Areas

Although 123 rural banks have been established since 1976, only 9 percent of rural households have access to banking services in their communities (GSS, 1993). Formal banks are estimated to devote less than 20 percent of their total loans to agriculture, almost entirely to relatively large commercial farmers. This is because the banks consider their present operations sufficiently profitable and are generally not interested in providing rural financial services which involve higher transaction costs and higher risk (CIDA, 1992).

The total combined volume of commercial bank loans and advances to agriculture (including forestry and fisheries) is about 16 percent of estimated production credit demand (Bank of Ghana, 1994). While loans from commercial banks, rural banks and credit unions (the most significant non-bank financial institution in rural areas) to the agricultural sector as of March 1993 was estimated to account for another 19 percent of total production credit demand (Quarterly reports of BOG). But while the demand for agricultural credit clearly exceeds the current supply, a recent study on Rural Financial Institutions (RFI) indicate that RFIs, as a group, lack the resources, operational capacities and human resources to intermediate effectively in the agricultural sector under present circumstances (Ministry of Food and Agriculture, 1995).

Historically, the most important sources of funding in rural areas have been friends, family members and money lenders. Funds obtained from these sources were usually not used for productive purposes but to meet unexpected family obligations such as funerals. Bank financing for small-scale agricultural activities has been virtually absent due to:

- i. the high risk associated with small-scale rural ventures;
- ii. the high loan transaction costs of such lending;
- iii. crowding-out by finance to the public sector and high interest on Bank of Ghana bills; and
- iv. the existence of more attractive (large-scale) lending alternatives.

Savings mobilization in the rural sector has also been low and traditionally has been limited to a small percentage of community members who have participated either in Rotating Savings and Credit Associations (RoSCA), Credit Unions or susu collection. The susu collection involves individuals who go to clients to collect daily savings and then return the savings, less one day's savings contribution as a service fee, at the end of each month. The susu is a convenient, forced savings system which enables clients to maintain funds, in the face of family and social pressures and obligations, required to operate their businesses. Participants in these schemes are usually market women, traders and other persons with regular (as opposed to seasonal) sources of income.

2. STRUCTURE AND ORGANIZATION

ORGANIZATIONAL STRUCTURE AND CONDUCT

TechnoServe is registered by the Ministry of Employment and Social Welfare as a Non-Governmental Organization (NGO). It operates in seven out of the ten regions of Ghana. In addition to its offices in Accra, two branch offices have been established in Techiman and Wa in the Brong Ahafo and Upper West Regions because : (i) several of the assisted enterprises are located in these regions; (ii) TNS hopes to widely disseminate its programs in these regions; and (iii) to reduce the cost of providing services to communities in these areas. Enterprises in other parts of the country are visited on a monthly basis by Project Advisors operating from the headquarters in Accra. The distribution of enterprises by region is shown in Table 3.

TechnoServe's objectives have always been to increase productivity, incomes and jobs for rural communities through the promotion of sustainable enterprises. In pursuit of these objectives, TNS seeks to increase the scale of its impact, reduce the cost of its services and build local capacity by collaborating with relevant agencies and institutions that provide services to the rural poor. These include:

- i. Department of Cooperatives (DoC) for legal registration of the groups that TNS assists, and in return, the DoC staff receive training in enterprise management;
- ii. Ministry of Food and Agriculture (MoFA) for agronomic services to the enterprises;
- iii. Agricultural Development Bank (ADB) and the Ghana Ecumenical Church Loan Fund (GECLOF) for inventory credit, working capital and fixed capital loans;
- iv. Ecumenical Development Cooperative Society (EDCS), Bank of Ghana (BOG), and the Trade and Investment Program (TIP) Export Loan Fund for loan guarantees; and
- v. Ghana Export Promotion Council (GEPC) for assistance with the promotion of non-traditional export crops.

Since its inception in 1971, TNS Ghana has maintained an organizational structure consisting of teams of full-time, sector-specific project advisors who provide technical assistance and training to clusters of enterprises. The head office staff in Accra provide credit analysis, research, staff training, and monitoring and evaluation services to help ensure the quality of the program.

TechnoServe which initially worked in several sub-sectors at a time (e.g., charcoal, sugar-cane syrup, vegetables, pottery, rabbits) now focuses on a few sub-sectors for maximum impact. It employs 28 Ghanaian career staff and consultants qualified in finance, accounting, marketing, agronomy, engineering, economics and sociology.

Table 3
Distribution of Activities by Location

| ACTIVITY SECTOR | REGIONAL LOCATION | ENTERPRISES |
|------------------------------|--------------------------|--------------------|
| Cereals | Upper West | 3 |
| | Brong Ahafo | 12 |
| | Eastern | 1 |
| Edible oil | Ashanti | 6 |
| | Western | 6 |
| | Brong Ahafo | 9 |
| | Eastern | 1 |
| | Central | 3 |
| | Volta | 1 |
| Non-traditional export crops | Brong Ahafo | 5 |
| | Ashanti | 2 |
| | Eastern | 6 |
| | Central | 2 |
| | Greater Accra | 2 |
| TOTAL | | 59 |

To formalize relationships with clients, TNS typically signs management contracts with enterprise group members. The contract describes the responsibilities of both parties to the agreement and specifies that TNS views the relationship as a business agreement that can be annulled if either party becomes dissatisfied with the other's performance or if the arrangement no longer meets either party's needs. The client groups pay management fees as agreed upon in the management contracts. These fees vary according to the nature and size of the enterprise in question. For example, the cereals groups pay management fees per year at the rate of 10 percent of net profit or ₵120,000, whichever is higher, while the edible oil groups pay ₵30,000/group per year. The non-traditional export program is relatively new. Groups are yet to sign management contracts and hence pay no fees.

MANAGEMENT AND INSTITUTIONAL ORGANIZATION

While TNS/Ghana adheres to TechnoServe policies and procedures and provides regular reporting to headquarters, it enjoys a high degree of autonomy in the management of the various country programs. TNS' in-house Financial Systems Analyst undertakes frequent site-visits to monitor enterprise financial statements. The in-house credit specialist undertakes regular internal audit of project management systems on a monthly basis, to ensure inventory stock and cash control.

TechnoServe has developed a model for analyzing the cost-effectiveness (CE) of its activities. The CE methodology involves quantitative and qualitative analysis of the impact of its assistance against the cost of delivering such assistance. The CE analysis utilizes data on over a hundred socioeconomic indicators of enterprise and beneficiary performance, which are entered into a computerized in-house Field Data Base (FDB) system. The FDB is updated quarterly. In essence, the CE analysis seeks to determine how many benefits accrue to the enterprises that TNS assists for every dollar that TNS spends in providing such assistance. Using this methodology, TNS calculates that, on average, the enterprises it assists in Ghana derive \$4.30 for every \$1 that TNS spends on providing its assistance.

Box 1: COMMITMENT

TechnoServe has learned that the probability of its assistance resulting in viable, sustainable enterprises depends, in large part, on its ability to identify communities that are willing to make the necessary commitment to the enterprise's success. Some of the indicators it looks for in determining which communities to assist include:

- Active involvement of business owners in enterprise design to ensure that the business is suitable given local conditions, and that the owners understand not only the potential benefits but also the responsibilities and potential risks that the venture entails;
- Willingness to organize, form a management committee, hold regular planning meetings, and keep records of issues discussed and decisions taken;
- Demonstration by each member of an economic stake in the enterprise in the form of cash or "in-kind" contributions (e.g., labor, materials, agricultural produce, etc.);
- Willingness to establish an accounting system and receiving training in its maintenance and use in order to avoid mistrust and ensure that enterprise resources are utilized in an effective and transparent manner;
- Agreement to monitor progress made with respect to growth in membership, equity contribution, revenue, expenditure, profitability, employment creation, etc.; and
- Willingness to sign a management agreement with TNS and to pay a fee for the management assistance TNS provides.

HUMAN RESOURCES

TechnoServe employs 28 workers and several consultants who interact with client groups by providing intensive, on-site technical assistance and training in accounting, finance, marketing and business management. The ratio of field staff (who number 15 out of the 28 professional staff) to clients is about 1:200. The average number of clients per enterprise is 52. TechnoServe management provides quarterly specialized training sessions for its field staff. Courses are taught by senior colleagues or external consultants and cover topics such as business planning, enterprise feasibility analysis, techniques of adult education and other aspects of project management.

3. MODES OF OPERATION

RANGE OF SERVICES

Overall, the strategy of TNS' credit delivery system is to foster linkages between rural agro-based enterprises and banks by assisting the enterprises to write comprehensive business plans, providing initial loan guarantees (if necessary), and then closely monitoring business activities and loan repayment. Basically, TNS helps to assure bankers that the enterprises they lend to are well designed and managed, economically viable, closely supervised, and therefore credit worthy. This approach is intended to expose the small-scale entrepreneurs to the realities of the business world and, hopefully, to establish an on-going relationship between these entrepreneurs and the banks.

TechnoServe starts off by providing limited assistance to "new" community-based groups that would have evolved out of members' mutual needs. These should also have demonstrated commitment to enterprise success, willingness to make cash or in-kind contribution, and shown clear evidence of sincere, disciplined and strong leadership. TechnoServe provides more intensive assistance to enterprise groups once they have met the following additional criteria:

- i. established contacts with relevant local agencies to obtain access to appropriate technical know-how;
- ii. demonstrated willingness to acquire at least rudimentary financial and management skills;
- iii. indicated an interest in receiving on-going training to learn how to identify markets, plan production, manage new technologies, and prepare accurate financial statements in a timely manner; and
- iv. signed a management contract with TNS which specifies the expectations and responsibilities of both parties, including the commitment by the enterprise group to pay TNS (a nominal) management fee for services rendered.

Since TechnoServe's approach to micro-enterprise financing is to foster linkages between rural agro-based enterprises and banks (particularly the ADB), it directly assists its target clientele by providing management training and technical assistance. The aim is to enable the groups to operate in a business-like manner, thereby enabling them to become recipients of bank financing. In addition to beneficiary training, TNS organizes workshops for institutions, including NGOs, government agencies and banks, in Management Information Systems (MIS), credit analysis and other relevant subjects.

TechnoServe's main focus is ensuring that its field level assistance and financial intermediation efforts are successful. However, it is also engaged in policy dialogue with the ADB and relevant government agencies regarding rural development in general and credit policies in particular. For example, TNS recently conducted a study on NGOs in rural financial intermediation for USAID/Ghana and another on rural financial institutions for the Ministry of

Food and Agriculture. In addition, TNS is also holding discussions with the World Bank, the ADB and government agencies regarding how the nation's rural banks could be strengthened and linked to the larger banks to help overcome a number of logistical and other constraints to effective savings mobilization and lending within the rural sector by formal financial institutions. At the time this report was being prepared, TechnoServe was active in the following sub-sectors and regions:

- i. palm oil extraction, storage and marketing in the Eastern, Central, Western, Brong Ahafo and Ashanti regions;
- ii. cereal crop storage and marketing in the Eastern, Brong Ahafo and Upper West Regions; and
- iii. non-traditional export crop production, storage and marketing in the Brong Ahafo, Northern, Upper West, Greater Accra and Eastern regions.

LENDING SERVICES

TechnoServe has been particularly successful in sourcing credit from the ADB. For example, in December 1994, TNS was able to help community-based enterprises access a total of \$283.98 million from this bank. Moreover, a number of enterprises that have "graduated" from needing TNS assistance have been able to obtain loans from the ADB directly (some enterprises have opted not to take loans, as they can now run their businesses using internally generated funds).

Credit is obtained for cereal storage and marketing by using stored produce as collateral for bank loans (Box 2). This procedure is used in the marketing of non-traditional export crops, and for the processing and marketing of edible oils (for equipment and working capital).

Box 2: LOAN GUARANTEES

One of the basic hindrances to small-scale entrepreneurs gaining access to credit from the formal financial sector is their lack of collateral that is considered acceptable by banks. To help overcome the reluctance of banks to lend to its clients, TNS has provided loan guarantees to the ADB, using a combination of its unrestricted donor funds and funds provided specifically for this purpose by the Ecumenical Development Cooperative Society (EDCS).

Initially, TNS offered loan guarantees which provided 100 percent coverage for the funds lent to client groups (i.e. the ADB was not putting any of its own funds at risk). Over time, as the ADB realized the suitability of using produce as collateral for its loans, it gradually reduced the guarantee requirement for marketing (inventory credit) loans and now no longer requires any guarantees for such loans. In fact, it has adopted this model of lending on a much larger scale (typically lending to larger-scale farmers than TNS seeks to assist) and several other banks, most notably Barclays' Bank and Ghana Commercial Bank, have also adopted this form of lending on the basis of ADB's experience.

The amount of credit provided to an enterprise is determined largely by the requirements projected in the business plans that TNS assists enterprises to develop, but is also linked to the savings that the groups mobilize in the form of cash equity or in-kind contributions in the enterprise. Since 1991, TNS has discontinued its efforts to obtain loans for agricultural inputs for the groups it assists, given the unsatisfactory loan repayment experience with such lending. This has been due, in large part, to unfavorable weather conditions.

Several TNS-assisted enterprises have been able to obtain loans directly from the ADB after withdrawal of TNS' assistance. However, ADB still faces a number of challenges and constraints in being able to adopt the models independently developed by TNS. While the ADB and several other commercial banks have adopted some TNS practices (the inventory credit model in particular) and have made such loans without TNS assistance, they have done so with farmers and food processors who operate on a much larger scale than the clients that TNS seeks to assist. The challenges and constraints that the ADB still faces in lending to small-scale entrepreneurs include:

- i. bureaucratic delays in disbursement of loans, which result in funds not being received during the critical periods in the agricultural calendar to enable borrowers to maximize their productivity and profitability;
- ii. a shortage of field staff and vehicles, and reluctance on the part of many loan officers to travel to rural areas, resulting in generally poor loan supervision;
- iii. resistance to the concept of reducing, or abolishing, the need for collateral requirements in lending to small-scale, rural entrepreneurs; and
- iv. centralization of loan approval procedures in the Bank's head office. This reduces contact between regional Bank staff and the small-scale borrowers and lowers the motivation and responsibility of regional staff to make such loans.

The qualifications for and terms of loans provided by the ADB are shown in Box 3. Initially, TNS worked with banks and other NGOs to provide loans to rural groups to finance inventory, working capital, equipment and agricultural inputs. In the case of agricultural input loans, the inputs (fertilizer and seeds) were actually provided by another international NGO, while TNS provided technical assistance to several of the groups that received this "in kind" credit. TechnoServe has since discontinued its involvement in agricultural input loans due to the high risk of loan default by borrowers, largely as a function of uncertainty surrounding rainfed agriculture, and the general (mistaken) perception by farmers that the program was government funded and that, therefore, loans did not need to be repaid. Repayment capability was also hampered by low farm gate prices for produce relative to the ever-increasing prices of (imported) inputs. Although TNS managed to ensure repayment of agricultural input loans by the majority of the groups it assisted, it concluded that this credit program was not viable under the prevailing arrangements and decided to discontinue its involvement.

TechnoServe's project advisors who are attached to the enterprises assess the credit needs of the enterprises (based on their business plans). They are also responsible for monitoring the use and repayment of loans. An in-house credit specialist links the enterprises

to the formal credit institutions — ADB and GECLOF — and arranges guarantee cover for the loans, usually from the EDCS, Bank of Ghana or, as a last resort, TNS' unrestricted donor funds. The inventory, working capital and equipment loans are very sensitive to timing of disbursement. Any delay in disbursement prevents enterprises from maximizing returns that result from seasonal price fluctuations under the inventory credit program. Similarly, delays in disbursement of working capital and equipment loans to the edible oil extraction enterprises lead to the processors missing the peak fruiting season, when the price of fresh palm fruit are lowest (and the profit margins for palm oil processing highest, assuming the oil is stored and sold in the lean season).

In future, TNS plans to revisit the concept of agricultural input loans by focusing on irrigated agriculture (particularly dry season vegetable production) and, perhaps, short duration cash crops (e.g., soybeans) which are less risky than traditional rainfed agricultural crops. It is likely that the organization would restrict such loans initially to women's groups, which have a generally higher loan repayment record than male farmer groups. TechnoServe's loan criteria and terms are presented in Box 3. The inventory credit program is described in Box 4.

Box 3: Loan Criteria and Terms

Eligibility

- legal registration of the enterprise group;
- full payment of share capital (equity) and other financial obligations (e.g., entrance fees, dues, levies, etc.) by each group member;
- existence of a bank account for deposit of enterprise funds; and
- no overdue or unserviceable liabilities.

Security/Collateral

- inventory loans: equity and inventory produce;
- input loans (discontinued): equity;
- working capital loans: equity; and
- equipment loans: equity and 25 percent up-front contribution toward the fixed assets.

Loan Term

- marketing (inventory) loans - 8 months
- input loans (discontinued) - 12 months
- working capital loans - up to 60 months (tied to equipment loans)
- equipment loans - up to 60 months

Loan Interest Rates per Annum

- nominal rates - 20-29%
- effective rates - 24-35%
- prevailing commercial rates - 26-35%

Additional Charges

- commitment fees - 1-3% (ADB)
- stamping fees - 0.5% (ADB)
- guarantee fees - 2% (BoG)

The range of interest depends on the type of loan (e.g., production or marketing loans) and duration of loan. The rates exclude 1-2 percent mark-up charged by the groups to their members. This mark-up covers charges incurred in contracting the loan (e.g., transportation to and from the Bank) and also to generate income for the enterprises to enable them to continue to source credit for their members. TNS could receive an additional 2 percent fee from the Bank for its services (which would be passed on to the borrowers) but has declined to accept this fee (in order not to increase the interest rate its clients pay).

BOX 4 - INVENTORY CREDIT PROGRAM

The adoption of improved technological packages by Ghanaian small-scale farmers has led to increased marketable surpluses, particularly of cereals, legumes and pulses. It is questionable, however, whether farmers will continue to use improved product technologies (usually acquired through credit) if they cannot recoup the additional costs and realize adequate returns on their investments. One way of helping these entrepreneurs to realize high gains, and also to reduce post harvest losses, is through the use of inventory credit.

The inventory credit program works as follows:

- Using maize as an example, farmers harvest their crop in September-October. Rather than selling it immediately when prices are at their lowest (and when farmers are typically deeply in debt and, therefore, at a greater disadvantage in negotiating with buyers) they shell, dry, fumigate and store their maize (with technical assistance from TNS and MoFA) in cooperatively-managed small-scale warehouses.
- Using this stored maize as collateral, they receive a loan from a local bank valued at a percentage (generally 75% to 80%) of the current market value of the produce, thereby alleviating traditional post-harvest cash shortages and allowing participants to meet their debt and other obligations.
- Several months later, during the lean season (April-June) when prices have risen (typically by between 75-250%) due to the relative scarcity of maize, the farmers either sell the maize or redeem it for home consumption.
- If they choose to sell, they receive the higher lean season price of the maize minus the sum total of the value of the loan granted, accumulated interest, storage fee (for warehouse rental, fumigation, etc.) and a small margin for the cooperative. Even after such deductions, farmers typically realize significant profits.
- If they choose to redeem their maize for home consumption, they avoid having to pay lean season prices by paying only the value of the loan plus interest, storage fee and the cooperative margin. This results in significant cash savings on food for home consumption.
- Additionally, the participants are able to reduce post-harvest losses through better storage techniques; while post harvest losses in Ghana are about 30% on average, the post harvest losses under the inventory credit scheme are negligible (less than 5%).

One of the main eligibility requirements that TNS insists upon as a reflection of a member's commitment, is the willingness to mobilize equity (usually an initial minimum amount of between ₦2,000-₦5,000 per member). The magnitude of equity mobilized is a key factor in deciding whether an enterprise should receive TNS assistance, and, in turn, whether TNS will recommend a group for credit.

DEPOSIT SERVICES

TechnoServe insists that the groups it assists open a current account, at the nearest rural bank or ADB branch office, into which they pay share capital or equity contributions (1). All formal financial institutions require the groups with whom they do business to open current accounts.

These current accounts do not receive interest. However, dividends are paid against business profits in proportion to members' equity holding in the business.

OTHER FINANCIAL SERVICES

TechnoServe has assisted producers of non-traditional exports (NTE) to auction their crops centrally and to obtain credit for that purpose (see Box 5).

BOX 5 - CREDIT FOR NON-TRADITIONAL EXPORT CROPS

In an effort to stimulate the interest of farmers in selected non-traditional export crops, (e.g., shea nuts, cashew, kola nuts, pineapples), TNS intervened in the existing NTE markets by assisting various enterprise groups to access institutional credit in order to purchase NTEs from their members and non-members and then to sell directly to exporters, rather than through middlemen, to earn greater profits. In order to ensure that its clients received the best prices for their NTEs, TNS instituted a public auction system (advertised through national media) whereby clients accumulated NTEs in a central location and then sold the produce to the highest bidder.

During 1994, the Agricultural Development Bank (ADB) provided loans totaling ₦10.3 million to TNS-assisted shea nut groups to purchase and auction 121 metric tons (MT) of shea nuts, resulting in enterprise profits of ₦4.5 million. Similarly, during the 1994/95 season, TNS used its unrestricted donor funds to provide ₦21.2 million for the purchase and sale of 12.5 MT of cashews, which also resulted in significant increases in income for participating farmers.

1. On average, the financial secretary or treasurer of an enterprise has to travel about 36 kilometers to make a deposit for the group at a bank.

Occasionally, TNS also provides bridge financing to its clients (using unrestricted donor funds) to ensure that enterprise activities take place in a timely and, therefore, more profitable manner.

NON-FINANCIAL SERVICES

Apart from the credit and loan guarantees, TNS provides the following non-financial services:

- i. post-harvest processing, inventory storage and marketing of cereals;
- ii. processing, storage and marketing of palm oil;
- iii. storage and marketing of non-traditional crops (e.g., shea nuts, kola nuts, cashew, pineapples, etc.);
- iv. sale of merchandise by some of the group enterprises;
- v. training in the preparation of business plans and accounting statements; and
- vi. financial and business management training and assistance.

4. OUTREACH, ACCESS AND IMPACT

As of January 1995, TNS was providing assistance to approximately 60 community-based enterprises. The direct and indirect beneficiaries of these enterprises account, on average, for 25 percent of the total population of the communities where the assisted groups are found (see Section 1.3.2, Table 4 below).

Table 4
Population of Communities Relative to Beneficiaries, 1994

| SECTOR | NUMBER OF COMMUNITIES | POPULATION OF COMMUNITIES | GROUP MEMBERSHIP | | BENEFICIARIES | |
|------------------------------|-----------------------|---------------------------|------------------|------------|---------------|---------------|
| | | | MALE | FEMALE | DIRECT | INDIRECT |
| Edible oil | 26 | 268,864 | 930 | 255 | 16,042 | 60,790 |
| Cereals | 16 | 193,276 | 1,069 | 278 | 18,318 | 20,047 |
| Non-traditional export crops | 5 | 20,000 | 344 | 92 | 4,360 | N/A |
| TOTAL | 47 | 482,140 | 2,343 | 625 | 38,720 | 80,837 |

SAVINGS

Savings mobilized by the enterprises are deposited in ordinary current accounts opened in the groups' names. From 1990 to 1994, enterprises TNS assisted, mobilized a total of €39.34 million in savings. A sectoral breakdown of the savings mobilized is presented in Table 5. These savings represent one-time, share-capital payment by these members. While it was expected by TNS that members would increase their share-capital over the years, in most cases significant increases did not occur. Growth in savings, therefore, is mainly the result of new share capital contributed by new enterprise groups receiving TNS assistance.

Table 5
Cumulative Savings for various sectors, 1990-94

| SECTOR | AMOUNTS (€ Million) |
|------------------------------|---------------------|
| Edible oil | 30.33 |
| Cereals | 8.76 |
| Non-traditional export crops | 0.25 |
| TOTAL | 39.34 |

The major factor motivating savings has been the insistence that individual group member tangibly demonstrate their commitment through payment of equity in the enterprise, either in the form of cash or in-kind contributions, to capitalize the business. In many cases, TNS counsels enterprise members to forego short-term gains (dividends paid on share capital) when possible in order to improve the long-term sustainability of the enterprise. Increasingly, TNS staff are advising enterprise members to plow back 5 percent of their incremental earnings (especially from the inventory program) into their enterprises' share capital to enable the enterprises either to gain access to increased working capital or to diversify their sources of income (e.g., for inventory program groups through the purchase of food processing equipment). In recent times, the introduction of high yielding government bonds has discouraged growth in ordinary savings generated from equity payments which could have been invested in the enterprises by the members.

LOANS

Typically, approximately 80 percent of the enterprise members participate in the group loans that TNS facilitates with the ADB. Overall characteristics of the loans are shown in Table 6. As of 1994, the distribution of loan funds by agricultural sub-sector was as follows: edible oils (40 percent), cereals (45 percent) and non-traditional export crops 15 percent. The average loan sizes per beneficiary by loan category were ₪88,000 for cereal inventory loans, ₪15,000 for agricultural input loans (now discontinued), and ₪4.7 million per palm oil processing group. On the average, each group member's liability for equipment loans is approximately ₪157,000 based on an average membership of 30 per group.

Table 6: Average Loan Characteristics (1990-94)

| ITEM | MAGNITUDE |
|------------------------|------------------|
| Savings | ₪ 39 million |
| Disbursement | ₪ 283.98 million |
| Range of Size Loans | ₪ 0.9-5 million |
| Maximum Loan Size | ₪ 5.0 million |
| Average Loan Term | 10 Months |
| Maximum Loan Term | 60 Months |
| Nominal Interest Rate | 20-25% |
| Range of Recovery Rate | 98.5%-100% |

NOTES:

1. TechnoServe does not charge any additional interest rate or fees for its services. The objective of TNS' credit intermediation is not to cover its operational cost but rather to assist its clients to increase productivity, maximize incomes and create jobs.
2. The exchange rate depreciated from an average of 350 cedis/US\$ in 1990 to 1035 cedis/US\$ in 1994.

FINANCIAL RETURNS

Financial and economic benefits of these loans have been estimated as follows for the different sub-sectors:

- **Edible Oil Extraction:** Using two palm oil processing enterprises (at Ntinanko and Prestea/Bogoso, which have now graduated from requiring TNS assistance) as examples, the following returns were realized:
 - At the Ntinanko mill, 34 owners shared net profit of ₦3.19 million (1987-93), 24 processors earned ₦31.32 million (1987-1993) and 54 farmers earned ₦67.19 million (1987-93) at Ntinanko. At the Prestea/Bogoso mill (established in 1989), 85 farmers and 130 processors earned ₦89.5 million between 1989-93. Total loans of ₦0.975 million were received by the Ntinanko mill, and ₦3.2 million were received by the Prestea/Bogoso mills respectively.
 - Jobs have been created for 4 full-time employees and 135 casual laborers at Ntinanko and 10 full-time employees and 309 casual laborers at Prestea/Bogoso.
 - A cost-effectiveness analysis assessed the ratio of the discounted stream of projected benefits to costs for palm oil enterprises to be between 5.4 and 15.5 (i.e. for every \$1 of costs TNS incurred in assisting each enterprise, it is estimated that the enterprises realized between \$5.4 and \$15.5 in benefits).
- **Cereal Crop Storage and Marketing:**
 - The average net incremental benefits from storing produce into the lean season ranged from 58 percent to 90 percent per beneficiary (compared to those who did not participate in the program) for those participating in the inventory credit program.
 - Post-harvest losses have been reduced to an average of 5 percent, compared with an estimated national average of 30 percent.
 - A net surplus of ₦13.3 million was generated by 12 group enterprises as of June 1994. Inventory loans of ₦46.6 million were granted during the same period.
- **Non-traditional Export Program:**
 - In 1994, the non-traditional export program helped 12 cashew group enterprises obtain a price increase of 25 percent for the produce through the introduction of a market auction system which helped to forge linkages with export companies. No credit was granted at the time. During 1995, however, a loan of ₦21.1 million was provided by the ADB for the purchase, storage and sale of 120 mt. of cashew nuts.

— Three shea nut groups implemented a ₦10 million (80 MT) inventory program that earned the enterprises approximately ₦3.5 million which otherwise would have gone to middlemen.

The projects have provided members with ready access to commercial bank finance which would otherwise not have been available. TechnoServe estimates that only 8 percent of enterprise members were able to obtain credit, individually, from commercial banks prior to receiving TNS assistance.

Indirect Economic Impact

The financial returns to the targeted groups have enabled them to meet their debt obligations and either spend the earned income on their family needs or invest in other economic activities. Some of the major positive changes that members of TNS-assisted enterprises cite as evidence of positive change in the well-being of their families and communities include:

- i. creation of full and part-time jobs and income for community members (Table 7);
- ii. the emergence of small rural enterprises, such as restaurants, mechanical repair shops, clothes-making business, hair-dressing business, etc., in communities where TNS-assisted enterprises are located;
- iii. greater disposable income resulting in improved quality of housing or construction of own housing facilities, purchase of household appliances and consumer goods, increased area under agricultural production, and increased ability to pay school fees and medical expenses (see Appendix II);
- iv. access to commercial bank finance, as individual borrowers, which otherwise would not have been possible (without the prior experience of borrowing as a group member with TNS assistance);
- v. increased agricultural productivity and enhanced food security (e.g., through increased income and reduced food losses); and
- vi. increased availability of commercial transport in communities due to merchants sending vehicles to transport goods produced by TNS-assisted enterprises.

The impact on TNS-assisted enterprises in terms of income generation and job creation is presented in Table 7.

Table 7

Jobs Created and Incomes Generated by Sector

| SECTOR | FULL-TIME AND PART-TIME | | INCOME | |
|------------------------|-------------------------|--------|------------|-------------|
| | RURAL JOBS CREATED | | ENTERPRISE | FARMERS |
| | MALE | FEMALE | | |
| Edible oils | 1,226 | 107 | 22,158,713 | 304,451,950 |
| Cereals | 41 | - | 24,731,189 | 90,429,434 |
| Non-traditional export | 47 | 43 | 11,705,720 | 50,500,000 |

NOTE: Data for Edible oil (1990-94); Cereals (1993-94) and Non-traditional exports (1994).

Savings and Credit Awareness

Members of enterprise groups gain financial knowledge and experience through discussion of their financial statements at regular group and annual meetings. TechnoServe staff also stress the need for the members to continue to contribute share capital to the enterprises (a form of savings) to allow the enterprises to grow and diversify. The preparation, maintenance and discussion of financial accounts have reduced opportunities for financial malpractice and encouraged sound business decisions to be made. This has built the confidence of members in their groups and in the effectiveness of financial planning and savings.

On average, client groups have participated in two loan cycles and are conversant with the procedures, terms of credit and the implications of their actions, particularly the negative effect that delayed repayment of principal and interest can have on the cash flow of their operations. The edible oil program includes annual training for group leaders which is structured to include presentations on credit management by representatives of banks and other relevant institutions.

Risk Factors

Potential sources of risk that could affect the performance and repayment capacity of assisted enterprises include:

- i. crop failure due to bad weather or other natural disasters;
- ii. inaccurate monitoring of agricultural commodity price trends resulting in poor timing of sales and economic returns (for crops stored under the inventory credit schemes); and,
- iii. effect of inflation and depreciation of the cedi on the high cost of agricultural production, processing and marketing.

SOCIAL IMPACT

Client Participation

TechnoServe-assisted enterprise groups tend to be quite dynamic, cohesive and participatory as a result of TNS's attention to providing education and assistance to members on group formation, the roles and responsibilities of elected leaders, business planning and record keeping. These traits are further reinforced by TNS' insistence that every member demonstrate a tangible commitment to the enterprise in the form of equity share capital.

During regular meetings, group members identify their common needs and are assisted by TNS advisors to select the most cost-effective means of addressing these needs. In this manner, the group members are encouraged to take full responsibility for decision-making and the management of their enterprises.

Gender Issues

Although TNS programs are not designed specifically to target women, a significant number of the rural entrepreneurs it assists are women. In 1994, women accounted for 21 percent of enterprise group membership. However, this figure understates significantly the benefits that women derive from TNS-assisted enterprises, given that they dominate the food processing and marketing industries (in the informal sector) in Ghana. Taking the palm oil processing enterprises that TNS assists as an example, the women processors who use the mills (for a fee) realize approximately 70 percent of the profit generated by the mills, whereas the mill owners, farmers (who sell palm fruit to the mill), and transporters collectively share only 30 percent of the profits generated. Women palm oil processors are being encouraged through counseling and training workshops to become enterprise members to ensure project sustainability. In future, it is envisioned that women will constitute the majority of food processing enterprise members.

Approximately ₵95 million out of total loan disbursement of ₵284 million (i.e. 34 percent) went to women members. Other gender relevant information are presented below:

- 21 percent of enterprise owners are women;
- 21 of 111 (19 percent) executive members of the 18 cereal marketing enterprises that TNS assists are women;
- 25 percent (7 out of 28) of TNS' professional staff are women; and
- TechnoServe's country director and administrative manager are women, as was former manager of its research and development department.

TechnoServe holds seminars/workshops for women processors who use the TNS-assisted palm oil mills regarding how to utilize the mills more efficiently and the need for greater participation of women in the ownership and management of the enterprises. TechnoServe has also conducted a workshop, under the auspices of the Dutch NGO TOOL, on the transfer of

appropriate technology to women; TNS plans to collaborate with TOOL to conduct similar workshops in the future.

Impact on Institutional Capacity

Collaboration with the Department of Cooperatives has enabled the department to become more effective in assisting its cooperatives to operate as viable and sustainable enterprises. The department's collaboration with TNS has resulted in its technical services becoming more business-like and market-oriented, and in the provision of vehicles and other resources to improve the productivity of its personnel.

TechnoServe has also created several models now used by the ADB (e.g., the cereal inventory credit and non-traditional export "buy/sell" programs). In turn, these models have been adopted by other commercial banks, including Barclays Bank and Ghana Commercial Bank.

5. FINANCIAL PERFORMANCE

SOURCES AND USES OF FUNDS

Loan funds come from ADB and GECLOF. The funds are used to support inventory, working capital and equipment loans. No external grants are used for on-lending. Loan guarantee funds and bridge financing are, however, provided by EDCS and, occasionally, from TNS's unrestricted donor funds. The ADB loans are provided at commercial interest rates. Although TNS does not provide credit directly, it does put its resources at risk when they are used for loan guarantees. To date, TNS has not had any of its loan guarantee funds drawn upon.

TechnoServe has assisted enterprises to leverage a cumulative total of ₡283.98 million from the ADB over a period of five years (1990-94). The 1994 loan portfolio was ₡144.96 million. The breakdown by sector, type of enterprise and average loan size is shown in Tables 9-10. Arrears have been minimal and there has been no default, as shown in Table 11.

The annual interest rates charged by ADB ranged from 26 percent to 35 percent excluding total additional charges (one time payments) of 3.5 percent. Data on the ADB's administrative and operating expenses are not available to TNS. The average costs of TNS's loan intermediation is approximately ₡350,000 per million Cedis disbursed (including all the training and technical assistance provided to the recipient groups). These costs can neither be covered by the management fees paid by the groups nor, realistically, from an additional interest rate "spread" that TNS could pass along to borrowers. The cost of its assistance will, therefore, need to be supported by donor contributions for the foreseeable future.

TABLE 9

ANNUAL LOAN DISBURSEMENT BY TYPE OF LOAN 1990-94

| TYPE OF LOAN | ANNUAL AMOUNTS IN (₡MILLION) | | | | | TOTAL AMOUNTS (₡ million) |
|-----------------|------------------------------|--------------|--------------|--------------|---------------|---------------------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | |
| Inventory | 8.81 | 6.61 | 10.10 | 23.53 | 54.28 | 103.33 |
| Input | 13.88 | 4.32 | - | - | - | 18.20 |
| Working capital | - | - | - | 6.50 | 8.50 | 15.00 |
| Equipment | 4.17 | - | - | 61.10 | 82.18 | 147.45 |
| TOTAL | 26.86 | 10.93 | 10.10 | 91.13 | 144.96 | 283.98 |

NOTE: Figures for 1990 under inventory, input and equipment loans include loans made between 1987 and 1989.

TABLE 10
SECTORAL BREAKDOWN OF LOANS 1990-94

| SECTOR | ANNUAL (¢ MILLION) | | | | | TOTAL AMOUNTS (¢ million) |
|------------------------------|--------------------|--------------|--------------|--------------|---------------|------------------------------|
| | 1990 | 1991 | 1992 | 1993 | 1994 | |
| Edible oil | 4.17 | - | - | 70.60 | 88.40 | 163.17 |
| Cereals | 22.69 | 10.93 | 10.10 | 20.53 | 46.56 | 110.81 |
| Non-traditional export crops | - | - | - | - | 10.00 | 10.00 |
| TOTAL | 26.86 | 10.93 | 10.10 | 91.13 | 144.96 | 283.98 |

NOTE: The loan amount under edible oil for 1990 represents two 5 year loans made to oil mill enterprises in 1987 and 1989.

TABLE 11
CREDIT RECOVERY PERFORMANCE

| FINANCIAL PERFORMANCE | SECTORS | | | TYPES OF LOANS | | | |
|---------------------------------------|------------|---------|------------------------|----------------|---------------------|-----------------|-----------|
| | Edible Oil | Cereals | Non-Traditional Export | Inventory | Input ^{3/} | Working Capital | Equipment |
| Recovery rate 1/ | 98.5% | 100% | Not due | 100% | Discontinued | Not due | Not due |
| Arrears 2/ (Recoverable past dues) | ¢216,000 | 0 | 0 | 0 | Discontinued | 0 | ¢216,000 |
| Defaults (Unrecoverable past dues) | 0 | 0 | 0 | 0 | Discontinued | 0 | 0 |

NOTES:

1. Recovery rates are averages since 1987-1994.
2. Arrears of ¢216,000 for the edible oil sector represent part of a ¢3.2 million equipment loan granted to Prestea Cooperative which rescheduled and fully repaid in 1995. "Not due" means loans contracted are long-term loans which are not yet due for repayment.
3. Inputs loans were granted by Sasakawa Global 2000. TNS took responsibility to collect these debts for Sasakawa Global 2000. Although all the input loans were recovered, the experience led to TNS deciding not to leverage input credit for its assisted groups.

As stated above, the ADB charges prevailing commercial interest rates on all loan funds it provides to TNS-assisted entrepreneurs. However, TNS has also facilitated access by some enterprise groups to GECLOF loan funds, which carry an interest rate of 5 percent below the

prevailing commercial rate. Moreover, the GECLOF loan disbursement procedures are significantly faster than the ADB's, therefore access to GECLOF loans by enterprise groups helps meet their need for quick disbursement.

CHALLENGES AND FUTURE PLANS

TechnoServe's primary objective has been to ensure that its clients can develop self-sufficient enterprises, rather than focusing on its own self-sufficiency. It is however currently concerned with lowering the cost of its assistance and anticipates that its costs per beneficiary will be lowered over time, by providing its services through food processing and marketing associations that represent the interests of many individual cooperative rather than providing assistance directly to individual enterprise groups themselves. More of the target associations are being formed in Ghana. In addition to this emerging intermediary strategy, TNS will also seek increasingly to strengthen the capacity of selected rural banks that would lend to agricultural enterprises. This strategic shift should reduce the need for TNS to monitor enterprise groups so closely, given the greater proximity of the rural banks to rural clients (than the ADB regional offices).

Strategies to lower transaction costs, reduce risk and achieve high loans recovery include:

i. Risk Aversion

- selection of committed groups;
- collective responsibility by group members for the loan liabilities of individual members;
- verification of a genuine need for credit and, through financial projections, the ability of groups to repay loans;
- certification that no borrower has defaulted on previous loans; and
- insistence on "up front" equity contributions by group members.

ii. Lowering transaction costs:

- lending through groups;
- streamlining the management training, technical assistance provided to enterprise groups and the reporting required of them.

iii. Improving loan recovery:

- expanding the use of agricultural produce as a substitute for traditional bank collateral requirements;
- requiring groups to make "up front" equity contributions in their enterprise before providing technical assistance and facilitating access to bank credit;
- visiting enterprises on a regular basis to monitor economic performance; and,

- requiring TNS staff to countersign enterprise group checks for at least two years of operation.

Additional actions anticipated at the institutional and client levels, subject to the availability of funds, include:

Institutional level

- training rural bank staff to adopt the credit models developed by TNS, thereby “wholesaling” the methodology to many more rural enterprises than TNS could assist on its own;
- redoubling efforts to increase the number of clients/borrowers in a given geographic location to reduce per capita training, monitoring and other costs.
- expanding the food processing and marketing programs to include other agricultural commodities.

Client level

- strengthening the capacity of emerging associations of small-scale food processing and marketing enterprises to provide technical assistance and facilitate access to commercial credit for their members.
- increasing efforts to target assistance to groups of women, given their generally superior track record in repaying credit to that of male borrowers (this effort could include revisiting the concept of agricultural input loans for dry season, irrigated vegetable production, quick maturing cash crops e.g., soybeans, economic tree species such as cashew and fruit trees, and other relatively “low risk” crops);
- streamlining the type of training and management assistance provided to enterprise groups, and simplifying the reporting required of them (in some cases this would involve relationships with non-formal educational institutions in order to improve TNS’ ability to work effectively with non- and semi-literate clients).

6. INNOVATIONS AND LESSONS LEARNED

Innovations and lessons that TNS has learned in brokering credit for enterprises include:

- i. Use of groups of small-scale farmers/processors in order to reduce costs for lending and technical assistance transaction, and to utilize social pressure to help ensure high loan repayment rates by group members.
- ii. Insistence that enterprise members demonstrate “up front” commitment in the form of mandatory payment of enterprise share capital, before they receive significant technical assistance and recommendation of their groups for bank loans.
- iii. Conducting sub-sector studies of various agricultural commodities to determine whether small-scale producers/processors can be competitive in these markets before encouraging such persons to engage in enterprise activities. These studies also help to determine the most strategic “leverage points” along the production-processing-marketing chain where TNS can intervene to help small-scale producers realize significant benefits in a manner that is consistent with their management skills and ability to take risk.
- iv. Use of commercial interest rates to expose clients to the realities of the market place and to increase the odds of groups being able to independently access bank credit in the future.
- v. Emphasis on agricultural processing and marketing loans, as opposed to agricultural input loans, given the high risk associated with rainfed agricultural production.
- vi. Use of agricultural produce as an alternative to traditional bank collateral requirements. This innovation not only allows participants to earn significant profits with minimum risk, but also assists farmers to make “in-kind” equity share contributions to group enterprises, rather than cash contributions, which are much more difficult for small-scale farmers to obtain. This system, therefore, enables a greater number of relatively less well-off farmers to benefit. Because this is essentially a speculative activity, the success of the system depends upon regular surveillance of commodity markets to determine the best time to sell produce. This is to optimize the tradeoffs between obtaining good returns for group members and the risk of market prices declining rapidly as new supplies become available.
- vii. Focusing on innovative marketing techniques, such as the use of public auctions for non-traditional export crops, to generate higher returns for small-scale producers and, thereby, to create both a “pull effect” on the production or collection of these crops.
- viii. Provision of external loan guarantees to encourage banks to provide credit to small-scale rural entrepreneurs and to try new lending models. While this entails TNS putting its unrestricted donor funds at risk should loans not be repaid, the use of loan guarantees has been instrumental in encouraging banks to adopt new credit models and

to lend to small-scale rural entrepreneurs. To date, TNS has not had any of its loan guarantee funds drawn upon by banks.

- ix. Realization that credit is an important but insufficient ingredient for the success of enterprises that generate significant income and employment benefits for rural communities. Accordingly, TNS has found it necessary to employ technically qualified staff who can provide sound, practical training and advice to enterprise groups and monitor operations on a regular basis. TechnoServe recognizes that while such assistance might not be necessary for petty trading and other micro-enterprises that involve little in the way of start up costs and employ few people (i.e. the types of enterprises that “minimalist” credit schemes typically support), such assistance is essential to ensure the economic viability and sustainability of the significantly larger and more complex enterprises that it typically assists.

TechnoServe’s challenge is to identify various means of reducing the cost of its assistance. This would enable more small-scale rural entrepreneurs to manage sustainable enterprises that generate significant benefits to their families and communities.

APPENDIX I

ENTERPRISE DEVELOPMENT METHODOLOGY

TechnoServe has developed a "Ten Step Methodology" for enterprise development:

Step 1: Choosing an Appropriate Agriculture-related Sector:

The choice of a sector in which TechnoServe may intervene depends on a number of factors which include the:

- importance of the sector to the overall economy and its perception under government policy and plans;
- role of small-scale farmers in the sector;
- profitability and growth potential of the sector;
- potential for rural employment generation;
- potential for increasing agricultural productivity;
- likelihood of the sector providing greater participation and enhancement of women's standard of living;
- environmental sustainability of sectoral assistance; and,
- non-saturation by other assistance agencies, in order to prevent duplication of efforts and wasting of scarce resources.

Step 2: Mapping the Sector

Having chosen a sector for possible TechnoServe assistance, an in-depth sector study is undertaken. The sector study involves mapping the product flow from production through marketing to consumption to assess the key bottlenecks to profitability and facilitate choice of most effective entry point of intervention. In the process of the sector study, important questions are asked:

- What is produced, how and in what form?
- How is the product marketed? In what form? At what price? Through what channels ?
- Who are the key players in the industry? What are their strengths and weaknesses?
- What are the government policies which directly or indirectly support or impede the industry?

Step 3: Selecting Appropriate Primary Point of Intervention

Having chosen and assessed a given sector, it is necessary to select the appropriate point to focus integrated management assistance. TechnoServe's primary point of intervention is traditionally the community-based enterprise — a medium-scale enterprise geared to help small-scale farmers in capturing more value-added for their products. CBEs which qualify for TechnoServe's assistance have some of the following attributes:

- measurable potential for satisfying felt needs and improving the social well-being of low-income people and the local community;
- measurable potential for achieving economic viability;
- membership of not less than 50 (to ensure cost-effectiveness of the program);
- appropriate local leadership;
- adequate local participation in equity investment;
- labor-intensive processes that are technically and economically feasible;
- locally available raw materials, particularly agricultural products whenever possible;
- economically appropriate to the local environment;
- non-discriminatory of a particular group or sex; and
- potential for replication.

Step 4: Designing a Viable Community Based Enterprise

Having decided where to intervene, it has to be ensured that what in theory seemed a good intervention concept, is in fact commercially and technically viable. Commercial analysis assesses whether a community-based enterprise (CBE) product satisfies a real or potential market need and how much the market is willing to pay for it. Technical analysis assesses if the product can be technically produced at a cost that permits the owners of the CBE to make profit by selling it.

Step 5: Selecting A Committed Community

When a potentially "winning" CBE concept has been identified, the right client or community to establish the enterprise must be identified. Choosing the right community entails assessing the potential enterprise owners' understanding of and commitment to the process of establishing a profit-generating, community owned and operated business. In the TechnoServe methodology, nothing is more important than ensuring community commitment to self-help.

The criteria for gauging community commitment at the outset of a project include willingness to:

- form an active and committed project management committee;
- develop bylaws, initiate and pursue actions towards legal registration;
- attend regular meetings;
- contribute equity for enterprise formation;
- supply adequate raw materials for the enterprise; and
- sign a formal management contract and pay management fees.

The criteria for gauging commitment when an enterprise starts operation include:

- growth in membership;
- growth in equity contributions;
- community patronage of the enterprise;
- increase in productivity; and
- regularity of management meetings.

Tools for building or heightening commitment include:

- establishing realistic short-term goals in the early stages of the project to build confidence and pride in the "community" group;
- striving for up-front benefits, i.e. quick, tangible results especially monetary ones;
- encouraging full transparency in enterprise financial transactions by training managers and members to read and understand their financial statements; and
- respecting the line between advisors and implementors.

Step 6: Providing Integrated Assistance

Having merged a winning idea with a committed community, program assistance can then begin. This is the core of TechnoServe's work — on-site, integrated assistance by teams of professional business advisors. Primary assistance focuses directly on:

- designing business plans;
- developing concrete production and operational plans;
- identifying and securing market channels;
- designing plant layout;
- recruiting staff;

- sourcing of equipment and credit;
- setting up account books and training members in their maintenance and use; and,
- indirectly creating linkages between the community and the economic mainstream (government ministries, banks, technology centers, research stations, etc.) to ensure enterprise sustainability.

As the enterprise takes off and matures, consideration is given to "scaling-up", i.e. product diversification, entry into new markets, etc.

Step 7: Monitoring Performance

TechnoServe has established a computerized enterprise monitoring system, called the Field Data Base (FDB), for tracking progress on over a hundred indicators on each CBE being assisted by the organization. Indicators include membership, equity contribution, production levels, revenues and profits. The automation process serves two main purposes: it ensures the collection of a uniform set of key indicators from every program around the world; and it permits rapid generation of management reports at all levels of the organization. This monitoring exercise is useful for:

- ensuring quality of services delivered;
- tracking actual progress against planned activities;
- ensuring timely reporting to donors; and
- generating adequate data for new funding requests.

The monitoring system is analytical (rather than merely descriptive), recording planned data and comparing it to actual achievements, thereby allowing for project variance analysis relative to business plans. Performance monitoring starts from the baseline (pre-assistance) through "graduation" (i.e. five years after project ends), focusing on the economic and social impact of the CBE.

Step 8: Evaluating Performance

TechnoServe's evaluation system tracks progress vis-à-vis three main CBE objectives:

- positive socioeconomic impact, that is, benefits at the household as well the enterprise levels;
- cost-effectiveness of implementation; and
- long-term sustainability.

Evaluation is undertaken at four stages of CBE development — baseline, mid-point, end-of-project and "graduated" stages. The purpose of these evaluations is to provide information to guide project implementation and decision-making.

TechnoServe's patented cost-effectiveness evaluation system enables an assessment of whether the desired quantifiable benefits (increased farm level incomes, increased enterprise incomes and salaries/wages for jobs created) and non-quantifiable benefits (institutional linkages, policy reforms, enhanced role of women, etc.) of a CBE are being generated at reasonable cost.

Step 9: Replicating Successful Business Concepts

When a CBE has been successfully established, TNS tries to replicate its success. The goal of replication is to develop a "beacon of success," a critical mass of CBEs which will have a real and sustainable impact on the national economy.

Step 10: Wholesaling the Methodology

TechnoServe's primary means of service delivery is presently the Country Program. Nonetheless, the Corporate Strategic Plan recognizes and encourages other less direct modes of assistance, i.e. "wholesaling."

In programs focusing on wholesaling, viable institutions — not CBEs — are the products and partner NGOs become the "beneficiary / clients." Wholesaling involves training others to do what TechnoServe does, ideally "leveraging" its impact several-fold.

APPENDIX II

THE VIEW FROM THE FIELD - AN EXCERPT FROM A TECHNOSERVE NEWSLETTER

I am a 41-year old farmer from Offuman in the Techiman district of Brong Ahafo Region. The first of seven children, I am married with eight children, the oldest of whom is 18, the youngest, two months old. Despite my desire to go up the academic ladder, due to financial constraints I had to be content with basic elementary education. Life was so difficult that I had to fend for myself from the age of 15. I took to serious, full-time farming. Part of the harvest was used to feed my family. I sold the rest to market women, but the income was barely enough to cover bills for clothing, medical care, school fees and housing.

In 1984, I joined a program that provided improved maize varieties and produced both seed and grain maize. Despite the higher yields that I was getting from my harvest, there was still no significant improvement in the quality of life for myself and my family. This was mainly due to the low prices I was receiving for my produce. Chronic post-harvest cashflow problems necessitated that I sell my produce immediately after harvest at whatever price. The vicious circle did not stop.

In the midst of all these frustrations, I heard that an NGO called TechnoServe was investigating the potential of assisting the moribund Offuman Cooperative Society, of which I was a member. With reservations, I attended the first forum for re-organization of the cooperative. At this meeting, TechnoServe made it clear that they were there to play a catalytic role and to assist us in setting up our own businesses. We, the members of the cooperative, were going to put equity for the business, while TechnoServe would provide management guidance and training to enable the Society to manage its activities professionally without external assistance. Encouraged by this presentation, I re-registered and paid my equity contribution of C 6000 a few weeks after commencement of the program. A short time later, I was elected chairman of the re-organized society. Since that day, I have regularly attended society management meetings and training sessions with other executive colleagues and have been taught record keeping, book-keeping, financial and general management.

To assist us in generating equity, TechnoServe introduced us to something they called "inventory credit." By the close of the first inventory credit program season, I personally had submitted in excess of 100 maxi bags of well-processed maize to the cooperative store. This fetched me a handsome post-harvest cash loan of well over C 600,000 without losing the right of ownership of my maize. With this windfall, I was able to retire my immediate post-harvest liabilities. Six months later, during the lean season, the stored maize was collectively sold by the cooperative. After deducting my initial loan plus interest and other associated storage and service charges, I still received well over C 300,000. Unbelievable! With this additional amount I was able to increase my farm from five to ten acres.

With higher yields, I doubled my participation in the second season. This brought me a net revenue of C5,000 for each bag submitted over and above the initial loan of C6,000 per

bag. This was marvelous. With TechnoServe's assistance, I can now pay all school fees, feed my family properly, pay for medical bills and have a comfortable sleep in my own secured home. Moreover, I can confidently say that, in addition to increased income, TechnoServe management and book-keeping training has assisted me to better organize my own farming business. It is a "plus-plus."

TechnoServe assistance has also benefited our Cooperative Society: With income generated through entrance fees, equity contributions, levies and service charges, our Society is currently investing in an agro-processing venture. In addition to improving the year-round cashflow position of the Society, this venture will eliminate the burden on our women in terms of drudgery and time. Also addition-of-value to locally processed foodstuffs will enhance community food security.

I take this opportunity to extend my personal sincere gratitude to TechnoServe and other collaborating agencies like the Department of Cooperatives and Agricultural Development Bank for their immense contribution to my success and that of humanity. We need more of this type of assistance in other parts of the country.

Written by: Mr. William Amoah, Chairman of Offuman Multi-Purpose Cooperative Society.

REFERENCES

Bank of Ghana, 1994, *Quarterly Economic Bulletin*.

Bank of Ghana, *Quarterly Reports*.

Canadian International Development Agency, 1992, *An Overview of Rural Credit and Savings Facilities in Ghana*.

Ghana Living Standards Survey, 1995.

Ghana Statistical Services, 1993.

Ministry of Food and Agriculture, 1995, *Rural Financial Institutions: Rural Bank, Credit Unions and Informal Financial Institutions*.