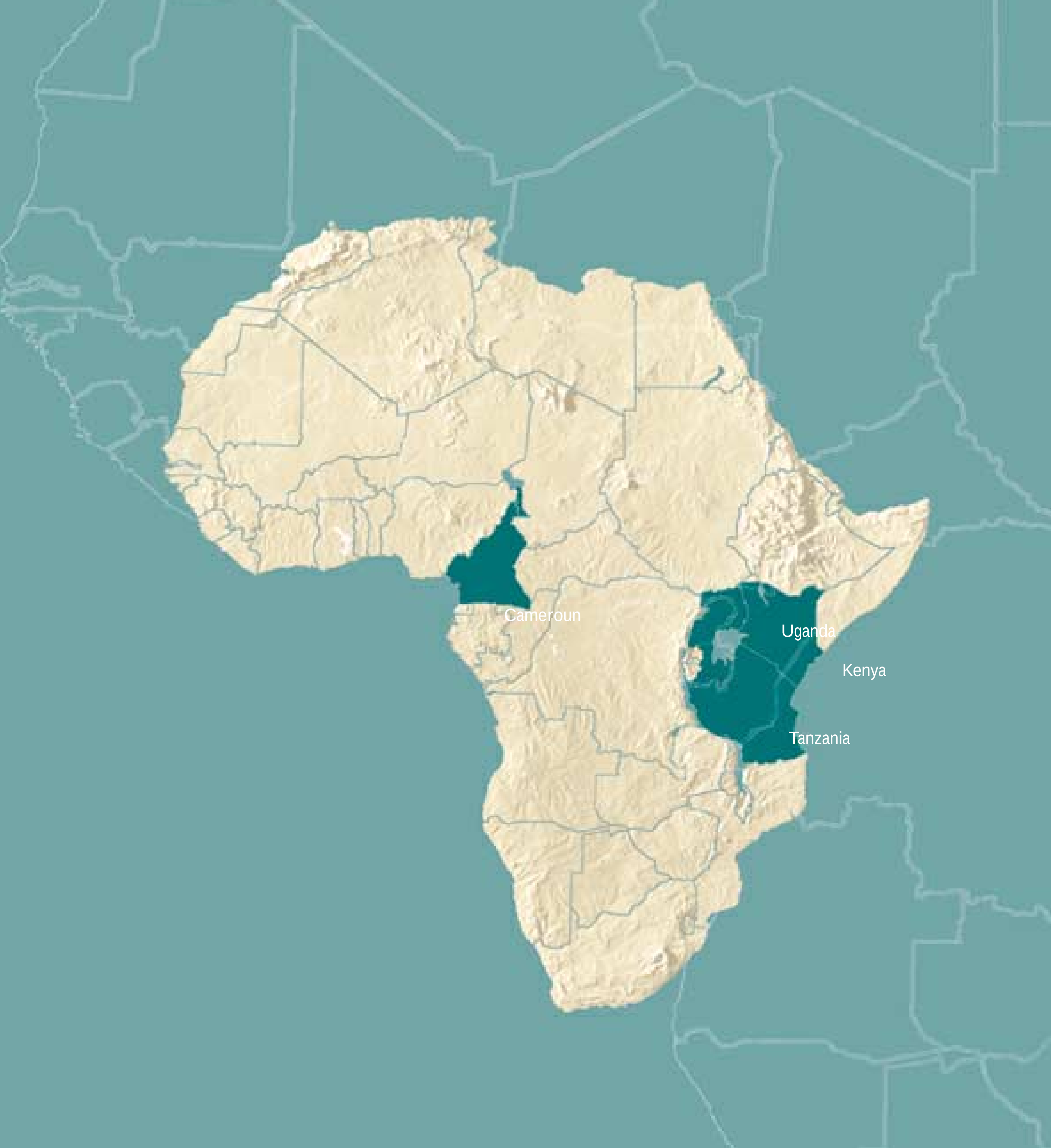

Gatsby Occasional Paper

Building from the Base:
The work of the African Gatsby Trusts

Gatsby Occasional Paper

Building from the Base: The work of the African Gatsby Trusts

Dedication
This publication is dedicated to the memory of Dorothy Atabong whose work in Cameroun is described in the following pages. Her commitment to assisting and developing her own and other communities exemplifies the types of initiative which these Trusts have been proud to support.

April 2000

Contents

Foreword

The Trustees of the Gatsby Charitable Foundation take great pride in the work of the four African Trusts they have helped establish over the past decade. This paper reviews their origins and development. It is written by Laurence Cockcroft, consultant to the Trustees on African programmes.

In Kenya, Tanzania, Uganda and Cameroun there is a distinctive identity to each of the Trusts. Micro-enterprise and micro-credit provide a common theme. Local Trusteeship and management provide common components to the governance model. The outputs from each of the four remain satisfyingly divergent.

Laurence Cockcroft is the architect of these models. The individual sets of Trustees and their energetic general managers are the owners of the achievements. Part of the excitement of working with these Trusts is to see how, as they mature, they benefit from sharing of experience. This paper highlights both diversity and convergence in the work of the Trusts. It is timely in appearing in mid-2000 as the four Trusts prepare for their third biennial joint seminar, to be held in Entebbe in May.

Micro-credit has received much heavyweight attention in the recent past. The subject was far less fashionable when these initiatives were conceived and implemented in the early years of the last decade. They have now touched the lives of perhaps ten thousand people in four countries. They have adapted in the face of changing circumstances. They have, the Trustees believe, given new hope to most of those people whose livelihoods have been helped.

The Gatsby Trustees look forward to the next decade of development in this work. They hope this review of the past decade will be of interest to those who search for models of assistance which can make a real difference to the lives of ordinary people in an African context. On behalf of Gatsby, I would like to record our deep appreciation to the local Trustees and staff who have given so much productive commitment to the development of these Trusts in each of the four countries.

Michael Pattison CBE
Director
The Gatsby Charitable Foundation

At the base

In Gulu, in the war torn zone of northern Uganda, Festus Okett, metal fabricator shakes hands with Michael Tushimiwe, Makerere University student, who will spend the next two months trying to find ways to increase the output of Okett's very limited equipment.

In Foumban, in the highlands of western Cameroun, Francine Nokadje walks with her baby on her back, and with the other members of her collaborative credit and farming group, to the fields where they are due to harvest an eighth of their cassava crop, since the wholesaling 'buyam-sellam' from Douala is in town.

In Zanzibar Ahmed Madawa runs to catch the ferry to Dar es Salaam carrying two sacks of spices packed to the specification of the German market.

In Kenya fifteen year old Elkana Myachana paints the last Nile Perch on two hundred pen holders which his father and uncle have carved from soapstone over the last six months.

Each of these entrepreneurs is urgently seeking to identify the ways and means to marshal limited resources to productive ends and so to defy the difficulties of their particular environment. Each of them is in some small way assisted by the Ugandan, Camerounian, Tanzanian or Kenyan Gatsby Trusts.

Why set up Trusts ?

These Trusts have been developed in the course of the 1990s as a result of an interest of the Trustees of the Gatsby Charitable Foundation (GCF) in the UK in addressing two issues. These were first, a sense that the large quantities of aid being channelled to Africa were failing to foster significant rates of per capita growth, and that one of the reasons for this might be the lack of real involvement of experienced Africans in the decision making process surrounding aid. This led to the objective of identifying and, perhaps helping to create, an institution which was significantly different from both government structures and the structures of the larger NGOs with international operations. The second objective was the functional one of identifying a means to assist the underemployed of the big cities - an objective which eventually became one of raising productivity in the informal sector in general.

There were several strands to the first issue. By the early 1990s there had been a good deal of attention paid to the question of the apparent lack of success of the World Bank and other official donor agencies in assisting economic growth in Africa. The record of the big NGOs based in Europe and the US with multi-country programmes, but with little real decentralisation to country level, was also beginning to come under scrutiny. The Gatsby Trustees were interested in the concept that some of this failure was attributable to the dominant role of the donors in designing their own programmes rather than in responding to proposals which genuinely came from experienced and seasoned local people. They were looking for a vehicle which would reverse this situation, and place decision making firmly in local hands. Their assumption was that such people might well establish different priorities to those of governments, official donors and even NGOs.

The second issue was that of urban unemployment and recognition that over a quarter of the total population of sub Saharan Africa is urban with extremely high rates of underemployment. It was clearly crucial to the future of Africa that this population was able to earn significant income from informal and self employment, and that mechanisms were identified by which both grant and loan funds could be channelled for this purpose.

In trying to address both these issues it was necessary to identify a vehicle with independence, flexibility and a legal identity. The format of a Trust appeared to meet this objective. The basic principle of Trust law is that the Board of Trustees hold the assets 'in Trust' as if they owned them, and so have the legal authority to disburse them as they wish providing that this is consistent with the 'Trust Deed' (see Box 1). However, it would also be necessary that local Trust law was adequate to safeguard this independence.

What is a Trust ?

The idea of a Trust has developed in countries with a common law tradition such as the UK and the US. A Trust is an arrangement whereby the assets given by one person (known as the settlor) are legally held by others, who are known as 'the Trustees' and who hold them for the benefit of specified beneficiaries. This arrangement is formalised in a legal document ('the Trust Deed') which sets out who may benefit from the Trust and specifies the basic rules which the Trustees should follow. A Trust may achieve the status of a charity if it can show that its purposes are exclusively charitable.

The Trustees are legally responsible for all aspects of the management of the Trusts and, in the case of a charity, for ensuring that all the Trust's funds are applied for this purpose. The Trust Deed sets out who will appoint the Trustees - this may be the settlor or the first group of Trustees - and the length of time they will remain in office which may be indefinitely or for a period of years or a mixture. Each of the Gatsby Trusts in Africa have adopted the latter mixed approach in selecting their Boards. The legal basis of a Trust is thus fundamentally different to a membership organisation which is clearly in the hands of its members who elect a Board. Whilst both approaches have their advantages the key point in relation to the constitution of a Trust is that it ensures continuity and accountability. By inviting Trustees with specific expertise to join the Board the Trustees can ensure that an outward looking and well informed Board is sustained.

In pursuit to these objectives, during the period from 1991-5 the Trustees funded four such Trusts - in Kenya, Cameroun, Tanzania and Uganda. Each of them have found different ways to fulfil the underlying strategy although they operate in significantly different environments. Each of the four countries has both a different institutional framework and has responded differently to the needs of the informal sector. Kenya has the longest history of recognition of the potential of the informal sector and has offered a favourable climate for both local and foreign NGOs to respond to it. Cameroun's economic path since the early 1960s placed a prime emphasis on development being led by the state, and only in the mid 1990s has come to embrace a liberalised approach. Tanzania until the mid 1980s placed its emphasis on creating a socialist structure at the village level, and in group and co-operative enterprise within towns, leaving little room for individual enterprise until the 1990s. Uganda, suffering from debilitating years of civil strife from the mid 70s to the late 80s, had a particularly low urbanisation rate of only ten per cent in 1990 - and was late to address the issue. However in the 1990s the informal sector in Uganda has expanded rapidly and the issues are now increasingly topical in that environment.

Establishing the Trusts

Kenya

It was agreed between Hugh de Quetteville, then Director of the Gatsby Foundation, and Laurence Cockcroft, a consultant to GCF on its Africa programme, that these concepts would be first explored in Kenya. There were several reasons for this. Amongst them were the fact that Kenya had a considerable history of the exploration of policy in the informal enterprise sector dating from a major ILO report in 1974 which first pointed out its potential[1]. Second there was considerable published research on the sector including a classic study of a range of urban entrepreneurs - 'The African Artisan' by Kenneth King[2] - which contained important pointers as to the key dynamics of the sector. Finally Cockcroft had worked with two senior Kenyans, Harris Mule and Joe Githongo, on a study of the small scale private sector throughout the ACP countries (which are linked to the EU through the Lome Convention). In the course of this work they had developed a number of ideas in relation to mobilising SMEs which could readily be adapted in launching the proposed Trust. Furthermore, Mule, a former highly respected Permanent Secretary of the Ministry of Finance, and Githongo, who had built up a large accountancy business, were attracted to the concept of a Trust and had the weight within Kenya to attract other very senior professionals to the Board.

Thus the policy framework in Kenya was appropriate, and there was an interest from senior Kenyans in assisting in the launch of a Trust. The legal aspect of this was relatively straightforward - Trusts have been established in Kenya for private purposes over many years. However the format for appointment to the Board, and for voting rights required some reflection (see panel on page 3). More important was the question of which institutions and agencies might be able to utilise support from the Trust in a constructive way. Discussions were held with some of the leading players in the field, including the Kenya Rural Enterprise Development Programme (K-REP), the Kenya Small Traders Society (KSTS)[3] and the Christian Industrial Training Centre (CITC) in Nairobi. These were very different organisations - KREP was essentially a wholesaler of credit to smaller NGOs all over Kenya; KSTS was a grass roots association of about 5000 stall holders who wished to achieve more security for their day to day operations; and CITC was one of the oldest centres in Kenya for the training of technical skills for teenagers. Each of them confirmed that there would be a useful role for the Trust to play, and from that time there was no looking back.

Once the basic objectives of the Trust were well defined Mule and Githongo attracted a powerful Board which comprised two (and later three) ex Permanent Secretaries, a former Executive Director for eastern Africa at the IMF, a former Mayor of Nairobi, and a leading figure in the Methodist Church who had translated the New Testament into the Masai language. The Kenyan Trustees elected to use the Gatsby name as a title for the Trust (a precedent to be repeated with the other Trusts). Cockcroft served on this Board as the representative of GCF. The Kenya Gatsby Trust (KGT) made its first grant (to CITC) in 1991, and was formally launched in 1992. It appointed its first General Manager, Mrs Thithi Watene, in 1992. The content of its programme, and the re-thinking of its strategy in the light of experience, are discussed below.

Tanzania

Once the feasibility of the Trust approach to the informal sector was clear the GCF Trustees were keen to see it applied in another national context. It was agreed that this should be explored in Tanzania recognising that the institutional framework and economic context were very different to those of Kenya. The differences arose primarily from the fact that Tanzania had adopted a strongly socialist path in the 1970s, but also from the fact that its urban population centres were distributed very widely across a vast area equal to half the size of India. By the early 1990s

[1] Employment Creation in Kenya, ILO, Geneva, 1974 (directed by Dr Hans Singer)
[2] The African Artisan,K.King, East African Publishing House,1974. King re-visited his sample of entrepeneurs more than twenty years later publishing his account in 'An African Industrial Revolution',Heinneman, 1998.
[3] now Kenya Small Traders and Entrepeneurs' Society(KSTES)

the significance of its socialist legacy lay in the fact that there were very few support systems for informal sector micro-entrepreneurs (since most government and NGO support had been directed to group activities). Any attempt to assist the sector would therefore depend on creating elements of an institutional structure through which to operate.

These characteristics were discussed by Cockcroft and Ibrahim Seushi, a partner in Cooper and Lybrand in Dar es Salaam, who had worked together in the Tanzania Rural Development Bank in the early 1970s. They also gave attention to whether legislation on the statute book was adequate to safeguard the independent status of a Trust. In this they were re-assured from a practical point of view by Hatim Karimjee, the Chairman of Karimjee Jivanjee Ltd, whose family had continued to operate several educational Trusts throughout the post independence era in Tanzania. It was clear that the Trust formula would be legally and practically functional.

The more difficult question was the route which the Trust would take to develop mechanisms to assist the sector. Seushi was clear that the key to strategy should be to use the strength of the tradition of community solidarity in Tanzania to assist individual entrepreneurs. This principle could be applied in several ways. For example, it would be possible to work with associations of entrepreneurs - and to assist in forming them where they did not already exist - in such a way that group responsibility for significant loans could be accepted. Such groups would be formed within the associations. Second, it would be possible to commit the management boards of local technical training institutes to guarantee loans made to their graduates to establish SMEs on a partnership basis. Third, it would be possible to sponsor at community level Trade Fairs which would put small scale producers in touch with national and even international markets and so extend the scale of their operations. A detailed study of this approach was made by the leading academic expert on Tanzania's informal sector, Professor Bagachwa, which confirmed its viability.

Once the strategy had been defined Seushi was able to attract an initial board of Trustees, which included both Karimjee and Bagachwa (who sadly died after serving as a Trustee for two years). The need for geographical focus, in response to the size of the country, led to a decision to concentrate on three areas: the relatively well developed District of Mwanga in northern Tanzania; the undeveloped and effectively remote District of Mtwara,in the extreme south and the island of Zanzibar (not including Pemba). In one of these cases (Mwanga) an association of entrepeneurs (UWAMWA) already existed; in the other two it would be necessary to encourage its formation. Further, as part of this first stage identification of priorities it was recognised that, if the strategy of supporting Trade Fairs was to be successful, it would be important to have close relations with a partner agency in the field of marketing.

At that time the UK based NGO, Traidcraft, had developed over some years close relationships with a number of Tanzanian groups producing craft and organic food products, which it was buying on a 'fair trade' basis[4]. It was proposing to build on this by establishing a new 'partner' agency in Tanzania which would take over these services and deliver them from within the country. Accordingly, Seushi played an important part in assisting with the establishment of this new trading NGO (to be known as AMKA), which was also launched initially as a Trust. This new venture has been a key partner to the Tanzania Gatsby Trust in ways which will be described below.

Cameroun

While the GCF Trustees were exploring the concept of the Trust as a vehicle to support activity in the urban informal sector they were also considering the future of an agriculturally based project in Cameroun. This was part of the Foundation's separate programme for the diffusion of

[4] *i.e. ensuring that payment went straight to producers and not to 'middlemen', that such payment was fair in relation to c.i.f prices in Europe and that the products were not produced on a basis which exploited either the producers themselves or the environment.*

achieved agricultural research results from research stations to farmers. It concerned the multiplication and distribution of improved varieties of root crops (cassava and sweet potato) from government research stations to farmers. Initiated in 1985, by 1991 the programme was working very closely and successfully with women's groups as a vehicle for the dissemination of the material. On behalf of the Trustees de Quetteville raised two issues with Cockcroft: first, could the multiplication function within the root crop programme be adopted by the private sector, and second, could a 'virtual' Trust be developed to take responsibility for the management of the programme?

Cockcroft broached these issues with Dr Jacob Ayuk Takem, the Director of the National Institute for Agricultural Research (IRA) who had responsibility for the project within the government of Cameroun. He responded favourably to the idea that the downstream responsibility for the propagation of improved varieties could be handled by private sector farmers whilst IRA would be responsible for maintaining a nucleus of quality material to feed the private sector. The next question was whether it would be possible to establish a virtual Trust in the Camerounian legal context and whether it would be realistic to form a board drawn from both the private and the public sector. Cockcroft discussed these questions with Dr Paul Fokam who in 1989 had established a new private savings institution in Cameroun, the Caisse Communale d'Epargne and d'Investissement, later to become a fully fledged commercial bank (the CCEI Bank).

A key strategy of the CCEI at that time was to initiate a series of micro banks at village level, to be known as Mutuelles Communes (or Mc2), to which CCEI would supply management and banking services. Fokam responded warmly to the idea and it was agreed that a board would be formed on which seats would be held by both the private and public sectors. Ayuk Takem and Fokam would be co-chairpersons. GCF would be represented on the board by Mrs Susan Elango, an agricultural specialist. The board would control the fund disbursed by GCF and, if the approach was successful, would at a later date seek formal legal status either as a Trust in the anglophone tradition of west Cameroun or as the nearest equivalent under the francophone tradition of the remainder of the country. The proposed Mc2 village banking network was also of interest to GCF and it was agreed that it would also be eligible for some support. As the programme developed it was the womens' groups and the facility provided by the Mc2 network which was to become the key to the programme's eventual success, as discussed below.

Uganda

A completely different approach was adopted in seeking to initiate the development of a Trust approach in Uganda. Since its inception in 1967 the Gatsby Charitable Foundation had as one of the consistent goals of its work in the UK the fostering of links between universities and industry, and particularly of seeking ways to involve engineering students in problem solving at factory level. Since 1985 Professor Roger Baker had taken the lead on behalf of the Trustees in developing this programme. He and Cockcroft were encouraged by de Quetteville in 1994 to see whether or not elements of this programme could be valuable in an east African context and perhaps with particular regard to Uganda, where GCF had been funding a programme as part of its agricultural research portfolio since 1991. Recognising the dominant position of the University of Makerere in Uganda Baker and Cockcroft discussed this possibility with Dr George Kirya, the High Commissioner of Uganda in London and until 1992 the Vice Chancellor of Makerere. Dr Kirya was immediately enthusiastic having recognised the need for the University to be seen to be of value to small scale entrepreneurs, and the informal sector in general. This was a theme which President Museveni had re-iterated on his visits to the campus since becoming Head of State in 1986.

Kirya briefed his successor as Vice Chancellor, Professor W. Sentezi Kajubi, and Baker and Cockcroft found a correspondingly warm reaction to the concept during a visit to Makerere early in 1993. They also found that the Faculty of Engineering already had significant links with the small scale sector through Dr Joseph Byaruhanga who had initiated the Uganda Metal Workers' Industrial Development Assocation. Both Byaruhanga and the Dean of the Faculty, Dr James Higenyi, were enthusiastic about the concept. It was agreed that the central elements of a programme would include the attachment of engineering students during the long vacation to SMEs, building a link between final year student projects and the needs of SMEs, the provision of a consultancy service to SME's in the form of business plans (to be developed by faculty members) and upgrading of the capacity within the Faculty's workshop to produce prototypes of value to SMEs.

Dr William Kalema, Chairman of UGT, congratulates a UGT training course diplomate

The legal format of a Trust was recognised in Uganda where it had been adopted by a number of charitable bodies during the colonial period. However, there were no clear examples of it being used as a means of creating an entity subject to joint public and private sector management. The Vice Chancellor was open to this approach and it was agreed that a Trust would be established with representatives from the private sector. The University had a good relationship with the Uganda Manufacturers' Association (UMA), which though it was a body committed mainly to larger scale businesses, was prepared to nominate the Director of its consultancy wing, Dr William Kalema, as a potential Trustee. Three other bodies participated in the initial board : the Uganda Small Scale Industries' Association (USSIA),a membership organisation with several thousand members, the metal workers' association UMIDA and the Ministry of Commerce and Industry. This strategy and structure proved to be a valid base from which to build, but there would be important adjustments and additions in the next five years.

The Trusts in action

Kenya Gatsby Trust

Guided by Mrs Thithi Watene, its General Manager from 1992-9, the Kenya Gatsby Trust was able to occupy a strategic position as a wholesaler of funds to NGOs who provided retail credit to a range of clients. Originally it had been envisaged that a significant part of its portfolio of grants and loans would be channelled to associations of 'jua kali' artisans working in the large, open public spaces which typify their operations in Kenya and which had been reviewed as part of the original feasibility study. Most of these artisans are grouped into associations of some kind; a significant number are members of KSTES. However it proved difficult to find associations which were sufficiently robust to provide an adequate basis for lending, although the viability of many individual operations was not in doubt.

In fact three different classes of client emerged: these were, first, craft producing organisations with links to a number of 'alternative' trade organisations ; second, micro-finance agencies at various stages of growth ; and third, institutes organising training for potential or practising artisans.

Many in the first category had their roots in social and development initiatives taken by church groups in Kenya from the 1960s onwards. By 1996 of twenty three grants and loans which had been made ten were to organisations with origins of this kind. A majority were involved in the production and marketing of craft type products ranging from the soap stone of Kisii to the tie and dye textile products of Maridadi Fabrics. In order to widen their market they had in turn developed links with international 'alternative trade' organisations (ATOs) which existed to assist grass roots producers of this type. Their ability to increase their turnover or even to survive was closely linked to their ability to respond to market demands as defined by these ATOs and to the ability of such organisations to provide a satisfactory deal in terms of conditions and speed of payment.

A second category were more recently formed NGOs operating variations on the group guarantee approach pioneered by the Grameen Bank in Bangladesh, but adjusted for traditions and circumstances prevailing in Kenya.

Amongst the foremost of these were Pride (Kenya) and Kenya Women's Finance Trust. These agencies had begun their operations with funds for on-lending provided by various donor agencies and could usefully supplement their resources - particularly for specific geographic zones - with additional funds from KGT.

Finally, the Trust expanded its support for technical training mainly through the Christian Industrial Training Centre network, since these centres had a strong track record in providing valuable training at the secondary school stage and in assisting diplomats with both formal and self employment.

CITC Kapsabet: Funding renewable energy

"I used to worry about the unpredictable budgets for kerosene and the need to keep adequate supplies for my family uses and evening studies for my children, not any more". Those were the sentiments of farmer A. arap Bereng during a recent project visit to CITC Kapsabet. He installed a biogas unit purchased on credit through a KGT supported revolving credit scheme in Nandi district, which is located in a rich tea growing area in the Rift Valley Province. Farmers opting for the solar system benefit from the installation of a system capable of lighting the entire house, powering the family TV and radio and supporting poultry farming.

The CITC Kapsabet revolving fund project was started in 1997 through support from the Kenya Gatsby Charitable Trust. "CITC stands for Christian Intermediate Technology Center" and is affiliated with the Anglican Church of Kenya. The center is involved in a variety of innovative and practical technological applications. The main objective of the project is to facilitate access of the technologies to farmers affordably. The activities carried out at the center include:

- biogas digester plants
- photovoltaic systems
- solar cooking systems
- solar water heating systems
- water technologies

In 1997, a revolving credit facility of Kshs 900,000 was extended to the center, and to enable it to establish appropriate credit management and follow-up systems, Kshs 400,000 was given as a management support grant.

So far, 14 loans have been approved covering nine solar systems, three water tanks, one water tank (150,000 litres), one hydroram and a biogas digester. CITC Kapsabet has experienced a 100% loan repayment from its clients and is up to date in its loan repayments to KGT.

This project has impacted tremendously on this community living in a harsh climatic environment and demonstrated the value of partnerships (with other NGOs and communities) in development.

A biogas digester installed by CITC Kapsabet using its line of credit from KGT

The first two reviews of KGT's operations were conducted in 1994 and 1996. It was increasingly clear that there were two important underlying trends in the Kenyan micro enterprise sector. These were, first, that the relationship between the craft producing associations and the international ATOs was often unsatisfactory from two points of view: on the one hand the producers often failed to deliver a quality product in the numbers and according to the schedule required, and on the other the ATOs often delayed payment in ways which created serious problems for the producers. The second underlying trend was that there were important changes in the micro-finance sector: the larger agencies such as Pride, KWFT and K-REP were taking a larger market share of a growing market. As the scale of their operations expanded, their requirement for additional finance considerably outstripped the resources of KGT, whilst the smaller agencies frequently faced increased competition from the larger players. Since their costs per borrower were higher than those of the larger agencies they were less interested in accessing additional resources.

In many ways the first issue - the relative inefficiencies of the craft producers in meeting market demands - was essentially a problem of management, which raised the question of whether KGT could assist in strengthening these management systems. The problems experienced with the ATOs raised the question of whether there was scope for KGT to assist the producers in developing a more pro-active marketing strategy. The changes in the micro-finance sector suggested that KGT's role as a lender might be limited and re-enforced the case for providing an increased focus on management and marketing support services. The Board adopted this strategy following the 1996 review: KGT then provided strong management back-up to several client organisations (such as the Kisii Soap Stone Co-operative, and Tototo Home Industries) and initiated a market development service. The latter included assistance with design as well as with direct links to overseas customers, including a display centre in Nairobi.

Global exports from the quarries of Kisii

KISCOOP is a co-operative of stone carvers who work the soapstone found in abundance in the hills of western Kenya's Kisii District. The three hundred families which form the co-operative have developed forms of sculpture, for both aesthetic and functional purposes, which are easily recognisable. The members mine the stone from a series of quarries in an area of about one square mile. Whole families are involved in the process. Some of the income from sales is retained for investment in a school and primary health care.

KGT has been providing working capital and grants to assist the financial management to KISCOOP since 1995, and since 1998 its design and marketing team has actively assisted the co-op to access the Japanese market. Exposure to that market has hastened the process of firing the sculptures so that a much smoother finish is achieved. KISCOOP has worked with NGOs in Europe for at least fifteen years and its products are now widely distributed both there, in the US and Canada and elsewhere in Africa.

KGT chairman Mr Joe Githongo visits Kisii soapstone quarries with other Trustees and Kiscoop Management

In the course of 1999, following a further external review in 1998[5], KGT resolved to further intensify its support for the management systems of its client organisations, and to redefine its support for marketing services. In the latter case it closed the display centre, which had not justified its costs, and emphasised an approach which re-enforced support for design and for increasing production quality. A role for credit would be preserved, but wherever possible it would be closely linked to clients who accessed these services. Under a new management team led by John Kabutha KGT stands well positioned to implement this strategy in 2000 and beyond.

In 1999 KGT was also asked by the World Bank and DfID to provide a "home" to the Africa Capacity Building Initiative (AFCAP). This is a new institution designed to raise levels of expertise amongst micro-finance managers in east and southern Africa, and the programme is under way in 2000.

Tanzania Gatsby Trust

The strategy of finding a means to blend community support with support to individuals has remained the key to TGT's development, although there have been important changes in its components. The most successful aspects of the programme have been built around the

[5] *conducted by the Springfield Centre at Durham and Dr Karega Mutahi.*

Trade Fairs in Mwanga, Mtwara and Zanzibar: these have been organised largely by the artisans' associations which TGT has been sponsoring, in co-operation with AMKA, the market development agency. They have typically included sixty or more exhibitors and have provided a means to define appropriate training and credit requirements in each of the zones. The associations - UWAMWA, MSEDA and UWAZI - are now well established as important and valuable providers of development assistance in their respective areas. The first two are closely involved in managing TGT funded credit programmes for their members, and UWAZI is likely to initiate a workshop development programme in Zanzibar's Stone Town, giving their members much greater security than they have achieved previously. These associations have also been the key vehicle enabling micro-enterprises to participate, assisted with TGT funding, in national Trade Fairs held in Dar es Salaam, and Kampala. On two occasions 'Fair Trade Fairs' have linked these enterprises directly with international buyers from ATOs, giving them market access in ways which otherwise could never have been achieved.

Boots made for walking

Mr Ridhiwani is a street cobbler from Mwanga who was sponsored by TGT for a four week leather tanning course. The course aimed to impart environment and chemical free leather tanning technology and to identify potential products. Mr Ridhiwani is now able to produce not only shoes but all leather goods including belts which he is able to sell as far away as Dar es Salaam, Morogoro, Arusha, Tanga and Moshi. He has expanded his business accordingly and now employs four artisans and whom he has trained in leather technology. He continues to accept other trainees for a fee, and is well placed for a further increase in sales.

Cobbler Ridhiwani prepares leather for shoe and boot production in Mwanga

The objective of working with mini co-operatives of students leaving technical training institutes has not worked so well. The experience suggests that it is difficult for small groups of students in their late teens to manage a building or woodworking enterprise on a commercial basis, and that once they have left the institute its influence over them is fairly tenuous, particularly if they have left the immediate neighbourhood. Whilst phasing out this approach TGT has since 1998 relaxed its geographical constraint and is now also funding, in partnership with the national Small Industries Development Organisation (SIDO), a credit programme in Dar es salaam and in partnership with the Presidential Trust Fund a programme near Morogoro. In 2000 the former has over three hundred participants, with an average loan size of about Tsh100,000 ($130), and the latter two hundred participants with a similar average loan size.

However the development which is furthest removed from the activities which TGT originally envisaged is a women's credit programme based on traditional 'Upatu' savings groups, which enable women with low incomes to save modest sums over say six months based on very small weekly contributions. The role of TGT funds is to inject working capital into the group and so enable a saver to take a small loan at the same time that she withdraws her savings.

Mrs Edith Chale and employment creation by boat

Edith Chale is a member of the women's Kibati Credit Scheme in Lang'ata in the District of Mwanga in Tanzania. In 1998 she borrowed T sh 100,000 (US$ 120) which she used to buy a fishing boat which she leased to four fishermen. Within six months she was able to pay back the loan and was able to buy two more boats from the revenue generated by the first boat. In April 1999 she borrowed T sh 200,000 and increased her fleet to six, leasing the boats to a total of twenty four men whose families in turn depend on her business. Every month she makes a profit of about T sh 100,000, which she uses to sustain herself and her family. With other members of her group she now shares access to a solar drying technology for the tilapia from the Nyumba ya Mungu Dam, which is likely to add considerable value to sales. TGT and AMKA have pioneered the introduction of this technology to Langata and other locations.

This mechanism is based on both the experience of the Cameroun Gatsby Trust in developing its 'tontine' programme (discussed below) and the experience of the Catholic Women's Association of Tanzania (WAWATA) which has a programme with some similarities. In order to develop this programme Mrs Olive Luena, the General Manager of TGT since 1996, conducted surveys of Upatu groups in the two Districts of Mwanga and Rukwa. She confirmed that they were sufficiently strong to be able to manage the loan fund both at the level of the group and of the associations of groups. The consequent programmes were initiated in Mwanga and Rukwa in early 1998 and in 2000 can be seen to be providing a very valuable series of loans to the women in question. It is likely that the programme will now be extended to Masasi District, which will be close to TGT's other operations in Mtwara.

Cameroun Gatsby Trust

After CGT had been funding private sector farmers in 1991 and '92 to grow cassava cuttings on a commercial basis it was recognised that this approach was not viable. The farmers' prime interest was in maximising returns (which could be achieved by selling tubers rather than cuttings) and in minimising repayments. In 1993 the Cameroun project board agreed that individual loans should be suspended for a year and consideration given to lending to womens' groups of the kind which had been actively multiplying cassava. This opportunity was researched in depth by Susan Elango and Mrs Christine Koloko, another senior agricultural specialist and who had good information on all women's groups in target provinces in the south and west of Cameroun[6]. The research led to a recommendation to the Board that it should be feasible to develop a pilot programme with about 20 such groups on the principle of injecting additional working capital into each of the savings or 'tontine' groups so that, as in the Tanzanian case, members could draw out both their savings and a loan. The crucial question would obviously be whether these mainly rural groups with very low incomes would be able to use the loans productively and repay the principal with interest
(set at about 10 per cent or about half the market rate).

The initial groups were hand picked and from only two Provinces. However repayment performance exceeded 95

[6] *specifically Littoral, West, South West and North Western Provinces*

per cent within the target period of ten months, and it was evident that the funds had been highly valued by the borrowers. In 1996 Susan Elango took over the management of the programme on a full time basis, ceasing to be a board member. In each successive year the numbers of groups in the programme, and its geographical coverage, has expanded so that by 1999 it embraced over 300 groups with a total of 3000 borrowers. Obviously the mechanism for distribution and repayment of these funds was crucial. Here the role of the CCEI Bank and its network of Mc2 village banks has been critical. Funds have mainly been distributed through a CCEI product which roughly equates to travellers' cheques, known as Flashcash, enabling borrowing groups to cash their cheque at the nearest Mc2 bank. Similarly many of the repayment accounts opened for the project have been with the Mc2 banks which provide good coverage in about two thirds of the project area. Elsewhere repayment is through other recognised comercial banks. The rate of expansion has been remarkably succesful and the rate of repayment remains consistently at above 95 per cent. In 1999 a Ministry of Agriculture report showed the CGT programme to be the third largest rural credit programme in the country with a total portfolio of CFA 200 million ($300,000).

Snapshots of CGT's borrowers

CGT's use of the tontine system enables it to operate a programme which provides loans at the individual level of as little as $15 which as described below can make a substantial difference to the lives of the borrowers[7].

South-West Province (MBONWEH women):

Mrs Regina buys and sells vegetables. Her husband helped her to join MBONWEH but then he died. She took a loan of CFA 30,000 and bought goods for trading and paid school fees. She is struggling to repay but still prefers to have the loan.

Mrs Agnes has nine children and eight grandchildren. Her husband drinks a lot, is violent and refuses to help her with either work or money. She took a MBONWEH loan and bought two poles of land for CFA 50,000 in her own name. Before that she had been renting land for CFA 10,000 per pole per year. The land is 3-4km from her home. She paid CFA 15,000 to clear the land and takes a loan each year of cultivation. She grows plantains, coffee, cocoyam and cassava.

Mrs Susan Elango, General Manager of CGT and Mrs Christine Koloko, a CGT Trustee, hands a cheque to the chair of a tontine group

Mrs Juliana is a very active member of the MBONWEH Board although she is illiterate. Her husband used to work for CDC (a large plantation company) but when he retired became an alcoholic. She has been a member of MBONWEH since 1988. She has now bought her own land for CFA 100,000 one hour away from her home by public transport. She takes a loan every year. Her first loan was for CFA 2,000 and now she is confident enough to borrow CFA 300,000. She wants to set up her own shop for when she is too old. Her children would continue to cultivate the land.

Group Cultivation in Loum:

A group of 12 women in a labour group got a loan of CFA 700,000 of which they used half to invest in joint cultivation. CFA 40,000 went to rent 1 hectare of land and the rest for seeds and fertiliser. The other half they used individually to invest in short-term and quick turnover to use for loan repayment. On the land they grow quick maturing varieties of cassava. The women also cultivated their own individual land.

[7] *Dr Linda Mayoux op.cit.*

A thorough evaluation of the project was conducted in 1998[8] in order, inter alia, to guage its impact on borrowers and establish options for its future development. The study found that many borrowers use these funds to finance production of additional food crops by hiring extra labour to open up new land; others use them to fund food processing; a minority in an urban context use them to fund tailoring and textile production for the local market. Some use them to fund necessary family expenditure such as school fees and funeral expenses. As with other women's micro finance projects it also found a mixed picture in relation to the impact on the proportion of income generated which is retained by the woman as opposed to her husband, and on the complications which arise in a polygamous context.

The CGT Board having reviewed the study and considered options for the future of the project concluded that its main focus should be on the development of associations of groups, numbering between thirty and fifty, with a view to mobilising savings in ways which increased the total value of the loan fund and which could also act as vehicles for achieving economies of scale in storage, processing and marketing. Such associations will typically be members of an Mc2 bank, depositing their savings within it and having access to its capacity to make additional loans. However, the future institutional structure of the programme will continue to evolve in the light of experience gained year by year.

Empowering by association: the Mponweh experience

The late Dorothy Atabong was a former President of the Catholic Women's Association of Cameroun and the prime architect of a very successful women's association at Mutengene, a township close to Mt Cameroun. The Assocation was launched in the late 1980's and drew its membership from a ten mile radius in which smaller groups of up to ten women were operating independently. Dorothy Atabong drew thirty such groups into the Association with a view to facilitating training, marketing and credit. Members have to buy a 'share' in the co-op and pay an annual fee. The co-op's share capital is regarded as a fund of savings which can be used for lending within the Association.

Over the last ten years the Association has successfully managed each of these activities and significantly improved the individual products of its members, particularly in the food sector. Since 1998 CGT has made a block loan to the Association (of about CFA 7M) for on-lending to its members, thus boosting the strength of the Association and reducing the costs of credit supervision. CGT is now seeking to assist in the development of other associations of this type as a means of enabling other groups to realise comparable benefits. Mrs Atabong tragically died in April 2000 shortly after sharing her experiences with a large group of actual and potential leaders of women's associations.

Mrs Olive Luena, General Manager of TGT, and Mrs Dorothy Atabong together in 1998

[8] *by Dr Lynda Mayoux of the Open University of the UK.*

Uganda Gatsby Trust

The core of UGT's strategy has been to build links between the Faculty of Engineering at Makerere and the small scale sector. This has been vigorously supported by the current Vice-Chairman Professor J Ssebuwufu. The various strands by which it has implemented this approach have been modified and expanded in the light of experience but the central concept has been retained. The attachment of students to SMEs between their third and fourth year has been a novel addition to the older practice of attaching students to larger scale - in the past often parastatal - enterprises. From 1995 onwards at least 60 small scale entrepreneurs have agreed to have students attached in this way for periods of three months. Initially the raison d'etre for the attachment was often not clear enough to both the entrepreneur and the student. Over time this has been corrected and students now write a specific report suggesting an aspect of the business, and particularly the use of a technology, which could be improved. Further, wherever possible, the prototypes which they develop during the last year of their course are related to increasing the productivity of the business to which they have been seconded. This approach has in turn led to the development of the 'Gatsby Centre for Enterprise Promotion' (GCEP) which has raised the capacity of the Faculty's workshops to produce such prototypes.

Keeping the timber dry: adding value at Makerere

The Sunday evening Science programme on Ugandan TV has a remarkably wide audience. In late 1999 Dr Moses Musaazi, director of the Gatsby Centre for Enterprise Promotion (GCEP), which is part of UGT, described the timber drying plant of which he had developed the prototype earlier that year. The plant uses solar heat, collected under glass and funnelled through a chimney into a cabin, to dry newly cut industrial timber so that it will not warp once it is used in manufacturing.

The response from carpenters watching the programme was one of intense interest. Within three months Musaazi had been asked to sell six such driers of varying sizes. The layout in 'clusters' of many carpentry shops in Uganda is such that several carpenters can take advantage of the facility at one time. The technology is both adding value to the carpenters' products and generating income for GCEP which will go to fund further prototype development at Makerere. This project received additional assistance from USAID.

UGT's initial outreach to SMEs was primarily through Uganda Small-Scale Industries Association (USSIA), which had a well developed network of small scale artisans. This proved effective in enabling the Trust to initiate a series of mainly Kampala based two week training courses focused on areas such as product development, marketing and the maintenance of accounts. Some of the participants in these courses also benefited from working with faculty members on the preparation of business plans, which in turn could serve as the basis for loan applications to commercial banks. In 1996 the Trust had also started working outside Kampala and had initiated training sessions in five regional centres including Mbarara, Jinja and Masindi. However by 1997 it was recognised that to be of value these activities would have to be managed on a tighter basis: first, there was a need for a mechanism by which to monitor the growth of the businesses, and secondly there was a need for a credit facility with which UGT was more closely associated.

During the course of Board discussions in 1997 it was suggested that the initiation of clubs in each of the main centres where the Trust was working could be a very valuable means of bringing a stronger system to the overall programme. The essence of the concept was that in return for formal membership and the payment of a fee members would be able to access a specific package of services.

Although two levels of fee and service were suggested the package would have some or all of the following elements:

- participation in a 'baseline' survey to define turnover and other financial characteristics of the business ;
- a twice yearly technical training programme offered by UGT;
- a student attachment focused on means of increasing productivity;
- sharing in development of a prototype with the student concerned;
- opportunity to work with GCEP in the development of the prototype;
- preparation of a business plan by UGT representative;
- assistance with the opening of a local show room, for those with relevant products;
- membership of sub group for credit guarantee purposes;
- the right to receive strong consideration for loan from Co-operative Bank, if recommended by sub group and Club.

This Club based approach was adopted from 1997 onwards and has led to the formation of 10 'Gatsby Clubs' in Uganda with a total of five hundred members. Nearly all members have chosen the higher tier of membership - 'Gold Card' - which carries an entrance fee of $65 and an annual fee of $30. Within the package offerred by the Clubs, the most successful components have been the training courses, the initiation of show rooms and the access to credit. The development of prototypes has not yet occurred on a significant scale, though student secondments have become fairly routine.

Dangerous creditors

Mrs Agnes Sewamala is the owner of a metal workshop in Kampala specialising in the manufaacture of buckets, gutters, water tanks, and animal and chicken feed troughs. These are all made from galvanised metal sheets.

In 1999 she received an order worth Ush 7M (£St 3000) to supply one thousand buckets to one of the Kampala market vendors' associations. The association proposed to pay Mrs Sewamala after supplying the whole order.

Like many other small business proprietors Mrs Sewamala did not have enough working capital to pre-finance the production, and she applied to UGT for a loan of Ush5M to start the order. The UGT consultant advised her that she should not borrow for this purpose without a thorough credit assessment of the client. She was advised to test the vendors' association by asking them to pay for at least one hundred bins, after which she would supply more until the order was finished. Seeing that the association was reluctant to pay for the first hundred bins, Mrs Sewamala concluded that they would probably not pay for a thousand. So she declined the order, but UGT gave her a loan of Ush2M and advised her to buy better tools and materials to make fast selling products to credit worthy customers. The advice has paid off and her enterprise is moving steadily ahead.

Mrs Sewamala with products - a typical UGT supported enterprise

The showrooms are intended to overcome a key problem for SMEs in Uganda, as elsewhere in Africa, that sales for many categories of goods are made only to a customer who has placed a specific order and made a down payment. This situation has been determined largely by cramped working conditions and lack of working capital. In the case of items such as furniture and clothes the existence of a show room means that these products can be displayed and, in a modest way, held in stock. If, in addition, working capital can be accessed, then a further constraint on development of the business is removed. Of the current eleven clubs, seven now have showrooms which have in most cases proved their value by raising the turnover of those members who use them. The fact that they are not advantageous to all members means that a financial mechanism has to be established based on the 'user pays' principle. A valuable expansion of the showroom principle has been very active participation by entrepreneurs supported by UGT in the annual Kampala Trade Fair, which is an essentially regional Fair. In fact this has extended to artisans supported by the other Trusts in east Africa who have exhibited in a common space, which has won a major prize for SME exhibitors for two consecutive years.

President Museveni of Uganda presents a Winners Cup in the 1998 Kampala Trade Fair to Dr Joseph Byaruhanga on behalf of the east African Gatsby Trusts

The credit programme has been accessed by about a hundred club members, who borrowed an average of $1000 each from the Co-operative Bank. In order to overcome the bank's normal commercial concerns in relation to collateral, UGT placed a deposit with the Bank to be used as a guarantee against all of the loans which had been duly approved. A further objective was to ensure that UGT itself was not the lender and could achieve some distance from the lending process, which would be initiated at the level of the Clubs and passed onto the bank with UGT 'advising' the bank as to whether the client was satisfactory. The portfolio built up in this way has proved only partly satisfactory with repayment rates (as a percentage of sums due) varying considerably by club and individual. However, UGT experienced a more serious blow than late repayments when the Co-operative Bank itself went into receivership. As a result the status of the loan portfolio is necessarily in doubt though a repayment mechanism is in place. It is likely that a new credit programme will be designed which further distances UGT from the process and which is not backed by a guarantee in the same mode. The deposit comprising the guarantee fund has been confirmed by the successor bank.

In spite of this financial setback, which was totally outside its control, UGT has certainly established the principle that a University-based Trust can bridge the gap between the campus and the small scale sector in a very dynamic and effective way.

Gatsby's funding

The Trusts have received funding on a roughly equal basis since their first year of operations, at an average of about £140,000 per year. This is shown in summary in Annexe 1. From the inception of KGT in 1991 it has been agreed that the Trusts could launch a loan programme appropriate to their specific situation in the ways which have been described. However the existence of a flow of repayments and of interest raises the question of the extent to which the Trusts might be expected to cover their overhead costs. It was apparent that the issue of the policy of GCF in relation to cost recovery and financial sustainability needed to be defined.

In late 1995 Michael Pattison took over from Hugh de Quetteville as Director of GCF. At an inter Trust seminar hosted by KGT and held in Mombasa in 1996 he invited discussion of the question, whilst indicating that GCF could be expected to support, at a minimum, core overhead costs for a further three years. He also confirmed the willingness of the GCF Trustees to see up to 15 per cent of their annual grant being channelled into an endowment fund, from the which the interest could be used to support recurrent costs. This innovative move has been taken up by two of the Trusts and may be adopted by others. Other income has been generated by the Trusts in different ways: thus KGT earns significant income from the services which it provides to AFCAP, and UGT earns considerable income from the fees it earns for running training courses (sometimes donor funded), from Gatsby Club fees, and from commercial services provided by GCEP. The total effect of this process is that each of the Trusts has achieved a progressive increase in its ability to cover costs as the following table indicates :

Table 1 : Interest and other income as a percentage of overheads 1995-99[9]

	1995	1996	1997	1998	1999
KGT	79	106	97	103	61
UGT	n/a	n/a	20	71	240
TGT	18	33	62	50	65
CGT	35	45	31	72	60

Whilst this position is clearly very positive GCF Trustees have made it clear that they do not hold that a narrow concern with overall financial sustainability is appropriate for the Trusts. They recognise that the development function is central to the Trusts' remit and, for instance, that the training and market access functions are very unlikely to be more than partially self financing even in the medium term. However they also recognise that the provision of loan funds for micro finance is now widely recognised to be at least a semi-commercial function and one for which the Trusts may be able to access resources from other institutions. The GCF guideline is therefore for further funding for overhead and development activities to be secure for the next few years and for the Trusts wherever possible to seek additional loan finance from other sources.

[9] *Includes income from Endowment Funds and other funds on deposit (eg bank guarantee from UGT)*

Lessons from experience

The experience of the Trusts to date has largely confirmed the validity of the original objectives of the GCF. First, experience has shown that a well selected group of local Trustees can develop the Trust mechanism on both a reliable and innovative basis. The Trust as an institution provides a valuable means of applying both their collective and individual experience to the development of innovative projects. Secondly, valuable assistance can be provided to the urban (and in some cases rural) informal sector through a series of carefully targeted loans and grants. Within this broad framework there are a number of specific lessons which provide a useful input to the international debate on the most effective way to assist micro-enterprise and micro-finance institutions. These have been explored in biennial meetings of all the Trustees, general managers, GCF and representative clients.

Opening of the 1998 Inter-Trust Seminar in Arusha (left to right: Professor J Ssebuwufu; Hon. C D Msuya, MP (former Prime Minister of Tanzania); Mr Ibrahim Seushi; Mr Michael Pattison and Mr Joe Githongo)

Savings mobilisation

A prime issue in the micro finance debate is whether the mobilisation of savings by potential clients should be a condition for borrowing. There is a wide variety of practice by the clients' of the Trusts on this topic. However, nearly all of the credit programmes supported by the Trusts, either as wholesaler or retailer, have some form of savings component, though not necessarily as a condition of borrowing. PRIDE (Kenya) has accessed KGT loans for Machakos and achieved very good repayment rates but commences lending through groups which are only required to commence saving when they start borrowing. The tontine and Upatu groups supported by CGT and TGT respectively are defined by their ongoing commitment to saving before they access the loans programme. However since not all savers choose to become borrowers this relationship is weak. Within the Gatsby Clubs in Uganda there was a requirement that each borrower must have an account with the Co-operative Bank, and a deposit of at least ten per cent of the value of the loan. The Clubs are now working towards a more structured system of savings and insurance within the Club. In Tanzania the credit programme co-financed with SIDO in Dar es Salaam and Mtwara each have a requirement for initial savings.

These examples do not necessarily confirm a correlation between a practical commitment to savings and rates of repayment, still less between a specific level of savings and repayment rates. Nevertheless a broad conclusion which is in line with international experience is that low income borrowers organised on group guarantee principles and borrowing sums of less than $100 are more reliable than any other category. This is true regardless of gender.

Group guarantees

A second key issue is that of the group guarantee system, pioneered in particular by the Grameen Bank in Bangladesh but having relevant forbears in African society. Nearly all of the credit programmes supported by the Trusts are based on some form of group guarantee, and the experience confirms - as many others have experienced - that the system works well in an African context. In fact where the group guarantee system has not been adopted the experience has been negative. Thus the loans made by CGT from 1991-93 (for the production of root crop cuttings) and five loans made by KGT (to individual craft exporters)[10] from 1996-8 have been problematic.

However, the degree of group solidarity has varied greatly - it is fairly loose in the case of UWAMWA in Mwanga (Tanzania) and in that of the Gatsby Clubs in Uganda; it is very strong with the tontine groups in Cameroun and the Upatu groups in Tanzania respectively, and in the case of Pride (Kenya). There appears to be a broad correlation between the strength of these groups and repayment rates of over 95 per cent. Weaker groups record lower repayment rates.

Joseph Sanna of KGT

Credit supervisors and clients

The Trusts have been developing relatively informal structures which are nevertheless effective in their delivery of credit. Thus CGT has been operating a system by which agricultural and co-operative officers employed by the Government are paid an extra fee to work on a part time basis with the Trust. In this case about eight individuals working on a part-time basis with one full time General Manager co-ordinate a programme with more than 3000 borrowers. In the case of TGT the ‘upatu’ groups are organised into an ‘apex’ structure and several leaders with this system are paid a similar fee for part time work, though in this case the total numbers involved are significantly less. Both of these programmes are carrying their direct costs. The Trusts’ experience therefore suggests that there can be no golden rule governing the organisational structure between credit supervisors and clients.

Empowering women

A controversial and fourth question is whether enabling women to access micro-credit can actually prove disruptive of households rather than the reverse. The detailed study of the impact of CGT conducted in late 1998 provided some insights on this question. It found that[11] by and large the programme had assisted women to achieve a greater degree of control over, for instance, land and had increased their ability to pay for such key items as school fees. In one case in North Western Cameroun the programme had enabled a group of women to organise themselves to provide mutual security against intrusion on to their land of cattle owned by pastoralist Mbororo. However, there were certainly contradictory cases in which men had insisted on access to a large share of incremental income generated as a result of the loan, and could resort to violence to acquire it.

Micro credit and agriculture

A fifth issue is whether the group guarantee micro-finance model is applicable in agriculture. The experience of CGT, and to a lesser extent of TGT and KGT, suggests that it is. Most of CGT’s credit programme is in support of agriculture or agricultural processing; the term of loans is typically 10 months which is designed to accommodate the length of the cropping season, including a period over which the harvest can be processed and sold. However, the evidence[12] suggests that borrowers use about three quarters of the loan to fund agriculture or processing and the remainder to fund short term household needs. In spite of this harmonisation with the crop year the programme has been based on the requirement that payments must be made monthly - obviously from sources other than the crop itself. So far this appears to have been a viable approach. The use of funds for agriculture is also characteristic of TGT’s ‘upatu’ programme, where in both Mwanga and Rukwa loans are used in ways which are comparable to those in Cameroun, and on a similar time scale.

[10] *in order to boost the throughput of its Marketing Centre*
[11] *CGT Report and Business Plan 1998-2003, Dr Lynda Mayoux and Victor Kouate (SADEG), 1998*
[12] *Mayoux and Kouate, op.cit.*

Business development services and credit

A major controversy in the micro-enterprise world is whether ‘Business Development Services’ (BDS) can be combined with the delivery of credit. The aggregate experience of the Trusts - in providing for example both training and market access - in this respect is diverse. Thus TGT in focusing on associations of SMEs (such as UWAMWA) as business development agents has deliberately encouraged them to be involved in both BDS and credit. In working with SIDO for both purposes it has selected a partner which has combined the two for many years. At the end of 1998 KGT had an active loan portfolio of thirty client organisations to whom it was lending on a ‘wholesale’ basis - in eight cases these organisations were also delivering BDS to their clients, and KGT itself was in turn delivering BDS to four of its borrowers. UGT’s whole rationale has always rested primarily on the provision of BDS in several different forms; it has combined these with some credit since 1997. CGT is primarily running a credit programme, but according to its Business Plan of 1999 will develop some BDS in the near future.

The lessons from this diverse picture confirm that the delivery of both credit and BDS by the same manager or managers can be difficult and lead to conflicts of interest. However the experience tends to confirm that in many cases both these services are essential. The approach of the credit guarantee fund, designed to distance the development agency concerned from the allocation of credit, is not effective if the borrowers realise that the agency is the organisation carrying real responsibility for the loans programme. The solution of a ‘Chinese wall’ within the agency separating the BDS from the credit function may therefore be more relevant than substituting a credit guarantee fund for a direct loans programme. The overall experience therefore suggests that there can be no hard and fast answer to this question, but that a degree of trial and error by each agency involved is well justified.

Joseph Sanna of KGT

Linking formal and informal sector financial agencies

The current weak state of the formal banking sector in most African countries has raised the issue of whether in future financial intermediation can best be carried out by a combination of informal and formal sector structures. The link between ‘tontine groups’ supported by CGT and the Mc2 community banks developed by the CCEI Bank in Cameroun is a promising example of this. In this case the tontine members have been willing to accept the responsibility for a loan but in many cases have so far been reluctant to accept the responsibility implied by formal membership of an Mc2. In the next phase of CGT’s activities this is likely to change with both savings and loan funds held by the tontines being banked with an Mc2. As a pilot project in 2000 CGT will provide a line of credit to selected Mc2 to enable them to initiate a lending programme specifically directed to tontines.

A similar development is envisaged in the operations supported by TGT in Mwanga. TGT is now supporting the launch of a community bank in Mwanga, which will effectively be a formal sector institution, and it is intended that TGT’s loan portfolio to SME’s in the area will be taken over by the bank. In the case of the women’s loan programme it is intended that the individual groups will maintain separate accounts with the bank, but that the group itself will continue to manage repayments made by individuals. Some of KGT’s operations - such as its loan programme with KSTES or with NCCK[13] - also fall into this pattern. The experience of the Trusts to date in this area confirms that forming links between informal and formal sector financial operations is likely to play a very important role in the development of effective banking systems in Africa in the future.

International and regional market access for SMEs

A very different issue is that of the provision of BDS in relation to market development, and in particular assisting small scale exporters to respond to messages from regional and international markets in relation to quality, design and delivery dates. The experience of the Trusts to date suggests that this kind of assistance is vital to most SMEs who need continuing support in accessing new markets. The fact that information on each of these markets is patchy and can be misleading, and that there are many pitfalls - ranging from border taxes to clients who are unwilling or unable to pay - simply reinforces the case for strengthening support in this area. The key issues relate to the need for producers to recognise that design specifications in many international markets are in a state of constant change, and that scaling up levels of output is not compatible with a reduction in product quality. However in the case, for instance, of KISCOOP (the Kisii Soap Stone carvers' co-operative in Kenya) KGT - in parallel with other agencies such as Oxfam - has successfully introduced new designs suitable for specific markets and management systems which have ensured that product quality has been maintained. The Trade Fairs sponsored by TGT together with AMKA, and UGT have provided an opportunity for producers in the partner countries of east Africa to test the regional market - in a number of cases with conspicuous success, but never without real and expensive obstacles to be overcome. The experience suggests that for SMEs to move into new markets will always be difficult and that well focused support will always be useful.

How it should be paid for is another question. The case for charging for assistance with market access is compounded by the practical problems of charging for it, manifested in the question of commissions which might be charged on exports. The question of how and when these will be paid is not easily resolved. A gradual move in the direction of cost sharing is certainly feasible, as TGT has established with its support for Trade Fairs where the principal of exhibitors meeting a steadily higher proportion of costs has been accepted. Likewise the system of membership fees established by UGT is designed to be a contribution to support services, but is a long way from meeting the total cost of these services.

A further question is whether craft and organic food exports can really be sustained by groups of producers as opposed to private businesses. The experience of AMKA in Tanzania, and of KISCOOP in Kenya, is that group-owned businesses can be successful exporters. However, as has been noted, such producer organisations do require substantial assistance which is expensive and may involve costs which are effectively subsidised. Private sector operators are frequently able to buy and market more efficiently but in ways which exploit producers and do not build up their capacity to undertake this in their own right at a later stage.

[13] *National Council of Churches of Kenya*

Conclusion

These specific experiences of the Trusts help to throw some light on the on-going international debate on assistance to micro-enterprise. More importantly their track record to date confirms that their programmes, on the basis of a modest assessment, have reached at least 10,000 small scale producers in the countries concerned. If family members are counted the figure is far higher than this. Many of these families have certainly been assisted to achieve a higher level of income than had previously been the case.

Further, TGT has shown that Trade Fairs can play a very important role in facilitating market linkages both within and between countries. Likewise, UGT has shown that a technical faculty in a university in contemporary Africa can play a leading role in facilitating the development of SMEs in addition to its conventional task of producing engineering graduates.

CGT has initiated an approach to injecting working capital into traditional savings groups which has already proved to be capable of transfer across Africa to Tanzania. KGT has demonstrated the benefits of working closely with producer organisations both to raise their internal levels of efficiency and to generate a flow of design and product specifications to enable them to access international markets.

Finally, the Trusts have confirmed that a self standing charitable entity, managed by a local Board of Trustees, can be a vehicle for innovation and renewal in the difficult context of Africa's informal sector.

Annexe 1: Financial profiles of African Gatsby Trusts

	1996/7	1997/8	1998/9	1998/99	1999/00
KENYA GATSBY TRUST	£'000	£'000	£'000	£'000	£'000
Loans disbursed (cumulative)	234	351	436	502	563
Annual grants	61	64	65	53	31
Marketing services	43	37	28	–	–
Administration	62	62	69	58	42
Total Income					
GCF	318	143	159	230	36
Interest on loans and endowment	49	66	100	60	26
Exchange Rate (Sh/£)	*89*	*86*	*103*	*98*	*124*
UGANDA GATSBY TRUST					
Training and projects	37	50	64	99	89
Loan Guarantee Fund	–	–	32	84	145
Administration	32	22	30	26	23
Total Income					
GCF	136	242	189	129	80
Interest and Fees	0	0	5.9	18.5	54.9
Exchange Rate (Sh/£)	*1200*	*1570*	*1565*	*1780*	*2060*

	1995	1996	1997	1998	1999
TANZANIA GATSBY TRUST					
Loans disbursed (cumulative)	63	125	271	305	378
Annual grants	38	50	45	87	56
Administration	20	24	39	22	43
Project development	–	–	–	37	23
Total Income					
GCF	136	242	189	129	80
Interest and Fees	7	11	12	16	26
Exchange rate (Tsh/£)	*750*	*909*	*822*	*1088*	*1137*
CAMEROUN GATSBY TRUST					
Loans disbursed (cumulative)	28	100	264	419	616
Annual Grants	1	2	21	37	29
Administration	16	18	21	33	32
Total Income					
GCF	32	69	177	90	136
Interest	3	6	13	16	21
Exchange Rate(CFA/£)	*850*	*801*	*764*	*952*	*1017*

Annexe 2: Detailed contacts of the Trusts

Cameroun Gatsby Trust
BP 3487, Douala, Cameroun
Tel: 237 42 68 00
Fax: 237 42 79 02
E-mail: Gatsby@camnet.cm
Contact: Susan Elango, General Manager

Kenya Gatsby Trust
Electricity House, 11th Floor
PO Box 44817
Nairobi, Kenya
Tel: 254 2 212088
Fax: 254 2 331068
E-mail: kgt@form-net.com
Contact: John Kabutha, General Manager

Tanzania Gatsby Trust
PO Box 45
Dar es Salaam, Tanzania
Tel: 255 51 112900
Mobile: 255 812 781129
Fax: 255 52 112899
E-mail: Gatsby@cats-net.com
Contact: Olive Luena, General Manager

Uganda Gatsby Trust
PO Box 7062, Kampala, Uganda
Tel: 256 51 531048 / 545029
Fax: 256 41 530481
E-mail: mech@starcom.co.ug
Contact: Dr JK Byaruhanga, General Manager

Gatsby Charitable Foundation
9 Red Lion Court
London EC4A 3EF
Tel: 44 20 7410 0330
Fax: 44 20 7410 0332
Email: v.hornby@sfct.org.uk
Contact: Victoria Hornby / Laurence Cockcroft

THE GATSBY CHARITABLE FOUNDATION
9 Red Lion Court, London EC4A 3EF
ISBN: 1 901351 34 3