

ANNEX B INPUT CREDIT

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ANNEX B INPUT CREDIT

B.1 Needs of Input Credit

Farmers in the targeted villages are not able to acquire adequate farm input due to financial difficulty. Therefore, they are lacking the opportunity to increase their incomes. An input credit programme is drawn up aiming to provide support for small-scale horticultural farmers, supporting them with farm input e.g. seeds, fertiliser, chemicals, essential implements, etc. on credit.

In the initial stages (Phase I) of the Development Project Study conducted in 1999, the following three (3) types of programmes were proposed in relation to the input credit programme.

1) Vegetable Production Input Credit Programme (Type A)

Type A programme was to be applicable to the leading vegetable farmers, who have already experienced for commercial crop production. The main purpose of the programme is to improve profitability of the on-going vegetable trading to Dar es Salaam. The proposed input credit was to be supplied to farmers as a package of qualified vegetable seeds, chemical fertiliser and agro-chemicals to meet their standard application rates for 1.0 acre. The group marketing was also envisaged.

2) Vegetable Production Promotion Programme (Type B)

Type B programme was alternative to Type A for supporting small farmers, who are not eligible to access the existing micro-credits. Women and youth groups were focused on. To introduce vegetable production, farmers would be subsidised with free farm input as a training tool through the extension channels. Crop diversification would also be promoted to the limited extent. At later stage, the input credit would be introduced for 0.25 acre.

3) Fruit Production Improvement Programme (Type C)

Type C was proposed to improve fruit production by means of replanting old fruit trees with young seedlings and proper crop maintenance. Under the programme, women and youth groups would promote seedling production. Input supply to these groups was to be considered under the Type A and B programmes. Fruit farmers would procure seedlings thus raised and organise groups for joint operation of pest control and group marketing to Dar es Salaam.

In the Phase II Development Project Study conducted in 2000, the overall review was made on the above-mentioned proposals. In order to incorporate more farmers' opinions, the proposals were presented and discussed at the PRA exercise at four (4) priority villages. For their easy understanding, the concepts of Types A, B and C were illustrated as shown in the following figure and presented at

the PRA. The farmers observed the proposals and reacted with valuable comments on the basis of their experiences of previous credit operation and their preference. The major comments are summarised below.

1) Integration of Type A and B programs

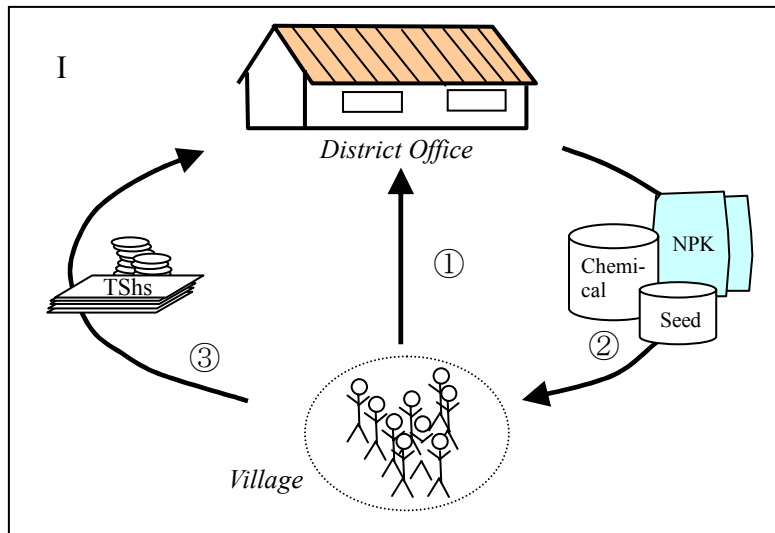
Some farmers are rather familiar to operation of micro-credit facilities in terms of conditions and borrowers' responsibilities. In the PRA, the concepts, purposes and target groups of Type A and B programmes were explained with an aid of flip charts (in the following figure). The communities reacted upon definition of target groups for both programmes on Chart II. They stated that the proposed setup of two alternatives were not definitive and would result in confusions. They requested to integrate Type B with Type A.

2) More flexibility in input selection

In general, farmers carefully select farm input and quantity, and taking into account cost performance and risks, the farmers do optimise their input plan. Therefore, they said that the proposed input package containing seeds, fertiliser and chemicals for 1.0 acre would not meet to widely ranging farmers' conditions, i.e. farmland size, soil fertility, etc. Thus, they requested to make input selection by farmers more flexible.

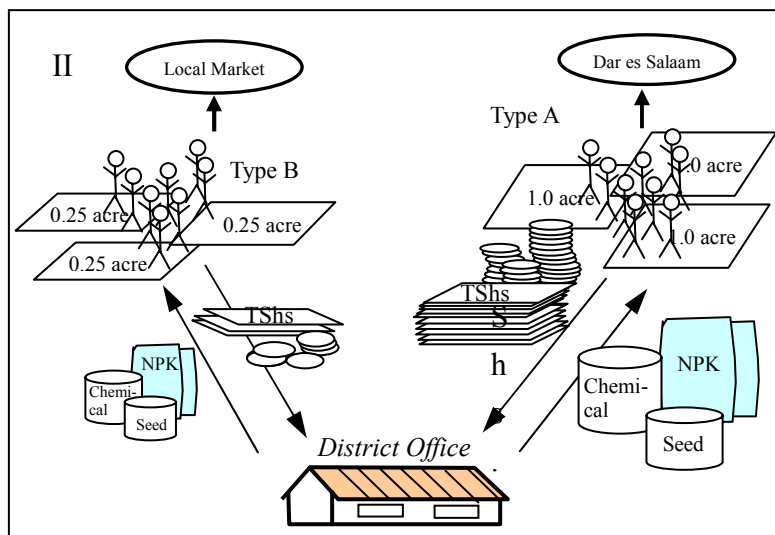
3) Lengthy transaction by District Office and delivery system

Most of farmers suggested the anxious about bureaucracy of the government organisation in the community planning of PRA. Delay of farm input delivery is highly crucial for vegetable farmers. They commented on (i) site delivery of farm input directly by the supplier and storing at the village level and (ii) supervision by donor in day-to-day operation at the initial stage.



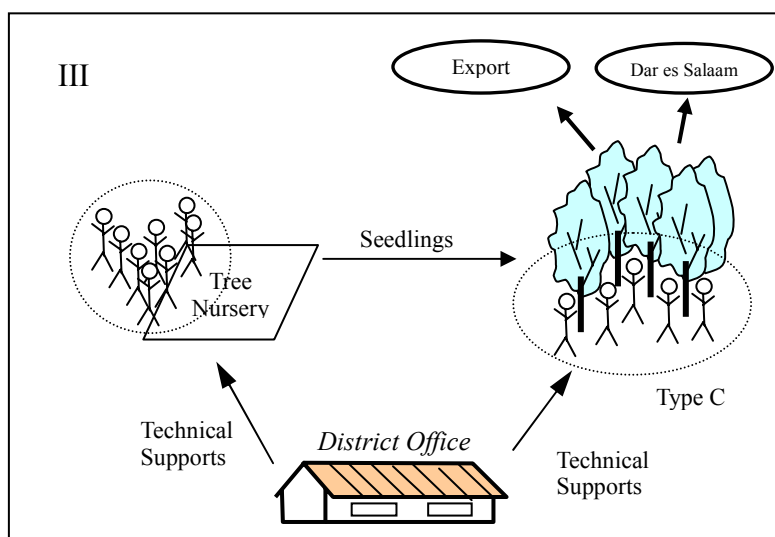
Flip Chart I

The concept of Input Credit is shown in the chart. Firstly, farmers form a group and apply the credit to the district office. Secondly, farm input is supplied to a group. Thirdly, farmers individually manage vegetable production and repay under the responsibility of the group.



Flip Chart II

The difference between the Type A and Type B programmes is shown in the chart. Two (2) sizes of input packages will be prepared for leading vegetable farmers (Type A) and for other small farmers (Type B), respectively to meet their scale of farm management.



Flip Chart III

The concept of Type C is shown in the chart. Fruit production groups will be organised to improve quality and profitability of produce by group operation. With the technical support by the district office (District Seedling Farm Project), fruit tree nursery will be raised by groups. Seedlings will be sold to the fruit production groups.

Concepts of Input Credit and Fruit Production Improvement

Taking into consideration the farmers' comments mentioned above, the input credit programme proposed under the Phase I Study was reviewed in detail and modified to meet the farmers' requirements. The study results were spelled out in the Master Programme drawn up in 2000.

B.2 Input Credit Programme Drawn up in the Original Master Programme

2.1 Principles

The proposed input credit aims at supporting the small horticultural farmers as a whole by supplying farm input with the following specific features.

- 1) The credit is made available not for individuals but for groups. The repayment is under the collective (joint) responsibility of the group.
- 2) The credit is supplied only in kind, i.e. seeds, fertiliser, chemicals, sprayers and the essential implements.
- 3) Items and quantities of farm input are selected by farmers according to their needs. Suitable input and standard application rates are set up and informed by District Offices in advance.
- 4) Extension services are provided to credit borrowers not only for improvement of crop productivity and quality but also mitigation of negative impact to the environment.

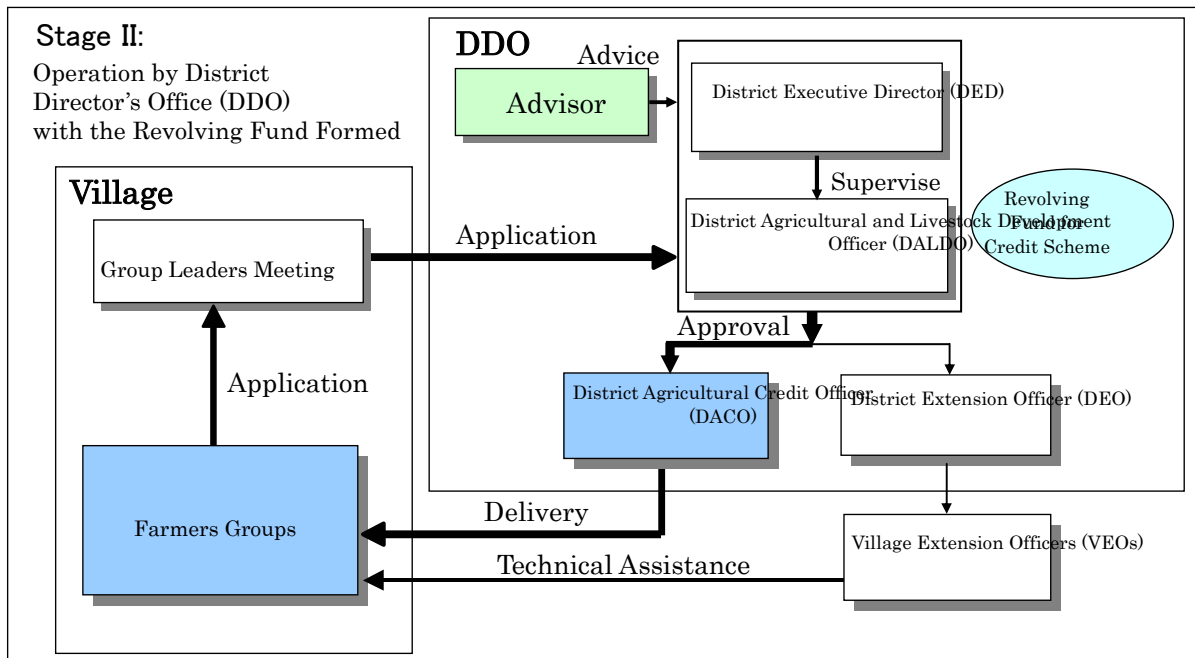
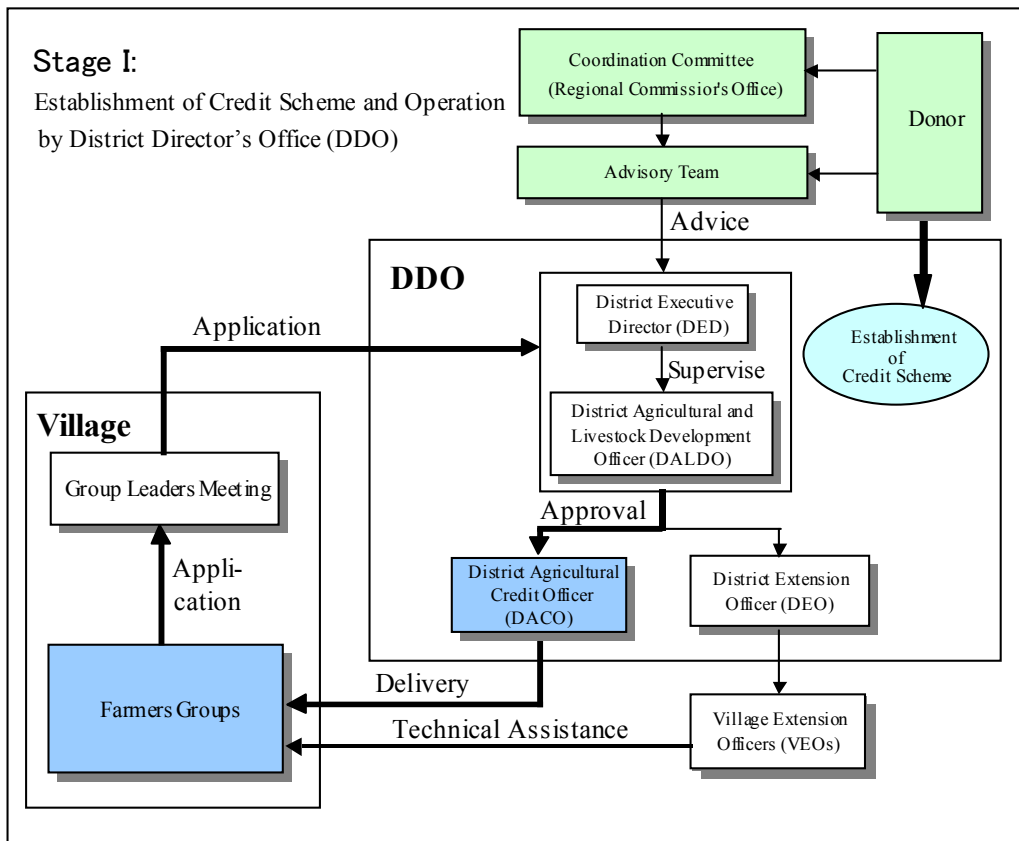
2.2 Phased Development Plan

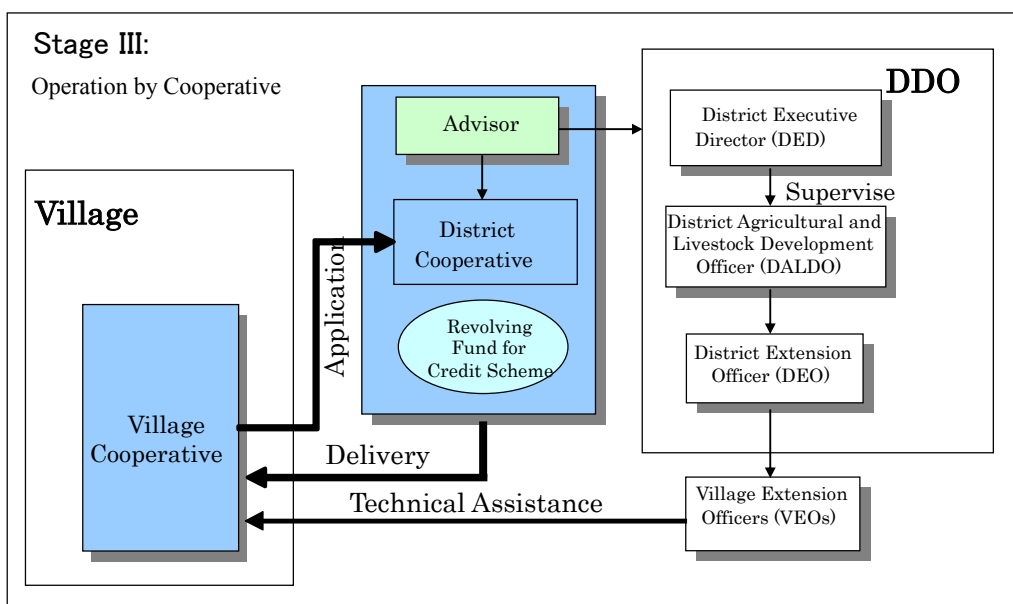
The District Director's Office (DDO) shall be the executing body of the proposed credit operation at initial stages. The District Agricultural Credit Office (DACO) is established in DDO to receive farm input from a donor and deliver them to farmers groups. Repayment by farmers groups forms a revolving fund. The following credit operation is continued with this revolving fund. Financial support by the government subsidy should be minimised. DACO is finally restructured to District Cooperative.

The proposed input credit is introduced and established through the following three (3) stages.

- Stage I : Establishment of Credit Scheme and Operation by DDO
- Stage II : Operation by DDO with the Revolving Fund Formed
- Stage III : Operation by Cooperative

The following figures illustrated three stages of the input credit.





During the course of the credit operation, some modification or improvement is required to adjust its effectiveness and efficiency, meeting changes in circumstances surrounding cooperatives and farmers. Decisions made by cooperative members should be given a high priority to sustain flexible cooperative operation. It is also important for a donor agency to be periodically reported by RCC for further necessary assistance with sufficient data and information about the situation of the credit operation.

2.3 Operation Cycle

Since farmers themselves select carefully harvesting period of vegetables taking into account marketability and price fluctuation, the credit should be made available anytime throughout year. However, the credit operation is seasonal at Stage I in order to simplify the operation at the initial stage of the programme, therefore the operation cycles are made twice a year for the crop seasons starting in June and October. With the progress of capacity building of project staff and farmers, the operation system is made more flexible to meet actual requirement, and the farmers are able to procure farm input depending upon their farming schedules at and after Stage II.

2.4 Standard Application Rates and Credit Amount

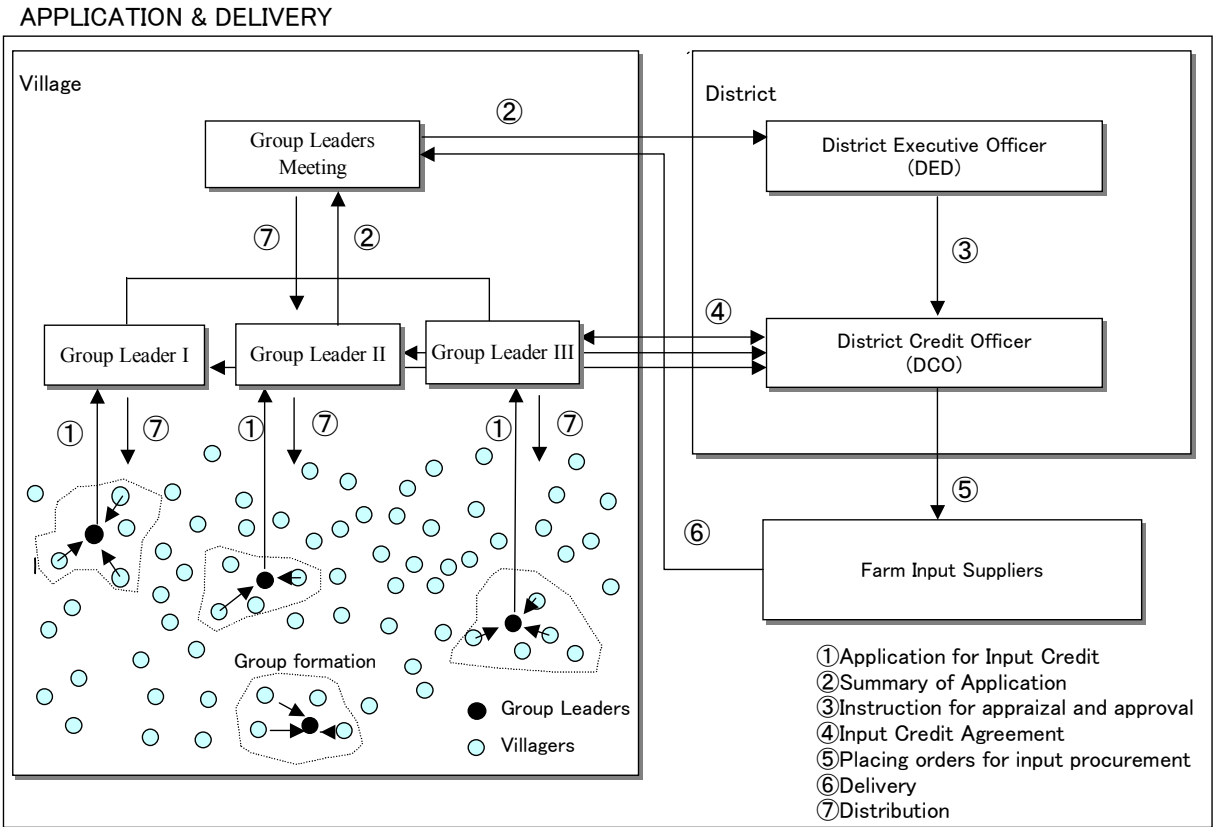
The preliminary crop expenses for the representative four (4) vegetables, namely, tomato, cucumber, eggplant and okra, are presented. The credit amount ranges from TShs 88,500 for eggplant to TShs 101,000 for tomato at full use of each input. According to the choice by farmers, the credit amount further ranges widely.

2.5 Deposits, Interest and Repayment

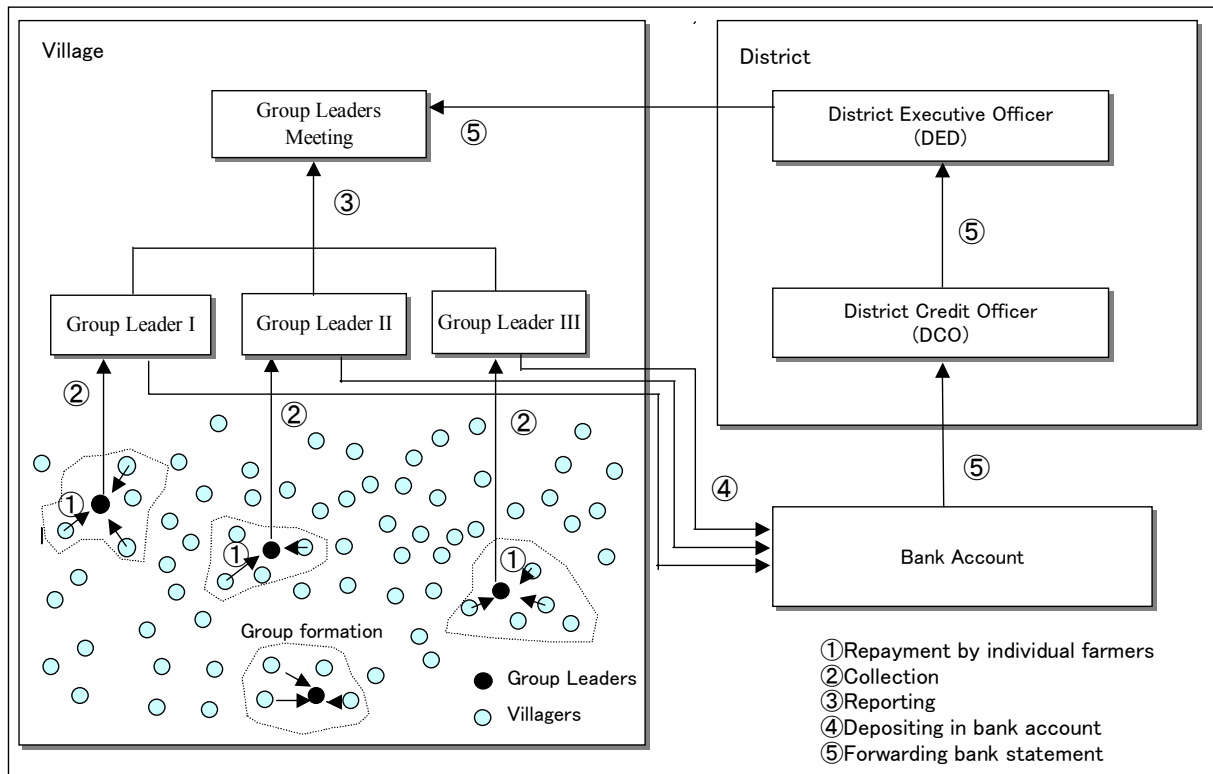
The entire farm input under the credit scheme is supplied to group farmers on credit basis. The prevailing micro-credits put conditions loanees to start repayment in 6th month after onset of loan disbursement and complete within six months. The loan interests range between 12.5 per cent and 15 per cent per annum after onset of the credit disbursement. The conditions of the proposed input credit are made softer than ones of these prevailing micro-credits. However, group members are requested to share an advanced deposit in a bank account in the name of a group leaders meeting in order to secure the fund and remind their individual responsibility for the programme. The representative of the group leaders meeting is officially registered as trustee and open a bank account for loan repayment purposes.

2.6 Operational Flow

The operational flow at the initial stage is set up and the overall operational procedure is illustrated below.



REPAYMENT



2.7 Organisation of District Agricultural Credit Office

The District Director's Office (DDO) establishes the District Agricultural Credit Office (DACO). At the initial stage, the DACO is organised by District Agricultural Credit Officer, Assistant Agricultural Credit Officer and Creditors Ledger Clerk, who are supported by other junior and subordinate staff.

B.3 Input Credit in the Verification Study

Input credit programme was put into practice as one of micro projects in the Verification Study in order to prove the viability of the programme and reveal unforeseeable constraints, if any, for the finalisation of the Master Programme and the Action Plans.

Input Credit is to evolve through three stages as planned in the Master Programme. However, it was targeted to reach the second stage (Smooth operation by DDO) during this Study, taking into consideration a limited period of three years. Achieving the third stage (Operation by cooperative) was set as the overall goal.

Targeted villages for Input Credit were set on the four vegetable growing villages of Viziwaziwa, Mwanabwito, Mwendapole and Kwa Mfipa in Kibaha District. Since Input Credit was a micro project carried out by the District and it aims at District staff members capacity building, Kibaha District staff members including Extension Officers are set as the target group.

3.1 Establishment of District Agricultural Credit Office (DACOF)

Kibaha District established a District Agricultural Credit Office (DACOF) that is an execution organisation with functions of deciding interest, guaranties and repayment term in order to start the first stage (Establishment of Input Credit Scheme by District Director's Office) of Input Credit in March 2001.

The District Agricultural Credit Officer (DACO), the Assistant District Agricultural Credit Officer (ADACO) and the District Agricultural Credit Treasurer (DACT) ran DACOF. A Professional Internal Auditor of the Region was set for auditing DACOF. The following District Officers were appointed as staff members of DACOF.

DACO: Mr. J. A. Maliyawatu (District Agriculture and Livestock Development Officer)

ADACO: Mr. Ahmed S. Mkungu (District Subject Matter Specialist Horticulture)

DACT: Mr. Tisian S. Mwiru (Ward Agricultural Extension Officer - Soga)

DACOF renovated DACOF office room in collaboration with the Team in August 2001, and the Team also provided DACOF with a set of computer and three motorcycles in November 2001.

It was found that DACOF had to be registered to Attorney General's Chambers as Board of Trustee to function as a non-profit making financial institution at the commencement of the implementation. Assistance by a lawyer was needed for this registration, as it is really a legal procedure. Therefore, DACOF employed the layer, and completed the registration on the 1st of October 2001. DACOF opened its bank account on the 19th of October 2001.

3.2 DACOF Staff Members' Training for Management of Input Credit

Newly appointed staff members of DACOF were not familiar with the credit scheme. Therefore, it appeared very necessary to give them training on micro credit handling to support DACOF's smooth start. The training was carried out in collaboration with Swissaid, a NGO with a successful experience on micro credit in the Region.

The Team provided DACOF staff with the training described as follows, with the assistance of Swissaid. The training of DACOF's staff members was offered in the following two steps.

First Step:

A short course on micro finance handling before implementation of Input Credit

Second Step:

On the Job Training (OJT) for micro finance handling during implementation of Input Credit including the preparation period

DACOF staff received the first step and the second step of the training as follows. (Details of the training are described in Attachment 1 "DACOF TRAINING ON INPUT CREDIT" attached hereinafter)

First Training

Lecturers: Staff members of Swissaid who have an extensive and abundant experience in micro credit in the Region

Trainees: Three staff members of DACOF, five VAEO from Kibaha District and Regional Agricultural Adviser

Time: 3 days in a preparation period of Input Credit

Main Contents:

First Day (20th August 2001)

- General matters
- Nature of Input Credit
- Target groups
- Credit policy
- Group formation
- Decision of disbursement date (Input delivery date)

It was stressed that selection of loanees is the most important in micro financing. As the project is aiming at poverty alleviation, the target groups shall be poor people. The poor people are defined in three categories as follows;

- (i) The poor of the poorest, (who only needs donation or grant)
- (ii) The poor (who is able to have only houses/shelters and has enough food for his

families but not something else to save or multiply).

- (iii) The active poor (who has house/shelters enough food and be able to keep little money for future emergency use).

After discussions, it was agreed that DACOF's target group should be those Active Poor Farmers that can support and later sustain themselves through pursuing an efficient business.

Second Day (21st August 2001)

- Identification of group members (loanees)
- Loan repayment
- Action plan of work
- Important documents

Third Day (22nd August 2001)

- Documents needed
- Evaluation
- Readiness of DACOF members for execution of Input Credit

Second Training

DACOF staff received a part of the second step of the training with the assistance of Swissaid staff members through the practical works of Input Credit operation, such as Preparation, Input Delivery, Repayment, Systemisation and Replication, from the beginning of September 2001 till July 2003.

3.3 Details of Implementation of Input Credit

DACOF reviewed and revised the original details of implementation of Input Credit drawn up in the Plan of Operation taking into consideration the guidance of Swissaid and complied them into DACOF Policy in October 2001 attached hereinafter in Attachment 2 "INPUT CREDIT POLICY".

(1) Conditions of Input Credit

DACOF reviewed and revised conditions of Input Credit drawn up in the Plan of Operation after long discussions during the first step of the training described above and the workshops held at Viziwaziwa. The conditions revised were as follows.

List of Conditions Revised

Items	Plan of Operation	First Step of the Training	Workshops	Reference Swissaid's Case
Interest	8 %	8 %	8 %	10 %
Membership Fee	not considered	1,000	1,000	2,500
Application Fee	1,000	1,000	1,000	2.5 % of loan amount
Passbook Fee	not considered	1,000	1,000	1,500
Insurance Fee	not considered	0.50 %	0.50 %	0.50 %
Savings	not considered	500/week	500/week	1,000/week
Emergency Savings	not considered	not considered	200/week	10 % of loan amount
Punishment	not considered	8 % of weekly repayment amount	8 % of weekly repayment amount	10 % of weekly repayment amount
Grace Period	4 months	3 months	100 days	-
Repayment Term	2 months	3 months	80 days	6 months
Repayment Interval	2 weeks	1 week	1 week	1 week

Only application fee was required as charges in the Plan of Operation, since it was deemed difficult to require the loanees other charges in accordance with the study result. Only joint and collective responsibility was adopted without applying collateral.

A big point revised was introduction of savings, and this introduction required necessity of passbook. The amount saved was individual property in principle, but, in case of a bad debt, the amount should be collateral. A membership fee and insurance were also adopted. The former was for the loanees to be owners of the Association and the latter was used in case of death and permanent physical disability that could occur on loanees. Emergency savings, introduced at the time of the workshops with the loanees, should be used for emergency loan such as ceremonial occasions and even for paying arrears of Input Credit.

A grace period was revised to 100 days, as four months is too long for cultivating crops. Moreover, a repayment interval was revised to one week, as, in case of fortnight, repayment amount became too big for loanees to repay.

In case of disaster, like earthquake, floods, drought, pests and diseases, DACOF staff in collaboration with extension workers, group leaders and CPMU would refinance or reschedule the loan and agree with the loanee on how to repay.

(2) Operational Flow

DACOF revised operation flow of Input Credit drawn up in the Plan of Operation after the first step of the training described in Activity 1-2 and the workshops held at Viziwaziwa. The following actions were added to the original overall operational procedure.

- 1) In the Plan of Operation, a formed group needs to register to DACOF. However, the formed group shall register to the Ministry of Home Affairs to get legal status instead of DACOF. DACOF has to record loanees' characters in Member Register. The loanees shall pay membership fee and passbook fee at the time of recording in Member Register.
- 2) Each group member must save a minimum of TShs 700 per week i.e. TShs 500 for savings in DACOF account and TShs 200 in CPMU account as emergency savings. Savings should start soon after the loanees are recorded in Member Register, continuing for the entire period of the membership in the group. No member will be allowed to withdraw his/her savings as long as the group is still involved in Input Credit. The passbook shall be delivered to the loanees previous to commencement of savings.
- 3) Application fee shall be paid at the time of application for Input Credit. Insurance fee shall be paid at the time of disbursement (input delivery). ADACO shall fill in Disbursement Register then.
- 4) The group members shall hold a meeting every week, and vegetable growing conditions and problems shall be discussed there. CPMU treasurer shall collect TShs 700 as savings and emergency savings at the meeting, as well. After repayment starts, repayment money shall be also collected adding to the savings. Group leaders make records of the meetings.
- 5) Anytime the money (membership fee, application fee, passbook fee, insurance fee, savings, etc.) is collected, CPMU treasurer shall update the passbooks and Consolidated Register. Then ADACO shall verify passbook updated. CPMU treasurer shall later take collected money to the bank and deposit it into DACOF bank account, and get a bank deposit slip. Then he shall hand it to ADACO, and ADACO shall issue receipt voucher 1 or 2. ADACO shall hand over the slip with the copy of voucher to DACT, and DACT shall update Banking Register.
- 6) Monthly Loan Status Report (Consolidating the Narrative Report "Operation Report" prepared by ADACO and Financial Report prepared by DACT) shall be prepared by DACO and submitted to DED.

(3) Duties of DACOF Staff

DACOF revised duties of its staff described in the Plan of Operation after the first step of the training described above. Details of their revised duties are shown in Attachment 2 "INPUT CREDIT POLICY" attached hereinafter.

(4) Standard Application Rates and Credit Amounts

DACOF reviewed the standard application rates of seeds, fertiliser, fungicide and insecticide described

in the Plan of Operation in accordance with the present whether conditions, and sprayers were added in compliance with the loanees' requirements. The following table shows standard application rates revised.

Standard Application Rates of Agricultural Input

Unit: per 0.2 ha (0.5 acre)

Input	Unit	Unit Price	Tomato (Roma VF)		Cucumber (R.S., Ashley)		Okra (Danish)	
			Qty'y	Amount	Qty'y	Amount	Qty'y	Amount
Seeds (Unit Price)			54.00		25.50		16.00	
Seeds	gram		50.00	2,700	200.00	5,100	1,500.00	24,000
Organic Manure	bag	790.00	43.00	33,970	43.00	33,970	43.00	33,970
Fertilizer								
NPK (20.10.10)	kg	245.96	79.86	19,642	79.86	19,642	79.86	19,642
Urea	kg		0.00	0	0.00	0	0.00	0
CAN	kg	205.96	39.93	8,224	39.93	8,224	39.93	8,224
Insecticide								
Karate	lit	14,800.00	0.48	7,104	0.48	7,104	0.48	7,104
Furadan	kg	4,200.00	3.00	12,600	3.00	12,600	3.00	12,600
Fungicide								
Dithane M45	kg	8,400.00	3.60	30,240	0.00	0	0.00	0
Antracol Blue	kg	6,200.00	0.00	0	3.60	22,320	3.60	22,320
Booster	lit	2,200.00	0.80	1,760	0.80	1,760	0.80	1,760
Total Cost	TSh.			116,240		110,720		129,620
Sprayer	1/5 uni	65,000.00	0.20	13,000	0.20	13,000	0.20	13,000
Grand Total	TSh.			129,240		123,720		142,620

3.4 Explanation about Input Credit to the Farmers

DACOF held explanatory meetings about Input Credit several times with the assistance of Swissaid. For the first credit, announcement of the meetings were done straight to the group members of Input Credit instead of the announcement and information described in the Plan of Operation for diffusion to a greater number of farmers, because the groups were already formed for the first credit. For the second credit, the method in the Plan of Operation was applied to recruit new members.

(1) First Credit

In accordance with the Plan of Operation, DACOF decided to give the first credit only to farmers in Viziwaziwa village and held the workshops to explain details of Input Credit several times at Viziwaziwa in early September 2001. The followings are the main items explained and discussed in the workshops.

- Importance of membership: necessity of introduction of membership fee to create awareness of ownership of the Association
- Importance of savings: necessity of introduction of savings to establish guarantee among group members and to save money for future use
- Necessity of passbook: purchase of passbook for recording savings and repayment
- Necessity of insurance: introduction of insurance against death and permanent physical disability occurred on loanees
- Punishment: 8 % of repayment amount for failure of repayment

- Application fee: necessity of application fee for applying loan
- Emergency savings: necessity of emergency savings for emergency loan such as ceremonial occasions and even for paying arrears of Input Credit
- Grace period: 3 months for growing crops
- Repayment schedule: weekly repayment from the 8th January 2002 till the 2nd April 2002, 13 times
- Flow of money: loanees - CPMU treasurer - DACOF bank account (only bank deposit slips go to DACOF)
- Group members: confirmation and identification of group members
- Registration: necessity of registration to the Ministry of Home Affairs and registration fee (for registration; TShs 40,000, annual fee; TShs 10,000)
- Storehouse: necessity of storehouse for agricultural input

In the workshops, the farmers required sprayers to be included in the input, and DACOF agreed. The farmers also suggested that the grace period of 3 months was too short for certain crops and would like to prolong it to 100 days. After the discussion, DACOF agreed with the farmers to prolong it 100 days provided that the repayment could be done before the grace period without changing the interest.

Moreover, even after the input delivery, DACOF held workshop on the 13th of October 2001. The savings should have started on the day of delivery, but no one brought the money for savings on that day, as they said they were lack of money because they spent it for other expenditures concerning the micro projects. Therefore, DACOF decided to hold another workshop to decide a future schedule such as periodical weekly meeting and repayment schedule, and to lecture obligation of loanee. Some farmers paid the savings in the workshop. The followings were discussed and decided in the workshop.

- The periodical weekly meeting was set every Tuesday at 11:00 in the morning.
- Savings were obligation to the loanees
- Punctuality for attending the meeting.
- Re-explanation on savings, insurance, registration fee and usage of input.

(2) Second Credit

In accordance with the Plan of Operation, DACOF decided to give the second credit to farmers in four villages of Viziwaziwa, Mwendapole, Kwa Mfipa and Mwanabwito. In the original plan, the explanatory meetings were supposed to be held in early June 2002. However, it was found that the farmers required Input Credit earlier than originally set. Therefore, it was needed to start preparation of the second credit in February 2002.

DACOF prepared the posters in Swahili, five large size ones and 50 small size ones for each village, for informing explanatory meetings about Input Credit with the date, time, place and contents at the

beginning of February 2002. For preparing the posters, it was taken into consideration to realise diffusion to a greater number of farmers using illustrators in order to notify even to illiterates. It was also clearly stated in the posters that youths and women are very much welcomed. Consequently, DACOF put up the posters on the walls, trees, electric posts, and so forth in each village.

DACOF held workshops in Viziwaziwa, Mwendapole/Kwa Mfipa and Mwanabwito on the 12th, 13th and 14th of February respectively to explain details of Input Credit. DACOF sufficiently explained, especially, risks regarding the credit. Moreover, in Viziwaziwa and Mwendapole, DACOF added that the new credit members had to make certain contribution to CPMU, as the members of CPMU



A Lady Reading the Poster

made great contribution already for the other micro projects. The participants of the meetings in Viziwaziwa, Mwendapole/Kwa Mfipa and Mwanabwito were 11, 51 and 70 respectively. The followings are the main items explained.

- i. Eligibility of loanees (group of 5 members, more than 18 years old, with sustainable water sources, without arrears, etc.)
- ii. Savings should be done before credit start at least 8 weeks (TShs500.-/week as collateral and TShs200.-/week for emergency)
- iii. Membership fee (TShs1,000.-), Passbook fee (TShs1,000.-)
- iv. Application (document and fee: TShs1,000.-)
- v. Interest (8 % of loan amount per one credit)
- vi. Insurance (0.5 % of loan amount)
- vii. Minimum and Maximum loan amount (TShs60,000.-, TShs120,000.-)
- viii. Grace period (100 days)
- ix. Co-guarantee and penalty
- x. Others needed

Questions and answers were also vividly made. DACOF also handed brief notes about Input Credit in Swahili after the meetings. Details of meetings and brief notes translated into English are shown in Attachment 3 “REPORT CONCERNING INPUT CREDIT INTRODUCTORY MEETING” attached hereinafter.

3.5 Guidance on How to Form Groups

(1) First Credit

DACOF gave the farmers guidance on how to form groups through the workshops held and DACOF helped them to register it to the Ministry of Home Affairs. The activities concerning group formation are as follows.

In the workshop held on the 3rd of September 2001, DACOF explained importance of group formation to realise joint and collective responsibility. DACOF proposed the farmers to form Input Credit group consisting of small credit groups to manage themselves. However, the farmers said there existed CPMU already, so CPMU could function as Input Credit group.

In the workshop held on the 4th of September 2001, DACOF identified and confirmed group members of five groups that were formed previously with five members. It was found that the credit group No. 1 included a father and his son during the confirmation. The facilitator suggested that one of them had to be replaced, and the group agreed upon. DACOF also explained necessity of group registration to the Ministry of Home Affairs with the registration fee and annual fee of TShs 40,000 and TShs 10,000 respectively. It was also explained that the following documents were needed for the registration.

- i. CPMU Constitution
- ii. List of Members with All Members' Signature
- iii. Minutes of Meeting (CPMU Meeting) for Registration
- iv. All Members' Passport-size Photos

In the workshops held on the 6th, 8th and 12th of September 2001, DACOF instructed group members to prepare the documents needed for registration. DACOF also helped them to prepare constitution and improve it. At last, CPMU members applied registration to the Ministry of Home Affairs on the 14th of September, and it was approved on the 17th November 2001.

(2) Second Credit

DACOF gave the guidance on how to form groups to the farmers for the second credit through the workshops held in February and March 2002. As a result, five groups were made with five members of each group at Mwanabwito, Mwendapole and Kwa Mfipa severally. Two groups were made with six members of each group at Viziwaziwa in May 2002. DACOF also gave the farmers of Mwendapole and Kwa Mfipa guidance on forming CPMU and its registration to the Ministry of Cooperative and Market through the workshops.

3.6 Extension Officers' Training for Input Credit Assistance

Five Extension Officers attended the first step of the training carried out for DACOD staff members concerning management of Input Credit mentioned above, and learned about roles necessary for assisting in the implementation of Input Credit in its second step. Additionally, they acquired necessary knowledge about horticultural technology to help farmers make full use of farm input through Training for Extension Officers held in August 2001, July 2002 and August 2003 as one of micro projects (Capacity Building of Extension Officers) of the Study.

3.7 Group Leaders' Training Concerning Input Credit

Group leaders received the practical training from DACOF in collaboration with Swissaid staff in the

second step of the training carried out for DACOD staff members concerning management of Input Credit mentioned above. Additionally, they acquire knowledge about their roles in managing credit and basic bookkeeping through Training for Group Leaders held from the 10th till the 12th of October 2001 as one of micro projects (Capacity Building for Community) of the Study.

3.8 Farmers' Training Concerning Input Credit

The farmers received basic training to grasp the contents and procedure of Input Credit as persons directly concerned through the workshops for explanation about Input Credit to the farmers mentioned above. Additionally, DACOF held some more workshops and activities to lecture them about more practical details of Input Credit in September 2001. The followings are the main items explained and discussed in the additional workshops.

- Registration: necessity of passport-size photos of each member, fingerprints as substitutes for signatures of member list, preparation of member list with signature by the 13th of September 2001
- Replacement of exited member: necessity of 5 members per each group
- Input requirements: kinds of crops, varieties of crops, etc.

Farmers' requirements were as follows;

- Tomato - Roma VF, Cucumber - Royal Swiss, Okra - Danish,
- Fertiliser - CAN, Sprayer - SOL (made in Germany)
- Area to be cultivated - amount of requirements: appropriateness of requirement amount
- Crops to be cultivated: identification and confirmation of crops to be cultivated by each farmer
- Constitution: confirmation and revision of constitution prepared by the farmers
- Unit price: transparency of prices, keeping price list open for the farmers
- Registration: application of CPMU registration on the 14th of September 2001

In the workshop held on the 19th of September 2001, induction training was made for the farmers to understand basic stance to be loanees. This was the first workshop without assistance of Swissaid. The followings are the items explained and discussed.

- everybody has to work hard to carry out loan, otherwise he has to shoulder the heavy debt
- importance of keeping to the rules, duty and responsibility to perform healthy repayment
- importance of CPMU's role to guide credit proceed properly
- establish appropriate amount of input depending on water resource and labour power

Moreover, DACOF held a workshop for giving horticultural technology to the farmers on the 25th of September and the followings were the items explained and discussed. ADACO set this workshop voluntarily; as the basic training for the farmers concerning horticulture was judged needed when he found out farmland was not properly prepared, during the farmland evaluation carried out by DACOF.

- How to prepare nursery? - advantage of nursery

- How to sow? - spacing
- How to prepare farmland? - timing of putting manure, fertiliser and chemicals
- How to transplant young plants? - advantage of transplanting
- How to treat farmland? - weeding, putting chemicals, timetable of on farm activities

The farmers also acquired some practice at weekly meetings after the delivery of input (disbursement) in collaboration with DACOF staff attending.

3.9 Application for Input Credit

The farmers needed to decide the contents of Input Credit depending on their capability (labour, cultivated area, etc.). Extension Officers who had proper knowledge concerning horticulture gave them appropriate advice during the workshops and helped them to fill the input applications with the assistance of DACOF staff.

The farmers signed application forms prepared by DACOF with the contents decided by the farmers and handed them to the group leaders. The group leaders signed the Summary of Input Credit prepared by DACOF and submitted them together with the application forms of each group member to DACOF through CPMU. The Team gave assistance to DACOF staff for preparing the forms.

ADACO and DACT examined farmers' applications with assessment of farmers' farmland in collaboration with Extension Officers. Their farmlands were properly measured and each member's real area to be cultivated with the input loaned was confirmed and decided. In accordance with the result of this examination, the final application forms were prepared with the assistance of the Team. Farmland confirmation was carried out in September 2001 for the first credit and in March 2002 for the second credit.

DACO checked results of examination and assessment, judged if they were appropriate or not and gave approval on the appropriate applications. The farmers' groups whose applications were approved were informed. After the both sides agreed, agreements on Input Credit were made and signed by DACO and the group leaders.

3.10 Purchase and Delivery of Farm Input

(1) First Credit

DACOF staff started to get the quotations from the suppliers in Dar es Salaam on the 6th of September 2001, and ordered the input except manure on the 1st of October in accordance with the Summary of Input Credit. Concerning manure, it was impossible to purchase from the retail shops, and manure ordering was made to poultry farms nearby. However, it was also impossible to purchase in one poultry farm, as the farms nearby are small-scale farms and the amount of manure needed was very huge (874 sacks with 50 kg/sack). Even DACOF ordered the manure to several farms ahead of time,

DACOF failed to collect all on that very day, as the farms actually could not prepare the manure then.

On the 3rd of October, the review of preparation of disbursement was carried out before the delivery. As a result of the review, it was judged to postpone one day for disbursement to the 9th of October, since the amount of input was huge and took the whole 8th of October for transport. DACOF took the farm input to CPMU on the 8th October. DACOF delivered all the input except manure to each group after the inspection by each group leader on the 9th of October. DACOF failed to deliver all manure, and one third of it was delivered on that day. DACOF completed its delivery on the 19th of October 2001.

At the time of ordering input, the unit prices were changed from the quotations previously got even in the big retailers, as, they said, they were imported. In another case, the goods that were available at the time of quotations were not available at the time of ordering, so other shops were chosen, and it changed the unit prices as well. Therefore, the unit prices were reviewed and revised at the time of purchasing. Additionally, all the retailers did not have transport to deliver goods, and DACOF had to prepare transport and add the transport costs to the unit prices revised. Therefore, the final unit prices were decided one day before disbursement date, and it incurred revision of loan amount and re-signing of final agreements.

The type and volume of input and loan amount credited this time is summarised as follows.

Loan Amount with Type and Volume of Input (TShs)

Group			Group 1		Group 2		Group 3		Group 4		Group 5		Total	
Area to be cultivated			0.873 ha		0.773 ha		0.911 ha		0.587 ha		0.878 ha		4.02 ha	
Input	Unit	Unit Price	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount
Seeds														
Okra	gram	14	3,099	43,386	5,792	81,088	1,238	17,332	1,801	25,214	1,995	27,930	13,925	194,950
Tomato	gram	54	115	6,210	0	0	138	7,452	64	3,456	129	6,966	446	24,084
Cucumber	gram	23	0	0	0	0	193	4,439	90	2,070	96	2,208	379	8,717
Organic Manure	sack	828	190	157,320	168	139,104	198	163,944	127	105,156	191	158,148	874	723,672
Fertiliser														
NPK (20.10.10)	kg	253	349	88,221	308	78,025	364	91,966	234	59,227	351	88,727	1,605	406,166
CAN	kg	203	175	35,444	154	31,323	182	36,926	117	23,771	176	35,647	804	163,111
Insecticide														
Karate	lit	14,455	2.110	30,500	1.865	26,959	2.195	31,729	1.410	20,382	2.120	30,645	9.70	140,214
Furadan	kg	3,780	13.25	50,085	11.70	44,226	13.80	52,164	8.85	33,453	13.35	50,463	60.95	230,391
Fungicide														
Dithane M45	kg	7,560	8.40	63,504	0.00	0	10.05	75,978	4.65	35,154	9.45	71,442	32.55	246,078
Antracol Blue	kg	6,850	7.50	51,375	14.00	95,900	6.50	44,525	6.00	41,100	6.55	44,868	40.55	277,768
Booster	lit	1,980	3.500	6,930	3.090	6,118	3.650	7,227	2.290	4,534	3.530	6,989	16.06	31,799
Total Cost	TSh.			532,975		502,743		533,681		353,517		524,032		2,446,949
Sprayer	unit	53,000	1	53,000	1	53,000	1	53,000	1	53,000	1	53,000	5	265,000
Grand Total	TSh.			585,977		555,745		586,683		406,519		577,033		2,711,957

Additionally, DACOF delivered refinancing input from 12th March till 9th April 2002, to 12 farmers who required refinancing due to disaster mentioned after in the item concerning repayment. The following table shows the type and volume of input and loan amount refinanced.

Refinanced Loan Amount with Type and Volume of Input (TShs)

Input	Tomato Seeds	Cucumber Seeds	Manure	CAN	Selecron	Booster	Total
Unit	g	g	bag	kg	ml	ml	
Unit Price	54	23	482	194	15.6	2.2	
Quantity	34	20	200	55	1,750	500	
Amount	1,836	460	96,400	10,670	27,300	1,100	137,766

(2) Second Credit

DACOF staff started to get the quotations from the suppliers in Dar es Salaam on the 29th of April 2002, and ordered the input except manure on the 1st of May in accordance with the Summary of Input Credit. Concerning manure, DACOF decided that the farmers should decide places and prices of manure, and after the farmers’ decision, DACOF staff should go together with the farmers and purchase it.

DACOF delivered a part of the input such as seeds, manure and chemicals on the 2nd of May 2002 at Mwanabwito and on the 14th of May 2002 at Mwendapole and Kwa Mfipa to the farmers who required to bring forward the date for delivery due to timing of sowing.



Input Delivery at Viziwaziwa

DACOF delivered the remaining input except manure to each group after the inspection by each group leader from the 5th of June 2002 at Viziwaziwa, Mwanabwito, Mwendapole and Kwa Mfipa. Main part of manure has not been delivered yet, since the farmers are seeking where to purchase it.

Moreover, DACOF additionally delivered some seeds to 11 loanees at Mwanabwito, since they claimed insects damaged their plants that were sowed using the first input delivered in May.

The following tables show the total input delivered to the loanees at each village including previously delivered, the part of input delivered previously and the additional input delivered to the loanees at Mwanabwito.

Total Loan Amount with Type and Volume of Input

(TShs)

Village			Vizivaziwa		Mwanabwito		Mwendapole		Kwa Mfipa		Total	
Loanees			11		25		25		25		86	
Input	Unit	Unit Price	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount
Seeds												
Okra	gram	20	1,250	25,000	10,500	210,000	7,550	151,000	3,300	66,000	22,600	452,000
(Okra)	gram	20	-	-	4,500	90,000	-	-	-	-	4,500	90,000
Tradi. Eggplant	gram	50	0	0	425	21,250	100	5,000	250	12,500	775	38,750
(Tradi. Eggplant)	gram	50	-	-	100	5,000	-	-	-	-	100	5,000
Tomato	gram	54	225	12,150	450	24,300	225	12,150	75	4,050	975	52,650
(Tomato)	gram	50	-	-	25	1,250	-	-	-	-	25	1,250
Cucumber	gram	35	1,100	38,500	100	3,500	700	24,500	1,035	36,225	2,935	102,725
Amaranthus	kg	2,200	0	0	0	0	2	4,400	0	0	2	4,400
Green Pepper	gram	55	0	0	0	0	0	0	50	2,750	50	2,750
Organic Manure	sack	800	473	378,400	0	0	1,032	825,600	967.5	774	2,473	1,978,000
Fertiliser												
NPK (20.10.10)	kg	290	878.46	254,753	1,996.5	578,985	2,006.92	582,007	1,996.5	578,985	6,878	1,994,730
CAN	kg	200	439.34	87,868	998.5	199,700	1,118.59	223,718	1,018.6	203,720	3,575	715,006
Insecticide												
Karate	lit	16,000	5,280	84,480	12,000	192,000	12,000	192,000	11,520	184,320	41	652,800
Furadan	kg	4,2000	33	138,600	75	315,000	72	302,400	60	252,000	240	1,008,000
Fungicide												
Dithane M45	kg	5,000	16.2	81,000	66.6	333,000	44.8	224,000	46.8	234,000	174	872,000
Antracol Blue	kg	6,850	19.8	135,630	25.2	172,620	37.8	258,930	38.6	264,410	121	831,590
Booster	lit	2,500	8.8	22,000	20	50,000	19.2	48,000	20	50,000	68	170,000
Total Cost	TSh.			1,258,381		2,196,605		2,853,705		2,662,960		8,971,651
Sprayer	unit	53,000	2	106,000	5	265,000	2	106,000	3	159,000	12	636,000
Grand Total	TSh.			1,364,381		2,461,605		2,959,705		2,821,960		9,607,651

* Figures for Mwanabwito include the additional input.

Partly Financed Loan Amount with Type and Volume of Input

(TShs)

Village			Mwanabwito		Mwendapole		Kwa Mfipa		Total	
Loanees			24		10		17		51	
Input	Unit	Unit Price	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount
Seeds										
Okra	gram	20	11,250	225,000	-	-	-	-	11,250	225,000
Tradi. Eggplant	gram	50	400	20,000	100	5,000	150	7,500	650	32,500
Tomato	gram	60	400	24,000	-	-	-	-	400	24,000
Cucumber	gram	70	100	7,000	-	-	-	-	100	7,000
Organic Manure	sack	500	-	-	430	215,000	559	279,500	989	494,500
Insecticide										
Selecron	ml	15.6	1,000	15,600	-	-	-	-	1,000	15,600
Total				291,600		220,000		287,000		798,600

Additionally Financed Input to the Loanees at Mwanabwito

(TShs)

Input	Unit	Unit Price	Qut'y	Amount
Okra (6 Loanees)	gram	20	4,500	90,000
Tradi. Eggplant (4 Loanees)	gram	50	100	5,000
Tomato (1 Loanees)	gram	50	25	1,250
Total (11 Loanees)				96,250

(3) Problems Concerning Input Delivery of Second Credit

DACOF held workshops at Viziwaziwa, Mwendapole/Kwa Mfipa and Mwanabwito on the 12th, 13th and 14th of February 2002 respectively to explain details of Input Credit. The farmers who express their intention to join the Input Credit scheme agreed on the conditions for receiving the loan, that were to pay membership fee, passbook fee, application fee, insurance fee and eight times savings.

However, even they did not fulfil the said conditions, they required DACOF to bring forward the date for delivery due to timing of sowing in the middle of April 2002. Consequently, DACOF decided to deliver a part of the input such as seeds, manure and chemicals taking into account to miss timing of sowing would have ill effects on whole farming concerning Input Credit as the time was shifting to the dry season, and delivered them on the 2nd of May 2002 at Mwanabwito and on the 14th of May 2002 at Mwendapole and Kwa Mfipa.

At the end of May, even though they needed other input, such as fertiliser and chemicals for their plants growing, they had not fulfilled the conditions yet and just urged DACOF to expedite delivering remaining input, claiming shortage of money could not fulfil the conditions. DACOF collected membership fee and passbook fee from most of the farmers, but collection of application fee was less than half at the end of May. Concerning savings, very few savings were collected then. Then, DACOF made a discussion with Swissaid staff on this matter and decided to relieve the conditions taking into account it was more important to mitigate ill effects on farming than to keep rules strictly. Therefore, the conditions were relieved, and DACOF decided that at least three fees, namely membership, passbook and application fees, should be paid to get delivery. Subsequently, DACOF decided the date for delivery in early June 2002. However, even though the delivery date was approaching, payment for the fees was not completed at Mwanabwito. It was a surprise that everybody tried his best to pay, asking to bring money from home or borrowing money around, on that day of delivery, as DACOF took all the input to Mwanabwito, and said only the groups that completed to pay three fees could get the input.



Input Delivery at Mwanabwito

Moreover, some farmers at Mwanabwito required seeds, even though they were delivered in early May, claiming they sowed the seeds but they were attacked by insects. At the first delivery, most of the farmers did not require insecticide saying they would buy it by themselves in case it would be needed. Consequently, DACOF wanted to deliver additional seeds to them, but there was no reason to refinance, as the attack was not a natural disaster but a man-made one. Fortunately, the farmers at Mwanabwito did not require manure as the land is rather fertile due to floodplain, and the individual

loan amount was certain amount smaller than maximum amount of loan that is TShs120,000. Therefore, DACOF could deliver additional seeds to them, as the loan amount did not exceed the maximum. It was judged appropriate to make such counter-measures, as without seeds other input would become useless.

3.11 Periodical Weekly Meeting

Periodical weekly meeting was started on the 16th of October 2001 just after one week of delivery of the first credit. The meetings were held for the following purposes.

- To collect savings
- To discuss problems
- To collect repayment
- To train farmers to be aware of membership benefits
- To monitor loanees' activities

DACO presided the 1st meeting to let farmers know how to conduct the meeting, and CPMU chairperson Viziwaziwa started to preside from the 2nd meeting.

The main problems discussed in the meetings were as follows.

- Difficulty of vegetable growing due to drought
- Poor attendance to the meetings
- Poor payment of savings
- Poor repayment
- Rescheduling
- Refinancing
- Forthcoming credit

The details of meetings for the first credit are described in Attachment 4 "Problems Arising in the Periodical Weekly Meetings" attached hereinafter.

3.12 Repayment

(1) First Credit

There occurred disaster twice in this farming season; therefore DACOF applied the disaster clause of DACOF Policy in order to assist the loanees in proper repayment.

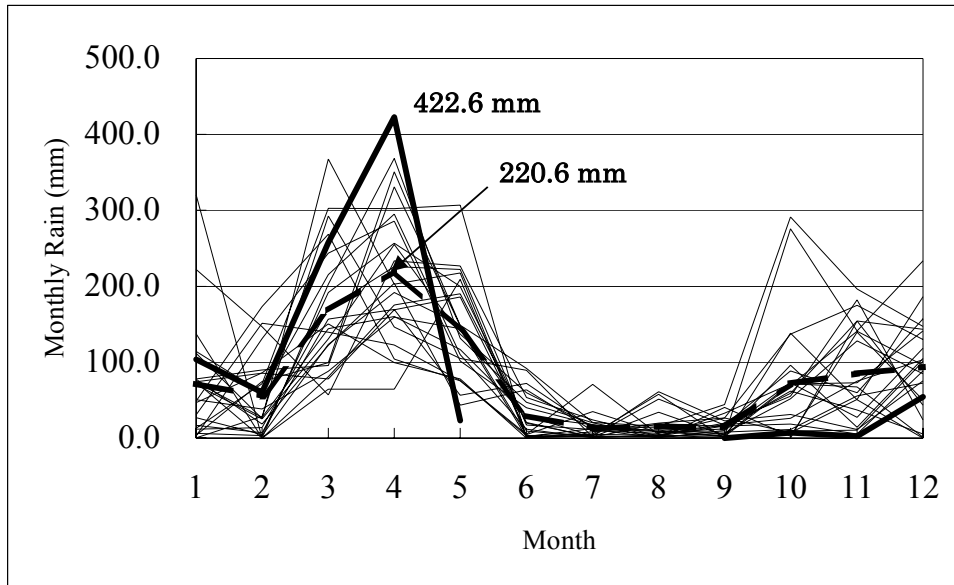
Delivery of prime input was carried out on the 8th of October 2001 to the farmers at Viziwaziwa, and the farmers started to run into debt and became loanees. The loanees also started to grow vegetables with the input delivered. However, shortage of water due to extremely little rain in the short rainy season hampered proper farming and the most loanees failed to start repayment on the 15th of January 2002. There was a certain amount of rain in the middle of January 2002, but it was just before the first repayment day and was too late. The weather conditions of this short rainy season were the worst in

recent years. The rain normally starts in October and reaches its peak in November, and then it decreases through February to enter the long rainy season that normally starts in March. However, though it rained once at the end of October, there were only slight rains in November and December.

DACOF made a discussion with Swissaid staff and decided to make rescheduling of repayment and refinancing, judging drought as disaster and applying the disaster clause of DACOF Policy in order to assist the loanees in proper repayment. Consequently, DACOF applied rescheduling for repayment, and instalment period was prolonged from 12 weeks to 24 weeks to make the loanees to repay easier making the repayment amount smaller. Accordingly, the final repayment day was changed from the 2nd of April to the 25th of June 2002, and it was decided no penalty for arrears during the instalment period, but penalty of 8 % per week after the final repayment day. Moreover, the refinancing was carried out, as well, from 12th of March till 9th of April 2002, only to the loanees who required refinancing due to disaster. DACOF was considering making refinancing in order to boost the farmers' farming, as some farmers used some input in November expecting rain in the short rainy season and had not enough input for the second farming using remaining input and the farming this time required more chemicals due to many pests in the long rainy season. Considering the purpose of this micro project that was its smooth operation maintaining the loanees to repay, it was judged that these counter measures were appropriate at that moment.

The loanees resumed growing vegetables in lowland area seeking water availability after some rain started in January 2002. However, flooding due to extremely heavy rain in April allegedly inundated most of their farms, and they failed again to harvest properly and could not complete repayment by the 25th of June 2002. Therefore, they strongly required postponing the repayment deadline for two more months. With the collaboration of the Team, DACOF examined a record of rain observed at the Sugarcane Research Institute in Kibaha that is about 15 km from Viziwaziwa, and found monthly rainfall in this April was abnormal compared with the average monthly rainfall in April of past 23 years.

The following graph was made based on the rainfall data from January 1979 till May this year obtained from the Institute. The graph shows monthly rainfall of each year from 1979 till 2002 and the average monthly rainfall of these 23 years. Bold lines show the monthly rainfall from September till December 2001 and from January till May 2002. The bold broken line shows the average monthly rainfall. The graph tells 422.6 mm of the monthly rainfall this April was abnormally heavy compared with 220.6 mm of the average one, and was 192% of the average. The graph also tells the rainfall in October and November last year was extremely little and shows it is appropriate that DACOF judged last year's drought as disaster.



Monthly Rainfall from January 1979 till May 2002

DACOF also judged this flood as disaster, and applied the disaster clause of DACOF Policy again, but going along with the Team's suggestion, DACOF did not only postpone the repayment deadline without any penalties, as this time was the second application of the clause. It was considered that the postponement without any penalties would spoil self-reliance of the loanees. Consequently, DACOF explained it and asked if they had any ideas to find a way out of the difficulties other than the postponement without any penalties. There was an answer that the penalty should be eased. It was also found that there were two types of the loanees who could finish repayment in four weeks or in eight weeks. Therefore, DACOF eased penalty imposed weekly on remaining loan amount from 8% to 2% from the 25th of June till the 21st July and to 3% from the 22nd July till the 19th of August 2002, taking into account the loanees motivation to repay earlier. The loanees welcomed it, and most of them were encouraged and promised to repay by the 20th of August 2002.

However, they failed to repay on that deadline of 20th August 2002 due to drop of market prices except four loanees including the chairperson of CPMU who had promised they would complete their repayment by the 23rd of July and repaid their debt including interest and penalty. Meanwhile, the penalty of 2% a week seemed still big, as most of the loanees' penalty amounted to around TShs2,500 every week.

On the other hand, the chairperson and others who completed their repayment recognised that even they had completed repayment, they could not get next loan due to other group members' debt that came from the joint liability. Therefore, they started the cooperative farm in the middle of September 2002 to repay completely as the group of the first credit. All members regardless as to whether they repaid all or not participated in the farming work and expedited complete repayment as the group to acquire a right to get the next loan as soon as possible. The farming input needed was procured by the

chairperson and loaned to the members in long-run basis. The ones who had not completed repayment should work not only in this farm but also in their own farms, as the earnings from the cooperative farm were not enough for all repayment. They were growing tomatoes, cucumbers and ngogwes (traditional egg plants). As of 12th of November, they have repaid TShs34,000 from the earnings of the farm already. DACOF judged the activities of the cooperative farm positive to express their effort for repayment and suspended the penalty till the end of December 2002 for the ones who participated in the farm. Additionally, DACOF loaned manure, amounted about TShs40,000, to CPMU from the revolving fund, as the chairperson did not have enough money to procure it.



Cooperative Farm (Ngogwe)



Cooperative Farm (Tomato Nursery)

Additionally, there might be some ill-willed debtors, as it was allegedly said some loanees did not make repayment even though they harvested produce and earned some amount of income. CPMU started to take action on this issue, and would raise it to CPMU meetings. In the worst case, CPMU would be ready for report to the police.

(2) Second Credit

The repayment started in the last week of August 2002, and the deadline of the repayment was the 14th of November 2002. However, the repayment was too bad as of that very day. The main reason of bad repayment was, allegedly said, caused by sharp drop of vegetables' market prices.

The repayment by Viziwaziwa (2) and Mwanabwito was remarkably bad compared with Mwendapole and Kwa Mfipa. It was considered that the loanees there had not participated in the joint operation on the community facilities building together with the existing group members and were not aware of cooperative spirit. Therefore, it was needed to give a chance to the new loanees to have the ownership in CPMU by means of, for instance, working for CPMU activities as volunteers. The repayment by Mwendapole and Kwa Mfipa was rather good, as it seemed the villages were conveniently located along the Morogoro Highway and villagers' awareness of credit was rather high.

The reasons of bad repayment were not only the abovementioned price drop but also there were a certain number of dishonest loanees who were reluctant to repay. DACOF decided to make some legal

action on it.

(3) Final Repayment Rate as of End of January 2004

The following table shows the final repayment rate as of end of January 2004 together with the rate as of November 2003 when the final evaluation was conducted.

Final Repayment Rate

		November 2003	January 2004
First Credit	Viziwaziwa 1	58.75%	59.81%
Second Credit	Viziwaziwa 2	36.64%	41.95%
	Mwanabwito	23.46%	23.86%
	Mwendapole 1	69.48%	71.29%
	Kwa Mfipa 1	68.75%	69.39%
Second Credit Total		52.73%	54.32%
Total		53.57%	55.08%

3.13 Details of Implementation of Input Credit Revised after the Mid-term Evaluation

The midterm evaluation conducted in November 2002 revealed the Input Credit carried out in accordance with the abovementioned details of implementation had not functioned properly. Concerning the obstacles that hampered its smooth operation, the measures were discussed and the following procedure was decided to apply for the third credit distribution started in December 2002.

- (1) District Agricultural Credit Office (DACOF) managed Input Credit from the beginning of Input Credit. On the other hand, Kibaha District Agricultural Office Registered Trustee (DAOF) was registered on the 1st October 2001 as a non-profit making financial institution. Even though DAOF was registered, DACOF continued its management. However, DAOF shall superintend Input Credit from the third credit to make clear legal basis.
- (2) Input Credit shall be managed by CPMU aiming to create loanees' sense of duty for repayment and to make collection of loanees' individual data easy for adequate and sufficient screening of the loanees. It makes the system that the chooser (CPMU) of the loanees would suffer a loss caused by insufficient screening. Moreover, the running cost of Input Credit would be much smaller if CPMU manages instead of DAOF.
- (3) DAOF who has knowledge to carry out credit shall focus on guiding, supervising and assisting CPMU. DAOF shall extend Input Credit project to other villages in the district using its knowledge. This fits the hypothesis of "Capacity Building for District Officer".
- (4) Training for CPMU to build capacity for managing Input Credit shall be carried out, and training for the loanees to create awareness of credit concept, especially credit is not a gift but is to be absolutely repaid and in case of arrears legal punishment would be imposed, shall be carried out.
- (5) Instead of joint liability and savings for collateral that did not function well, collaterals or

guarantors with collaterals shall be demanded.

- (6) As a means of exaction, it shall be clearly described in the agreement that the legal action shall be applied in case of arrears.
- (7) Screening of the loanees shall be carried out by CPMU. Assessment of loan amount and contents shall be also carried out by CPMU with the collaboration of DAOF, especially by VAEOs. Their results shall be reconfirmed through inquiry among village officers.
- (8) Conditions of 2 years vegetable farming experience for eligibility shall be added.
- (9) The input shall be delivered twice. Seeds, manure and a certain chemicals shall be delivered at the first time. DAOF delivers the remaining input at the second time after confirmation of the loanees to sow on the right farm.

3.14 Third Credit

- (1) Explanation about Input Credit to the Farmers

As a result of the previous credits, DACOF decided to give the third credit to farmers in Mwendapole and Kwa Mfipa. DACOF prepared posters in Swahili to inform explanatory meetings about Input Credit with date, time, place and contents in the middle of September 2002. DACOF held workshops at Mwendapole and Kwa Mfipa at the beginning of October 2002 to explain its details.

After the midterm evaluation, as mentioned above, the procedure and details of implementation were revised, and the new methods were explained to the candidate farmers in December 2002.

- (2) Guidance on How to Form Groups

DACOF gave the guidance on how to form groups to the farmers for the third credit through the workshops held in October 2002. As a result, five groups were made with five members of each group at Mwendapole and Kwa Mfipa severally.

After the midterm evaluation, the candidate members were re-screened in accordance with the newly made details of implementation and the members became three for Mwendapole and nine for Kwa Mfipa. Moreover, according to the new details, the joint liability was abandoned and the members were independently received the loan.

- (3) Application for Input Credit

The candidate farmers of Mwendapole and Kwa Mfipa signed application forms prepared by DAOF, and the farmland confirmation was carried out in December 2002. DACO checked results of examination and assessment, judged if they were appropriate or not and gave approval on the appropriate applications. Subsequently, agreements on Input Credit were made and signed by DAOF and CPMU.

(4) Purchase and Delivery of Farm Input

DAOF purchased and delivered a part of the input such as manure and chemicals on the 17th and 18th of December 2002 at Mwendapole and Kwa Mfipa. Subsequently, DACOF delivered the remaining input after the inspection if they had conducted proper cultivation on the proper land on the 8th January 2003.

The type and volume of input and loan amount credited this time is summarised as follows.

Loan Amount with Types and Volumes of Input (TShs)

	Village			Mwendapole		Kwa Mfipa		Total	
	Loanees			3		9		12	
	Input	Unit	Unit Price	Qut'y	Amount	Qut'y	Amount	Qut'y	Amount
First Delivery in December	Organic Manure	sack	600	44.0	26,400	230.0	138,000	274.0	164,400
	Insecticide								
	Karate	lit	22,500	1.5	33,750	3.9	87,750	5.4	121,500
	Fungicide								
	Dithane M45	kg	7,000	4.0	28,000	5.5	38,500	9.5	66,500
	Antracol Blue	kg	11,000	1.5	16,500	10.5	115,500	12.0	132,000
	<i>Total of First Delivery</i>				<i>104,650</i>		<i>379,750</i>		<i>484,400</i>
Second Delivery in January	Fertiliser								
	NPK (20.10.10)	kg	320	130.0	41,600	275.0	88,000	405.0	129,600
	CAN	kg	280	60.0	16,800	170.0	47,600	230.0	64,400
	Booster	lit	3,000	0.5	1,500	1.5	4,500	2.0	6,000
	<i>Total of Second Delivery</i>	<i>TSh.</i>			<i>59,900</i>		<i>140,100</i>		<i>200,000</i>
	<i>Grand Total</i>	<i>TSh.</i>			<i>164,550</i>		<i>519,850</i>		<i>684,400</i>

(5) Repayment

The repayment started on the 2nd of April 2002, and the deadline of the repayment was on the 18th of June 2003. However, the repayment was too bad. The drought was said to be the cause of bad repayment. The drought in this rainy season was, allegedly said, the worst in this quarter century. On the 1st and 2nd of January 2003, they had hard rains, but since then they had nearly no rain till the end of May.

DAOF judged that this drought as natural disaster and applied the disaster clause remaking repayment schedule. The following table shows the final repayment rate as of end of January 2004 together with the rate as of November 2003 when the final evaluation was conducted.

Final Repayment Rate

	November 2003	January 2004
Mwendapole 2	30.95%	30.95%
Kwa Mfipa 2	8.15%	8.90%
Total	13.63%	14.20%

3.15 Clearing-off of Bad Debts

For the first and second defaulters, DAOF decided to raise this issue to Ward Executive Officer (WEO) for clearing off the bad debts as mentioned above in June 2003. On the occasion of clearing off, DAOF adjusted the balance of debts in accordance with the following criteria.

- i Penalties shall be omitted, since the penalties did not function to solicit repayment, and was deducted from debts.
- ii Savings shall be transferred to repayment amount, since the group liability did not function to solicit repayment.
- iii Therefore the balance of debts shall be the principal plus interest minus repayment amount including the savings.

The following table shows the balanced debts.

Balanced Debts after Adjustment

(TShs)						
Village	Defaulters /Loanees	Principle	Interest	Total Credited	Amount Repaid	Balanced Debts
Viziwaziwa (1)	18/25	2,849,850	228,160	3,078,010	1,655,190	1,422,820
Viziwaziwa (2)	11/11	1,221,050	97,700	1,318,750	392,680	926,070
Mwanabwito	24/24	2,307,490	184,708	2,492,198	339,500	2,152,698
Mwendapole	18/25	2,723,390	217,960	2,941,350	1,804,430	1,136,920
Kwa Mfipa	19/25	2,598,000	207,930	2,805,930	1,753,700	1,052,230
Second Group Total	72/85	8,849,930	708,298	9,558,228	4,290,310	5,267,918

The Prosecution Board Meeting is held such a manner as follows in general. DAOF applies WEO to accuse the defaulters, and WEO convenes the Prosecution Board Meeting where WEO accuses the defaulters to Prosecution Board whose members are selected by the Ward Development Committee. The defaulters are summonsed to the meeting by WEO.

DAOF applied WEOs of Kibaha Ward and Ruvu Ward to accuse the defaulters on the 6th and 10th June 2003 respectively with the list of balanced debts. Subsequently, the Prosecution Board Meetings were held at Kibaha Ward to accuse the defaulters of Viziwaziwa, Mwendapole and Kwa Mfipa. The defaulters of Viziwaziwa were given 20 days' grace to complete their debts, otherwise their mortgage would be confiscated those who have with mortgage, and they would be taken to court for whom without mortgage. The defaulters of Mwendapole and Kwa Mfipa were given 30 days' grace, since their arrears' period was less than a year.

The other Meeting was held on the 19th at Ruvu Ward to accuse the defaulters of Mwanabwito. They were given 8 days' grace, and the dead line was the 27th of June 2003. They would be taken to court if they failed to complete repayment.

Since the first Prosecution Board Meeting was held, the repayment done by the accused amounted

TShs84,040, TShs136,670 and TShs19,500 respectively at Viziwaziwa, Mwendapole and Kwa Mfipa, and they were far behind the complete repayment but there were two defaulters who cleared their debts and one defaulter at Viziwaziwa and Mwendapole respectively after the accusation. No one repaid at all at Mwanabwito since the meeting there. Therefore, on the deadline for the defaulters of Mwanabwito, that was 27th June 2003, the board decided to hand this issue to the Judge. On the deadline for the defaulters of Viziwaziwa, that was 30th June 2003, the board categorised them into two groups. The first group members were 9 and they promised to complete repayment with submitting mortgage and they were provided with one-month grace. In this case, if the mortgage they submitted would be found false statement, they would be convicted with not less than two years in prison for lying under the oath. The second group members were 16 who could not promise to complete repayment, and they were taken to the Police for custody till court case would start. However, the police did not have enough capacity to hold such a big amount of detainees and budget to feed them, and all of them were released by submitting mortgage on the same day. The same ruling was given to ones who made false statement on the mortgage.



WEO and Prosecution Board



Defaulters Accused of Second Credit at Viziwaziwa

3.16 Credit to Ruvu Darajani

(1) Background

The pump groups of Ruvu Darajani did not cultivate vegetables in the rainy season of year 2003, since they were afraid of flood that had occurred in the last rainy season. After the rainy season, they would like to start cultivation, but they did not have enough budget.

CPMU Ruvu Darajani gave a loan to the pump groups for cultivating vegetables in 2002 from the money that they had paid as a part of pump price, and the groups repaid completely. With such experience, KKM would like to give the loan again, but unfortunately the money of CPMU was robbed in December 2002.

The activities of CPMU Ruvu Darajani was very vivid and they made the various records properly. CPMU Ruvu was an example to other CPMUs. However, the money saved was robbed and the robbery made them discouraged. It was considered to be needed to make some measures to bear the

bud that had been sprouted.

As a part of effective use of the revolving fund, it was considered to hand the input from the revolving fund to CPMU Ruvu Darajani for giving a loan to the pump groups by Tanzanian side initiative.

(2) Activities of Pump Groups in Ruvu Darajani

As mentioned above, the activities of pump groups in Ruvu had been performed sprightly. However, the payment for the pumps was amounted only TShs335,300 as of December 2002 where they had to pay TShs991,000. The bad payment was caused by several natural phenomena and, moreover, by such a grave reason as even the groups had enough water by pumps, they did not have appropriate farm input for cultivation. As concerns that, pumps and credit were not provided with to the same group, since there was a principle that more than one project could not be given to the same person for implementing this V/S.

Even the payment for the pumps would be solicited, it was not so easy to realise it among the conditions of shortage of budget for purchasing the input.

(3) Making Use of the Revolving Fund

There was an opinion that while the defaulters of Kibaha were exacted accusing to WEO, it was unfair to hand the input from the revolving fund to the pump groups who had not paid for the pump prperly. It was explained as follows. The relief measures such as reschduling and refinancing were adopted for the loanees of Kibaha when they met the drought. To hand the input to Ruvu pump gorups was said to be a relief measure for incomplete plan where only water was given without farm input.

(4) Credit to Ruvu Darajani

The Tanzania side decided to hand the input from the revolving fund to CPMU Ruvu Darajani in June 2003, for giving a loan to the pump groups. It aimed at reinvigoration of CPMU Ruvu Darajani, promotion of vegetable glowing by the multiplier effect of giving water and input together to one group, Promised Yield by Input and Smooth Repayment with Trustworthy Loanees.

The repayment was on schedule; moreover they repaid a certain amount for the pumps from the earnings derived from the cultivation using the credit. It became a good example of the smooth management of Input Credit implemented by CPMU with the support and supervision of DAOF. The following table shows the repayment as of January 2004.

Repayment as of January 2004

(TShs)

Group Name	Credit Amount	Repayment Amount	Repayment Rate	Details of Repayment	
				Credit	Pump
Mwangozo	89,265	183,250	205.29%	89,265	93,985
Nguvu Kazi	93,335	271,750	291.16%	93,335	178,415
Juhudi	88,110	284,300	322.66%	88,110	196,190
Jifunze	86,185	137,700	159.77%	86,185	51,515
Twende Pamoja	88,154	140,000	158.81%	88,154	51,846
Total	445,049	1,017,000	228.51%	445,049	571,951

3.17 Additional Training by CEMIDE

In July and August 2003, the additional training, for the targeted farmers to acquire leadership and business mind, was carried out with the collaboration of Centre for Microfinance and Enterprise Development (CEMIDE).

The training was offered in the following two programmes.

Programme 1: Leadership Training

Training Contents:

- Overview of Rural Microfinance
- Leadership and Governance principles in Grassroots Associations
- Governance for Microfinance Organisations
- Principles and Operational Strategies of Solidarity Group Lending Methodology
- Operation of Savings and Credit Organisations
- Delinquency Management and Control of Defaults/Bad Loans

Programme 2: Entrepreneurship and Business Training

Training Contents:

- Entrepreneurship-focus of Entrepreneurial Skills, Competences and Mind Change. (The topic will also focus on identification of business opportunities.)
- Marketing and Selling Skills
- Packaging and the Concept of Value Adding to Horticultural Produce
- Market Chain in Horticultural Produce
- Basic Record Keeping
- Business Expansion Techniques
- How to Finance Business

3.18 Group Farming

The group farming was tried at Viziwaziwa to seek the other sustainable way of Input Credit in July

2003. The procedure was as follows.

- CPMU prepared the farm for growing vegetables. The scale of the farm was around half an acre.
- CPMU recruited the farmers to work for growing vegetables at the farm. Candidates could be unskilled in vegetable growing as long as they had strong desire.
- CPMU prepared farm input using the fund assisted by the Team for cultivating vegetables there.
- The recruited farmers grew vegetables, such as tomatoes, bitter tomatoes and sweet peppers at the farm in accordance with the working schedule prepared by CPMU.
- The farmers acquired agricultural technique with the collaboration of VAEO through the daily farming work.
- CPMU sold the harvests produced from the farm. CPMU kept a part of the earnings equivalent to purchase farm input for the next group farming. The remaining amount was paid to the farmers taking into consideration the actual working days of the farmers.

As a result, the group farming was proved successful. This method could be applied for the poor of the poorest, as the initial investment by the members is not needed at all. The result of the group farming is shown in the following table.

Result as of January 2004

				(TShs)
Number of the Farmers	Expenditure for Purchasing Input	Earnings	Paid Amount to the Farmers	Balance to be Used for the Next Trial
9	111,000	211,750	70,735	141,015

3.19 Lessons Learned

(1) Favourable Outputs

There are several favourable outputs that have been taken by the members concerning this micro project. The significant outputs derived from the implementation are summarised below.

- The chairperson of CPMU Viziwaziwa started to conduct the cooperative farms in collaboration with the credit members for completing repayment of all members. He started this scheme because the loanees who had completed the repayment cannot get next credit due to joint liability. It means joint liability is functioning in the sense of a big credit group, even though the joint liability has not functioned in the sense of small credit groups. Moreover, group solidarity was derived from this activity.
- The members could acquire agricultural technology, there are some farmers whose unit yield has more than doubled and the members became able to grow high quality produce. Therefore, 67 % of the members answered their financial situation had improved. Additionally, the members became able to grow various kinds of vegetables, such as carrots, garlic, onions,

eggplants, watermelons, green peppers, and so forth. Moreover, 14 loanees among ones who repaid completely have cultivated vegetables twice or three times using the profit from the first credit, and its sustainability was proved.

This is the result of interaction of the micro projects with input delivered, VAEOs' suggestion who got the training and the farmers' training. Additionally, the effect derived from District Seedling Farm Programme is not negligible.

This micro project has many points to be improved. However, since there are some favourable outputs as mentioned above, this micro project shall be included in the Master Programme taking the following lessons learned into consideration.

(2) Implementing Organisation

The government organisation is not suitable as implementing body of micro credit. The implementing body shall be CPMU, and the government organisation shall support and supervise CPMU as a body who has knowledge concerning how to implement the micro credit

The objective of this micro project was capacity building for the district officers. Therefore, the district was set as the implementing organisation. Concerning their ability to carry out Input Credit, they have already acquired basic knowledge of its operation, but it is hardly said the ability to make proper use of its knowledge is sufficient. It is expected that they will acquire how to use the basic knowledge through its practical operation continuously.

On the other hand, since the district was set as the implementing organisation, the followings are pointed out. (a) Exaction of repayment was halfway due to lack of incentive for the district officers to force the loanees to repay. (b) The loanees did not create a sense of duty for repayment, assuming that the credit would be a gift, and expecting that the government would extend the repayment deadline or cancel the debt.

In general, insufficient and ineffective management ability, halfway of exaction and loanees' expectation to extension of repayment deadline and cancel of debt by the government are pointed out for difficulties occurred from the credit scheme run by the government. Grameen Bank system achieved a breakthrough in those difficulties. This system is based on the group forming in the rural area and relies on intensively trained staff employed from outside of the area, and its operation cost is high. This micro project, Input Credit, was a replica of the Grameen Bank system contradictorily carried out by the district officers. Consequently, the repayment rate became small.

As mentioned above, the government organisation is not suitable as implementing body of micro credit. It is not so easy for the government officials who have routine duties to concurrently hold other job such as banker. Therefore, the implementing body shall be a farmers' union to create its ownership

to the farmers, and the government organisation shall support and supervise the union. In this case, the organisation of farmers' union shall be firm before starting credit, by implementing other activities, as Ruvu's case has proved it. Their repayment for the credit from the revolving fund has been on schedule, moreover they have started to repay for the pumps. It can become a good example of the smooth management of Input Credit implemented by CPMU with the support and supervision of DAOF. The activity of CPMU Ruvu Darajani was very vivid and they made the various records properly, and CPMU Ruvu was an example to other CPMUs before the credit that is showing its success.

As running costs of banking business, the government has to prepare a certain amount of budget. However, it does not cost a lot but requires the amount simply for transport fare to support and supervise technically only. Therefore, even if the government cannot prepare a big amount of budget, it is possible to support and supervise the union to manage Input Credit.

The lessons learned concerning implementing organisation derived from this micro project implemented shall be taken into consideration for finalising the Master Programme.

(3) Liability and Mortgage

The joint-reliance that was one of the means for exaction did not function properly. Execution of savings as collateral was not thorough as well. Therefore, a certain amount of savings as collateral shall be collected before disbursement of loan.

In the original Master Programme, as it was concluded that the farmers concerned did not have enough money to spare for savings and appropriate properties to be mortgage, the joint-reliance only was applied. When the Verification Study started, since the local NGO recommended applying savings and the farmers agreed to pay for savings, the savings as mortgage was introduced adding to the joint-reliance.

It is considered that almost all loanees do not have a sense of duty for repayment and that caused malfunction of the joint-reliance. The joint-reliance can function only with the situation that everybody has a sense of duty for repayment. Additionally, they have little custom to ostracise ones in the village and it caused its malfunctioning.

In the Verification Study, the decision to introduce the savings was decided one month before the disbursement of farm input, and the collection of savings started after the disbursement. Therefore, execution of savings as collateral was not thorough as well. It is pointed out that the savings started after the disbursement had no compelling power. If the savings as collateral are introduced, a certain amount of savings should have been collected before the disbursement. Consequently, it creates a closed structure where somebody who is considered to be a fellow member shall be responsible for repayment, and they will have an economic incentive to make exaction. It means that the savers suffer

a loss if somebody does not repay. The loanees simultaneously savers watch strictly one another.

DAOF raised the delinquents to Ward Executive Officers (WEO). As a result, WEO required them to submit mortgage, and half of them submitted it. Thus legal exaction was carried out, but the repayment was not bettered after all. Since, the administration system to attach the mortgage was not completed and the farmers somehow did not care if they were taken into custody, the legal exaction did not work properly.

The lessons learned concerning liability and mortgage derived from this micro project implemented shall be taken into consideration for finalising the Master Programme.

(4) Selection of Loanees

Screening is very important to select proper loanees, and the method of selection to prevent unfitted loanees shall be elaborated sufficiently.

Although the loanees were selected in accordance with the conditions and procedure drawn up, there existed the following unfitted loanees who have contributed to bad repayment. (a) Ones who were insincere, as they did not make repayment although they earned a certain amount by vegetable cultivation. (b) Ones who did not have any basic knowledge and skills to cultivate vegetables. (c) Ones who were lazy and reluctant to work at the farmland. (d) Ones who did not grow vegetables at the farmlands where DACOF assessed and acknowledged. (e) Ones who were not well known to group members and caused malfunction of joint-reliance.

Among those unfitted loanees, (a) and (d) were not curbed by the above-mentioned conditions, and such defective conditions are to be pointed out. Concerning other unfitted loanees, although they were curbed by the conditions, they were crept in at the time of selection, since the short period of screening did not enable to discover candidates' character, personality, their experience, and so forth. It occurs from the particular problem of the money market in developing countries that the collection of loanees' information is hard due to thin population.

The items of conditions not included should have been included, even there is possibility of missing of such loanees due to insufficient screening. The result of the screening should have been reconfirmed through inquiry among village officers after the screening by CMPU and DACOF to complete the screening.

As mentioned above, screening is very important to select proper loanees. Even though lenders examine the farmers' application strictly and the group members themselves decide their colleagues, some unfitted loanees crept in. To prevent such loanees to be grouped in, selection of loanees/group members shall be well considered.

For example, a certain period shall be put to observe if the loanees are honest or lazy and the group members are really acquainted well with one another or not. Therefore it is recommendable to put the period for observing them starting the loan with very small amount, and the amount shall be gradually increased. It is also needed to put a certain period to train the loanees to be skilful at basic farming. In order to perform such needs, some experimental period with small amount of loan shall be recommended.

It was also pointed out that loanees' awareness creation concerning the concept of the loan was insufficient. Training of loanees' awareness creation on the perception that the loan is not a gift and is to be absolutely repaid should have been reinforced, adding such curriculum and prolonging the training course.

The lessons learned concerning selection of loanees derived from this micro project implemented shall be taken into consideration for finalising the Master Programme.

(5) Loan Amount

Loan amount shall not be big for the small-scale farmers.

There were some causes that prevent smooth repayment, and the big loan amount was one of them. The loan amount should have been minimised to avoid risk of bad debts, since the amount of bad debts cannot exceed the loan amount. The maximum amount should have been set in accordance with the annual income of the loanees taking their repayment capacity into consideration, and they could repay with the smallest difficulty even when they had arrears.

The maximum loan amount was set TShs 120,000 in the Verification Study following the original Master Programme. This amount corresponded to the cost for purchasing farm input to cultivate 0.5 acres (0.2 ha) of farmland that was a proper area to cultivate by one farming family in Japan. DAOF prepared the standard application rates of farm input corresponding to that area and recommended the farmers to apply what they needed. As a result, most of the farmers applied the maximum amount, and the contents of input were inadequately assessed. That is why most of all loanees borrowed the maximum amount.

On the other hand, Input Credit was drawn up on the assumption that DACOF manage it continuously. For its continuous operation, it is needed to maintain its running cost born by interest imposed, and loan amount should be a certain amount to bear the running cost. It could be pointed out that it was another reason why the assessment concerning loan amount and contents became halfway. It is necessary to reconsider DACOF system when the loan amount is considered to be reduced.

Taking into consideration the case of Ruvu, the amount loaned to the group (2 to 5 members) was not

so big (about TShs 80,000), and they have made proper earnings to repay not only the amount of loan but also TShs 100,000 per group for the debt of pump.

As the case of Ruvu has proved, even though the loan amount is not so big, the satisfactory effect is expected. The maximum loan amount shall be set in accordance with the annual income of the loanees taking their repayment capacity into consideration, and they can repay with the smallest difficulty even when they have arrears. Including review of the implementing organisation, the lessons learned concerning loan amount shall be taken into consideration for finalising the Master Programme.

(6) Stable Water Source

The loanees shall have stable water sources.

Even the input was delivered properly and sufficiently, cultivation was not properly done due to lack of water derived from drought. The success of the case of Ruvu was derived partly from year round existence of water pumped up from the Ruvu River.

In case of loan for vegetable cultivation, loan shall be given to only farmers who have stable water source and do not rely only on rainfall in the area where irregular weather is common. For assessing the farmers' capacity to secure water, do not believe their statements straight, and examine weather conditions and water source conditions strictly. Once some doubts are arising, stop pledging credit.

The lessons learned concerning stable water source derived from this micro project implemented shall be taken into consideration for finalising the Master Programme.

(7) Number of Vegetables to be Cultivated

Loanees shall grow more than one kind of vegetables to avoid risk incurred by sharp fall of market price.

Vegetable market prices fell sharply, and it hampered proper earnings. Such fall and weather conditions, especially rainfall, are somehow closely linked. Therefore, the above-mentioned stable water source is essential. Moreover, the loanees shall grow more than one kind of vegetables simultaneously to avoid risk incurred by sharp fall of market price. It is also better to grow vegetables where prices are not affected by the market price.

The lessons learned concerning number of vegetable to be cultivated derived from this micro project implemented shall be taken into consideration for finalising the Master Programme.

B.4 Input Credit in the Revised Mater Programme

4.1 Basic Concept

Farmers in the targeted villages are not able to acquire adequate farm input due to financial difficulty. Therefore, they are lacking the opportunity to increase their incomes. Input Credit is drawn up aiming to provide support for small-scale horticultural farmers, supporting them with farm input e.g. seeds, fertiliser, chemicals, essential implements, etc. on credit.

Trial regarding the district director's office as an implementation organisation from the viewpoint of disseminating this micro project to various places in the district was carried out in the Verification Study, along with the introduction of joint-reliance. As a result, various problems arose, and the following favourable outputs were revealed; such as cooperative spirit arose; acquiring of agricultural technology; increase in unit yield; realisation of growing high quality vegetables and introducing new kinds of vegetables; appearance of farmers who grew vegetables twice or three times using the profit from the first credit; and so forth.

The problems arising and the favourable outputs revealed in the Verification Study brought about some lessons learned that should be important notices for drawing up this programme. Taking these lessons learned into consideration, Input Credit shall be drawn up.

4.2 Principles

Principles for drawing up Input Credit are described as follows.

- 1) Since it has been revealed that the government organisation is not suitable in implementing the micro credit, the implementing body shall be the Community Project Management Unit (CPMU) that is a farmers' union, and the government organisation shall support and supervise the union as a body that has knowledge concerning ways to implement the micro credit.
- 2) The organisation of CPMU shall be firm before starting Input Credit. Therefore, it shall be strengthened through implementing other activities so as to become firm and shall start Input Credit.
- 3) Each farmer concerned has individual capacity, namely, some farmers have already reached the level to manage a farm credit by themselves but some farmers have not. Therefore, Input Credit shall not given to the farmers who have not reached that level, but other projects shall be given at first to increase their ability in agricultural technology. Then, Input Credit shall be given after they reached the said level.
- 4) Joint-reliance shall not be applied, as it does not function easily at the project area. Therefore, the credit shall be made available only to eligible individuals, and savings as collateral shall be applied. In this case, a certain amount of savings as collateral shall be collected prior to

the disbursement of the loan. Consequently, it creates a closed structure where each fellow member shall be responsible for repayment, promoting the economic incentive of the group to make exaction. It means that the savers will suffer a loss if somebody does not repay. The loanees simultaneously being savers watch strictly one another.

- 5) Screening is very important to select proper loanees. In order to select such loanees, a certain period shall be put for observing and assessing the candidates. During this period, other activities that require only a small budget shall be implemented, and through their implementation, the loanees shall be assessed.
- 6) Loan amount shall not be big for small-scale farmers. Their balance of savings as mortgage, assessed farmland and water source, and annual income shall be taken into consideration to decide the loan amount.
- 7) The credit is supplied only in kind, i.e., seeds, fertiliser, chemicals, sprayers and the essential implements.
- 8) Farmers select the items and quantities of the farm input according to their needs with the collaboration of the extension officers. The contents of the input are assessed and decided by CPMU receiving the guidance of the government organisation. However, for the first credit, the maximum amount of loan shall not exceed a quantity equivalent to the cost of farm input necessary for the expenditure to cultivate 0.1 ha farmland that is said to be appropriate for the small-scale farmers in the target area for vegetable cultivation.
- 9) The loanees shall have stable water sources. In case of loan for vegetable cultivation, only farmers who have safe water source and who do not rely only on rainfall in the area where irregular weather is common should be considered.
- 10) Loanees shall grow more than one kind of vegetables, including what is not easily perishable and whose prices are not affected by market price so as to avoid risk incurred by sharp fall of the latter.
- 11) Extension services are provided to the loanees not only for the improvement of crop productivity and quality but also for the mitigation of negative impact to the environment.
- 12) Relief funds shall be planned beforehand for natural calamities, such as floods.

4.3 Phased Operation of Input Credit

It is necessary to secure funds for purchasing the farm input to be loaned and training costs for the capacity building of district officers and farmers who are involved in Input Credit. For obtaining these funds, including Input Credit into the budget of DADP or requesting financial support to international organisations shall be considered.

CPMU implements Input Credit with the support and superintendence of the government organisation. The District Agricultural Credit Office (DACO) that has knowledge to manage credit and support and supervise CPMU is established in the District Director's Office (DDO). NGOs who have sufficient experience in conducting credit provides the staff of DACO with support for capacity building at the time of its establishment. DACO supports and supervises farmers to form CPMU. If there already

exists a union, DACO shall support and supervise the union to change into the implementing body of Input Credit. CPMU receives the farm input purchased through the above-mentioned funds and delivers them to farmers. The repayment shall constitute a revolving fund. The revolving fund can be applied not only to horticultural farming but also to other broad rural economic activities. Government intervention in the use of the revolving fund should be minimised.

The proposed Input Credit is introduced and implemented through the following two stages.

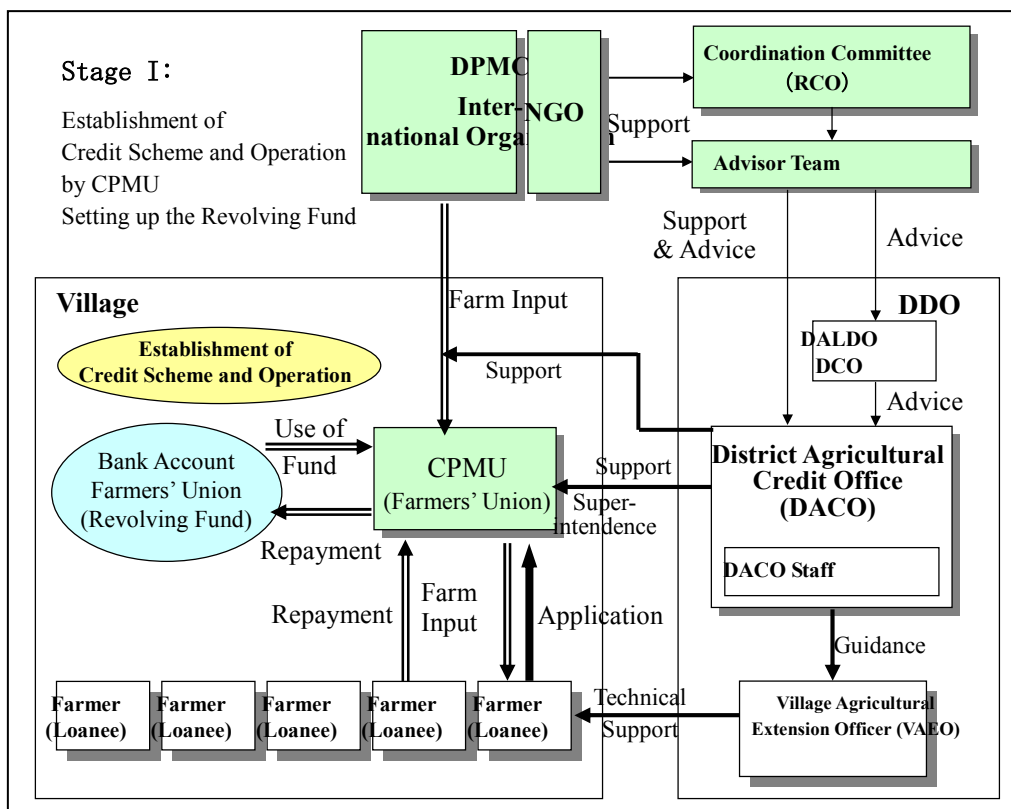
- Stage I: Establishment of Credit Scheme and Operation by CPMU
 Setting up the Revolving Fund
- Stage II: Smooth Credit Operation with the Revolving Fund set up
 Monitoring by the Farmers

To provide the national and regional logistic support, a Coordination Committee is set up in the Regional Commissioner's Office (RCO) at Stage I, while the farmers form CPMU with the advice and support of DACO. Subsequently, CPMU leaders are elected, who register CPMU as a group. DACO provides CPMU leaders with practical training concerning the management of the organisation and that of Input Credit.

Prior to commencing Input Credit, CPMU shall implement other activities that require only a small budget, such as group nursery, vegetable experimental plots and group farming. Through these activities, CPMU will become firm and be able to obtain data for selecting the proper loanees. CPMU starts Input Credit, with the acknowledgement of DACO that CPMU is able to manage the activities sufficiently and its organisation is firm.

The funds for the proposed credit are to be obtained from DADP or the international organisations in kind. The funds shall include relief funds for natural calamities, such as floods. Under the Coordination Committee's (and the international organisations') advisory team, CPMU establishes a management system of Input Credit through a day-to-day credit operation with the support and superintendence of DACO. The District Agricultural and Livestock Development Officer (DALDO) and the District Cooperative Officer (DCO) are appointed as advisors for DACO. The repayment money is deposited in the bank account of CPMU and constitutes the revolving fund. CPMU holds periodical meetings for achieving smooth management.

The following chart illustrates the operation flow of Stage I.

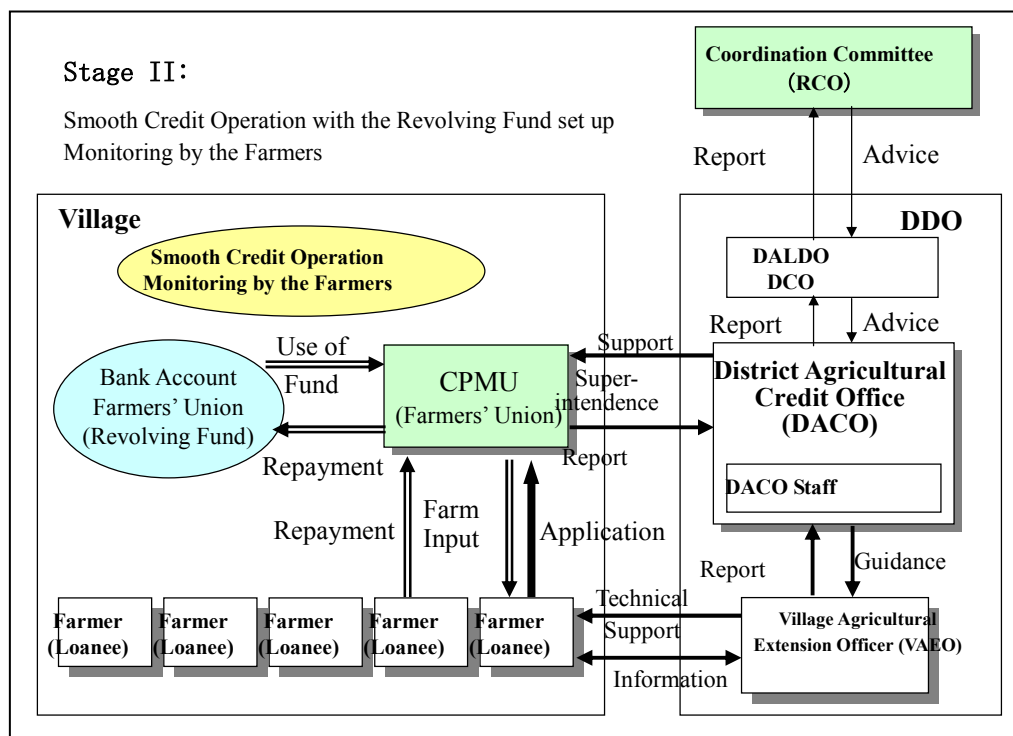


Operation Flow of Stage I in Input Credit

At Stage II, CPMU implements Input Credit with the support of DACO using the revolving fund set up as described in the following chart. DACO monitors its operation frequently through the reports of CPMU and VAEO or through the investigation results of DACO staff visiting the site, if needed, and reports the monitoring result to DALDO. DALDO reports to the DDO and the Coordination Committee in the Region, and receives the checkups of the latter.

With the simultaneous monitoring by DDO, the farmers including the loanees monitor themselves on way to perform the activities and solve the problems concerning Input Credit. During the course of the operation, some modification or improvement is carried out to adjust the effectiveness and efficiency of the management. Decisions made by the farmers should be given high priority to sustain the flexible cooperative operation.

DDO shall disseminate Input Credit to other villages after confirming the possibility of its smooth implementation by COMU. For the dissemination, DDO shall secure the budget of Input Credit in DADP or request financial support to the international organisations, and form CPMUs in the new villages. On the other hand, RCO shall disseminate Input Credit to other districts with the collaboration of DACO who has the experience to implement Input Credit. For the dissemination, RCO shall assist the other districts to establish DACOs.



Operation Flow of Stage II in Input Credit

4.4 Operation Cycle

Since farmers themselves carefully select the harvesting period of vegetables, taking into account marketability and price fluctuation, the credit should be made available anytime throughout the year. However, the credit operation shall be seasonal at Stage I in order to simplify the operation at the initial stage of the micro project, therefore the operation cycles are made twice a year for the crop seasons starting in June and October. With the progress of capacity building of project staff and farmers, the operation system is made more flexible to meet the farmers' actual needs, and the farmers are able to procure farm input depending upon their farming schedules at Stage II.

4.5 Interest, Savings and Charges

The prevailing micro-credits in Tanzania put conditions on loanees to start repayment in the 6th month after onset of the loan disbursement and to complete within six months time. The loan interests range from 12.5 % to 15 % per 6 months after the onset of the credit disbursement. The farmers shall decide the proper conditions of Input Credit, such as interest rate, membership fees, insurance, and so forth. The decision shall be made after acquiring knowledge concerning the conditions of the loan on why CPMU needs them for managing the credit sustainably only with the revolving fund.

Concerning the loan amount, though the farmers themselves shall decide it at last, the following condition is recommended for its decision.

The loan amount to be disbursed to each loanee shall be decided after fulfilling the following conditions.

- i. For the first credit, the maximum amount of the loan shall not exceed a quantity

- equivalent to the cost of farm input necessary to cultivate 0.1 ha farmland.
- ii. The loan amount shall not exceed the double of the saving.
 - iii. The loan amount shall not exceed a quality equivalent to the cost of farm input to cultivate the assessed farmland with the assessed water source.
 - iv. The loan amount shall be decided taking the annual income into consideration.

4.6 Operation Flow

The Operation flow of Input Credit is listed below.

- 1) The advertisement of explanatory meeting is announced on the village notice board. The information to be provided includes the followings.
 - i. Savings as collateral needed before credit disbursement
 - ii. Conditions, such as interest rate, membership fees, insurance, and so forth
 - iii. Eligibility for receiving credit (water availability, experience of vegetable cultivation)
 - iv. Maximum loan amount
 - v. Delivery date and repayment period
 - vi. Others
- 2) The explanatory meeting to explain the above-mentioned conditions is held.
- 3) The farmers start savings and attend the periodical meeting immediately after they decide to get the loan.
- 4) CPMU provides the farmers with awareness creation training for conception of Input Credit, especially concerning the perception that the loan is not a gift and is to be absolutely repaid, with the collaboration of DACO.
- 5) After they save a certain amount of money, the farmers decide the cultivation plan not exceeding the maximum amount of the loan and submit the applications.
- 6) CPMU assesses applicants' farms, water sources and the contents of the application with the collaboration of DACO, and selection of the loanees is carried out simultaneously. For assessing the farmers' capacity to secure water, do not believe their statements straight, and once some doubts are arising, stop pledging credit. The selection of loanees shall be strict by means of observing and assessing the candidates through the other activities, and confirming their results with other information.
- 7) CPMU makes a written loan agreement with each farmer who has passed the assessment.
- 8) CPMU purchases the farm input in accordance with the agreement and deliver it to the farmers (loanees).
- 9) The loanees grow vegetables with the technical support of VAEOs.
- 10) The loanees repay after they harvest. CPMU secures the repayment money in its bank account to be the revolving fund.

4.7 Others

In this micro project, the poor are defined in three categories as follows;

- The poor of the poorest (who needs donation or grant)
- The poor (who can have substantial but not more than that)
- The active poor (who can have substantial and be able to keep a little money for future use)

In principle, considering the active poor as the target, this micro project was drawn up. In the case of applying this micro project to the poor, it is inevitable to set the maximum loan amount extremely small.

For the poor of the poorest, the method of group farming as described in the following is proposed.

- CPMU prepares the farm for growing vegetables, by renting or any other means. The scale of the farm shall be around half an acre or less.
- CPMU recruits the farmers among the poor of the poorest to work for growing vegetables at the farm. Candidates can be unskilled in vegetable growing as long as they have strong desire.
- CPMU prepares farm input using the revolving fund for cultivating vegetables there.
- The recruited farmers grow vegetables at the farm in accordance with the working schedule prepared by the union.
- The farmers acquire agricultural technique with the collaboration of VAEO through the daily farming work.
- CPMU sells the harvests produced from the farm. CPMU repays the loan with the interest and secures expenses budget from the income. The remaining amount is delivered to the farmers in kind. (The more they harvest, the more they earn.)
- The minimum labour fee is guaranteed by CPMU, and is farm input for cultivating 200 m².

ATTACHMENT 1

DACOF TRAINING ON INPUT CREDIT

First Stage: 20th – 22nd August 2001

PARTICIPANTS

- | | |
|------------------|--|
| 1. A. Mwenkaley | - Regional Agricultural Advisor - Coast Region |
| 2. J. Maliyawatu | - DALDO |
| 3. A. Mkungu | - S.M.S. Horticulture/ADACO - Kibaha |
| 4. T. Mwiru | - Ward Extension Officer - Soga/DACT. |
| 5. C. Francis | - V.E.O - Viziwaziwa |
| 6. Z. Mwaruka | - V.E.O - Mwendapole |
| 7. M. Barua | - V.E.O - Mwendapole |
| 8. C. Limota | - V.E.O - Kwa Mfipa |
| 9. F. Ng'itu | - V.E.O - Mwanabwito |
| 10. S. Hirata | - Team Leader - JICA |
| 11. S. Nakada | - I/C Credit/Sub-leader - JICA |
| 12. W. Nyawinda | - Facilitator/Trainer - Swissaid |
| 13. A. Makwaia | - Facilitator/Trainer - Swissaid |

DAY I 20/8/ 2001

MORNING SESSION

1. INTRODUCTION

The facilitator introduced himself, that he is from Swissaid and insisted on participants to be very attentive on the input credit training. He pointed out that staff members of DACOF and Extension Workers will receive training concerning management of input credit in order to start it smoothly since they are not familiar with the credit scheme.

2. TRAINING EXPECTATION

The facilitator inquired the participants what they expect to gain from the training. The following are the answers from different participants.

- To obtain more knowledge on credit which does not involve money.
- To know the relationship existing between the systems of giving credit or loan to farmers informs of input and that of cash money.
- To obtain knowledge on giving credits and repayment procedures.

3. INPUT CREDIT

The facilitator asked the participants what Input Credit means! The participants were allowed to discuss and contribute to what they knew about Input Credit. After a short discussion, the facilitator gave a definition of Input Credit as that part of service given to clients in kind with a promise to pay back with or without interest. The trainer further explained more about input credit with interest, which is the policy of the project. He explained, in order to make the project sustainable, the farmers or clients had to be identified and categorised whether they were:

- (i) The poor of the poorest, (who only needs donation or grant)
- (ii) The poor (who is able to have only houses/shelters and has enough food for the families but not something else to save or multiply).
- (iii) The active poor (who has house/shelters enough food and be able to keep little money for future emergency use).

After discussions, it was agreed that DACOF's target group should be those Active Poor Farmers on the grounds that DACOF does not run a charitable work and requires them as loanees to sustain its business efficiency.

4. CREDIT POLICY AND PROCEDURE DOCUMENTS

The facilitator explained to the participants what the DACOF policy was as compared to Swissaid policy. The DACOF policy should be amended to be clear, and simple for the farmers to follow. He pointed out that Loan size, eligibility (i.e. who will qualify to obtain input credit), interest rate and other charges are of very big importance and need to be explained to the farmers and if possible share some discussions with them on these matters.

4.1 LOAN SIZE

The facilitator asked the participants if they had already decided on loan size. It was very important to know the maximum and minimum loan size. The participants said that it was not yet decided, and they have to go back to farmers to review farmer's requirements, but probably the maximum loan will be TShs 100,000.

4.2 INTEREST RATE

The facilitator said that according to Swissaid the interest rate is 10% and wondered why DACOF interest rate is 8%. The Regional Agricultural Advisor explained that it was suggested formally the aim of the project is to alleviate poverty to farmers, so we must help them by charging them a small interest rate during the verification period and later the rate can be revised depending on changes which might occur on input prices. It was finally agreed that the interest rate should remain 8% for the first cycle using flat rate method and not reducing balance i.e.

$$F/R = \text{Loan amount} \times \text{Rate of interest} / 100$$

4.3 OTHER CHARGES

The facilitator explained to the participants his experience and what they do in Swissaid about other important charges and the advantages of each.

4.3.1 APPLICATION AND MEMBERSHIP FEE

- To be a member of input credit in Swissaid, a member pays TShs 2,500 as membership fee and it is paid once. This is important for the member to be able to feel that he/she is committed for that. After a long discussion it was agreed that for DACOF membership fee should be TShs 1,000 per farmer paid once.

- Also a loanee shall be required to pay TShs 1,000 per loanee as application fee, which is also paid once at the beginning.

- The application form must be stamped at district magistrate for simple repayment.

4.3.2 PASSBOOK

- The facilitator explained that, DACOF policy does not indicate anything about individual passbook. The book is very important to farmers because it consist of savings and loan records. The book will enable the farmers to save a certain amount of money weekly, understand the amount of loan paid and what remains. The facilitator gave an example that Swissaid charge TShs 1,500 (once) from the clients to cover passbook costs of preparation and printing. Finally it was agreed that saving will be at a rate of TShs 500 per week and they should pay TShs 1,000 for the passbook preparation.

4.3.3 INSURANCE ACCOUNT

- This account is only used in case of death upon showing death certificate and permanent physical disability upon doctor's certification. It is used in case of incidental factors as above to help repayment of the loan. One participant asked for more clarification if insurance account can be used in case a member disappears or disaster like flood, draught, pest, diseases etc. The answer was: In case a member disappears/escapes there is a group guarantors i.e. group members who will be responsible, and in case of disaster the project will refinance or reschedule and agree with clients on how to pay.
- Participants asked the facilitator that how many times a farmer can apply for refinancing? The answer was, it depends on the reasons. If the reasons are genuine the client may be refinanced as many times as possible.

4.3.4 OTHERS

- It was agreed that if a group member fails to repay his debits within repayment period of one week, each member takes responsibility to contribute to their members and the same

interest rate will be charged at the amount not paid.

5. LOANEES

5.1 GROUP FORMATION

Self-selection method as per character i.e. age, status, brief history, number of dependant etc must be applied to obtain proper members. Each group of 5 will have to select chairperson, secretary and treasurer. The leaders selected from each group must form village loan committee having chairman, secretary, treasurer and Board members. The group must be registered as self help group in the Ministry of Home Affairs. The facilitator further explained that we do the procedure of selection as self-selection, because the group has to be user owned, user managed and user financed. The experts and extension workers are the facilitators of process.

It was concluded finally that group formation must be verified as soon as possible.

5.2 BASIC PRINCIPLES FOR SELECTION OF LOANEES

The Extension Workers and DACOF staff should use and explain the principle of CAMPARI, 5 Cs and 5 Ps to the farmers so that they can understand the policy before engaging in the Input Credit, because during the repayment period farmers may come with several reasons as to why they fail to pay their loans. The facilitator explained the basic principles were as follows:

C - Character: its of the applicant must be known (age, status, etc.)

A - Ability: its of the applicant must be examined

M - Margin: the applicant must aim at increasing profit/margin

P - Purpose: the applicant must understand the purpose of the loan, which is to eradicate poverty

A - Amount: the amount of loan applied per applicant must be known

R - Repayment: he/she must repay the loan (i.e. ability to pay the loan)

I - Insurance: it is important for the applicant

The facilitator talked about the 5 Cs i.e. Character, and Capacity of the farmers accepting input credit Conditions and having Capital to pay Collateral in principle. He also explained on 5 Ps of marketing i.e. Product, Price, Promotion, Place and People as the key factors for the project sustainability.

EVENING SESSION

It was suggested that input disbursement for Viziwaziwa should start on 8/10/2001. The facilitator said that if the disbursement should start on that day what had been done so far and what would have been done by that date. The answer was as follows. The group was already formed, but the groups are not yet registered, there is no group constitution, no group account, supplier is not yet identified and also input documents are not yet prepared. The chairman closed the training and agreed up to develop a concrete plan of work in the next morning so that input can be delivered to farmers on time.

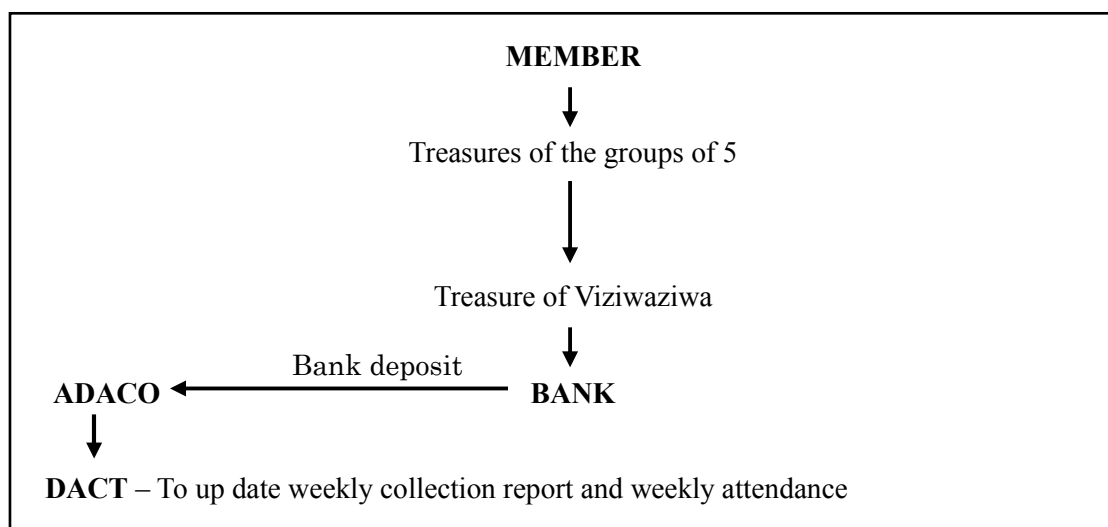
DAY II 21/8/2001

MORNING SESSION

The chairman officially opened the training insisting on more contribution from extension workers because they were near farmers and they know their situation and he welcomed the facilitator to continue. The facilitator said that before planning the work we have to have knowledge on the repayment procedures.

LOAN REPAYMENT

He asked the participants if it is possible for the DACT to go to the village to collect money from the farmers all the way to bank safely? After a long discussion it was decided that the village treasure have to collect the money and deposit to bank instead of DACT, (let give them power) and ADACO will only receive bank deposit slips. The model will be as follows and collection will be done in the meeting place.



PLAN OF WORK

The facilitator put down four important questions on the flip chart to be discussed before deciding the plan of work.

1. Where are we? 2. Where are we going to from here? 3. Who are to do and at what time?
4. What to review?

After a long discussion, the following activities were identified to perform:

1. Verify the existence of groups at Viziwaziwa.
2. Verify the leadership and governance structure within Viziwaziwa
3. Registration of Viziwaziwa farmers group with relevant department.
4. Opening the Members Register at DACOF.
5. Typing the resolution of the Workshops into English then translate into Swahili, which includes details of all the changes that have been proposed to amend the original policy and procedure guideline i.e.
 - Membership fee TShs 1,000
 - Passbook TShs 1,000
 - Loan application fee TShs 1,000 of the loan applied.
 - Insurance 0.5% of applied loan.
 - Weekly saving TShs 500
 - Grace period 3 month
 - Repayment instalment weekly i.e. 12 weeks (3 months)
 - Loan collection weekly will be visited on Viziwaziwa treasure and not DACT
 - Viziwaziwa should hand over copy of constitution to DACOF Office.
 - Open group Bank Account with DACOF
 - Signatory to be Viziwaziwa and DACOF
 - First input credit disbursement 8/10/2001
 - First repayment 8/1/2002
6. Identification of DACOF supplier
7. Printing of passbook, ledger cards, membership ledger, disbursement register, consolidated register, loan application forms, loan agreement forms, payment voucher, receipt voucher etc.

EVENING SESSION

ACTION PLAN OF WORK

S/N	ACTIVITY	DATE	WHO RESPONSIBLE
1	Typing	21 – 26 AUG. 2001	CHAIR/SECR.OF THE W/SHOP
2	Verification of Groups	3 – 10 SEPT.2001	DACO, ADACO, DACT, EOs
3	Constitution Preparation	11 – 13 SEPT.2001	DACO, ADACO, DACT, EOs
4	Registration	14 – 15 SEPT 2001	DACT
5	Printing of Necessary Documents	24/8/2001 14-15 SEPT.2001	VEO M'bwito to bring information about who to print Deadline of printing DACT, ADACO
6	Identification of Supplier by Quotations	22/9/2001 Deadline	DACO
7	Open Bank Account	24/9/2001	DACT
8	Appraisal Stage	22-30/9/2001	DACOF, VEO Viziwaziwa
9	Application for Input Credit	22-30/9/2001	DACOF, VEO Viziwaziwa
10	Signing of Input Agreement	30/9/2001	DACOF, Viziwaziwa
11	Ordering Input	1/10/2001	DACOF & Supplier
12	Review <ul style="list-style-type: none">• Including storage facility for the input and• Issue of enough water for irrigation	3/10/2001	Venue – Viziwaziwa <ul style="list-style-type: none">• DACOF, VEOs• Viziwaziwa loan committee
13	Disbursement	8/10/2001	DACOF & Supplier

IMPORTANT DOCUMENTS

The facilitator introduced the documents, which were going to be used during the actual implementation of input credit showing examples of document preparation in the flip chart.

The participants exercise:

1. How to Create Member Register?
2. How to create Loan Disbursement Register that shows loan amount in each cycles or series?
3. How to create Weekly Collection Register or Consolidate Register which show total amount of saving, repayment and those who do not attend week collection? Also the Registers are useful in monthly report writing?

The following questions were asked:

- Is it possible to add another column i.e. next of Kin column?

The issue was accepted as nominee.

- Supposing a member exit, is it allowed for another member to come in?

The answer was –is possible but a new member must have a new number.

DAY III 22/8/2001

MORNING SESSION

After opening, the facilitator distributed the important documents to participants so that they could observe and understand them. The following documents were distributed:

1. Member Register
2. Passbook
3. Disbursement Register
4. Consolidated Register
5. Banking Register
6. Client Ledger Card
7. Client Assessment Form
8. Exit Form
9. Receipts Voucher 1 & 2

FLOW OF DOCUMENTS

The facilitator insisted the participants that the following chart should be an indicator of activities in relation to document used.

ACTIVITIES	DOCUMENT USED
1. Member Register (during registration)	1. Member Register 2. Receipt Voucher 1 3. Passbook having a number 4. Banking Register This register is always updated by ADACO at Viziwaziwa weekly meeting. - Bank Register should be verified by DACT/ADACO after receiving the bank deposit slip from the Viziwaziwa treasurer. - Must be updated daily/weekly when Viziwaziwa weekly meeting held and make any payment. - The document is maintained by ADACO. 5. Consolidated Register - Kept by ADACO to record attendance, savings collection, loan payment, balances at any given period of time.
1. Loan Disbursement	1. Disbursement Register is maintained by ADACO. 2. Documents needed includes loan, application form, loan assessment form or delivery invoice, good receipt note, store ledger, number/client ledger cards, stock cards etc.

Note: The above documents should be printed as per schedule.

EVENING SESSION

CONCLUSION

- It was agreed that budget for implementation should be known intact to enable DACOF to start input credit smoothly. For the time being the District Office Land Rover Station Wagon should be used and the project will supply fuel and small maintenance.
- Computer knowledge is essential for DACOF Officer to keep paper and quick recording.
- Motivation to extension workers and DACOF staff is very important so that they can work throughout the week to make input credit sustainable.
- The issue of water for irrigation in Viziwaziwa village should be reviewed especially during the review meeting on 3/10/2001 at Viziwaziwa.
- Group composition should be reviewed and to tell the farmers that inputs are not free and they must work hard for their own benefit.

EVALUATION

The facilitator-introduced questions to participants to know whether they had acquired know-how on input credit through the training carried out.

The questions was as follows:

1. What do the participants know about input credit?
2. What has been their contribution to DACOF to implement the objectives?
3. What can the participant do to make sure that the project succeeds?

DACOF TRAINING ON INPUT CREDIT

Second Stage: 3rd September 2001 - 15th January 2002

DACOF staff received a part of the second step of the training as follows.

Lecturers: Staff members of Swissaid mentioned above

Trainees: Staff members of DACOF, VAEO, (Group Leaders, the Farmers)

Time: Implementation including preparation period in Field Study 2
(Preparation - Input Delivery - Repayment - Systemisation - Replication)

Contents:

3rd, 4th September 2001

DACOF held workshops at Viziwaziwa with candidate loanees to make explanation of Input Credit. On this occasion, the lecturers gave on the job training to the trainees, facilitating by themselves, to show how the workshops be facilitated and how to explain the issues. The following items are also provided with:

- Practicalities necessary to handle a credit through reviewing the details of implementation of Input Credit
- Matters and points to be focussed on for explaining Input Credit to the farmers at the time of explanatory meeting
- Practicalities, potential problems and possible solutions regarding group formation
- Know-how and importance for convening farmers' regular meetings

5th, 7th September 2001

The lecturers gave review of documents needed including concrete schedule of documents' preparation, and also confirmed the activities to be done since then, especially, concerning group registration and DACOF registration at DACOF office. The following items are also provided with:

- Practicalities, potential problems and possible solutions regarding making of application form
- Practicalities (especially how to assess properties), potential problems and possible solutions regarding application appraisal
- Practicalities, potential problems and possible solutions regarding credit agreement
- Practicalities, potential problems and possible solutions regarding purchase of input materials
- Practicalities (especially how to make bookkeeping), potential problems and possible solutions regarding delivery of input materials

8th, 12th September, 3rd, 6th October 2001

DACOF held workshops at Viziwaziwa to explain the activities to be done since then, to collect fees for membership and passbook, to review preparation of disbursement (input delivery) and to fill member register, and the lecturers gave on the job training to the trainees. DACOF staff played a role of facilitator in these workshops.

4th October 2001

The lecturers prepared guidelines for loan disbursement and explained it to the trainees at DACOF office.

January, February 2002

The lecturers resumed the second step of the training (OJT) in the middle of January 2002.

At first, they reviewed what DACOF had performed since the delivery of the input and if DACOF had completed the documents that were lectured in the first step of the training. The lecturers judged what DACOF had performed and completed was not perfect but acceptable. Then they guided DACOF staff to complete the documents such as Members Register, Consolidated Register, Banking Register, Client Ledger Card and so forth.

Secondly, the lecturers gave advice to DACOF for proceeding repayment. The details are stated in "Activity 2-9: DACOF assists the farmers in proper repayment".

Thirdly, the lecturers started systemisation and institutionalisation of DACOF works using computer. DACOF staff simultaneously learned how to handle computer as well. DACOF prepared the documents computerised such as the documents mentioned above, Cash Flow Statements, Balance Sheets, Profit & Loss Statements, Bank Reconciliation Statements and so forth with the assistance of the lecturers.

Fourthly, DACOF started replication of Input Credit with the assistance of the lecturers to other 3 villages namely Mwendapole, Kwa Mfipa and Mwanabwito.

The lecturers also gave advice about the organisation of DACOF, if DACOF could execute Input Credit works with 125 loanees for next credit, as the staff members were not permanent for DACOF. As a result, DALDO promised to make ADACO and DACT permanent staff members for DACOF.

ATTACHMENT 2

THE KIBAHA DISTRICT AGRICULTURAL CREDIT OFFICE (DACOF) INPUT CREDIT POLICY

INTRODUCTION

Kibaha DACOF Registered Board of Trustee provides small-scale horticultural farmers who are not able to acquire adequate agricultural materials due to financial difficulties with support, in terms of farm input. The services are provided with to groups and the credit shall be supplied only in kind i.e. seeds, fertiliser chemicals, sprayers and other essential farm equipment.

DACOF will receive farm input from Donors (JICA) or any other sources and deliver them to loanees in collaboration with suppliers, extension workers, Kamati ya Kuendeleza Mradi (K. K. M) and group Leaders.

Farmers select types/varieties and quantities of farm input according to their need. Suitable input and standard application rate are already set up and district agricultural officers shall inform farmers group in advance.

DACOF Registered Board of Trustee shall give services to loanees in kind with the promise of the loanees paying back with interest set by DACOF

The input credit programme will adopt the group-based lending approach to individual small-scale farmers within the identified village project areas. Both existing groups of farmers as well as the new ones will be utilised. The policies and procedures set to guide its operations are formulated in line with the findings of the in-depth verification assessment commissioned by JICA in 2000 and based on the five micro-finance principles i.e. Farmers Participation, Empowerment, Financial Services, Sustainability and Gender Sensitivity. Under each of the broad steps in the loan process (outreaching and promotion, farmers identification and selection, loan disbursement, and loan repayment and follow-up), the policies and procedures will include:

(A) OUTREACHING AND PROMOTION

Policies

- (i) Outreaching and promotion of the programme will be carried out by DACOF office staff, especially DACO, ADACO, DACT and the VAEOs.

- (ii) During the outreaching and promotion exercise programme details, of the programme will be given.

Procedures

The following procedures will be used in outreaching and promotion;

- (i) For each are identified as suitable for the operation of the programme, the DACF staff will first seek the support of the local leaders and District/Regional Administration in the area.
- (ii) Through the local administration (Regional or District Administration) the DACOF staff will organise a public meeting to explain to potential members the benefits of the programme and give details of the eligible criteria.
- (iii) Other procedures will include group-to-group talks, farmer-to-farmer visits as well as the use of pamphlets and posters.

(B) FARMERS IDENTIFICATION AND SELECTION

Policies & procedures

- (i) **Eligibility:** To be eligible the individual must be:
 - An active poor farmers who are able to produce beyond the break-even point such that surplus can cater for personal use and project sustainability.
 - A farmer (or group member) who should have land (his own or hired) for cultivation within the selected village.
 - A farmer (or group member) who should have sustainable water source for irrigation.
 - 18 years old or more
 - A farmer (or group member) who is well known to group members, leaders and KKM Committee.
- (ii) The DACOF staff will be the one to identify suitable existing groups, while in the case of the new groups; the group members will be the ones to identify each other.
- (iii) Each group shall be included in the village level group that obtained a registration certificate with the Ministry of Home Affairs as a Group/Self help group.
- (iv) Each group must have a minimum of 5 members and not more than 25 members each.

- (v) Each group must be sub-divided into cells of five individuals who must be closely known to each other, living near each other and willing to co-guarantee each other in obtaining agricultural programme input credit.

(C) **LOAN PREPARATION AND DISBURSEMENT**

Policies

- (i) **Savings:** Each group member must save (in the group account) a minimum of TShs 700 per week i.e. TShs 500 for savings in DACOF account and TShs 200 in KKM account as emergency fund. Savings should start as soon as the loanees apply for the input credit and shall be paid with no interest charged, starting from the second week of registering with the programme and continuing for the entire period of the membership in the group. No member will be allowed to withdraw his/her savings as long as the group has any member still servicing the agricultural input credit. The Savings amount will act as a collateral and as loanees' own money.

Savings will be kept and managed by DACOF Registered Board of Trustee account. One can withdraw one's savings when one's membership ceases. Withdrawals due to termination of membership shall not exceed 60% of the member's total saving balance.

- (ii) **Loan Application:** Each group member requesting input credit will be required to fill in a loan application form, stating (in addition to personal information) details of the requested input and co-signed by the four other cell members as first guarantors, the KKM chairperson, secretary and treasurer of the group (on behalf of the entire group) as second guarantor, and the individual's VAEO (on behalf of the village) as third guarantor.
- (iii) **Additional Collateral** for the input credit. Farmers will be required to pledge marketable items to their groups in case of the agricultural input credit given in case of default.
- (iv) **Loan charges and other fees terms and conditions of loans**
- **Loan application fee.** A borrower shall be required to pay TShs 1,000 as loan application fee paid once at the beginning. The application form must be stamped at the district Magistrate for simple repayment.
 - **Interest rate on loan.** The loan requires interest of 8%, a flat rate for 6 months of production for the first loan cycle. This may be reviewed from time-to-time to reflect changes in the cost of providing the services and the inflation rate pertaining to the project.
 - **Insurance fee.** 0.5% of the loan amount applied for as insurance use only (not refundable).

Which shall be used only in case of incidental factors such as death of the loanees (upon showing death certificate) and permanent physical disability (upon doctors to help repayment)

- **Fines**. In case a group member fails to repay his debits within repayment period of one week each member will take the responsibility to contribute to their members and the same interest rate of 8% shall be charged at the amount not paid.
 - **Membership fee** for input credit shall be TShs 1,000 paid once and no-re fundable.
 - **Passbook**, which consists of saving and loan records, will be TShs 1,000 and if the passbook is lost or destroyed or expired the client shall have to cover the costs again for a new passbook.
 - **Collateral**: The security for the loan at group level shall be the responsibility of group leaders, KKM. In case a loanee disappears, escapes or in any case, other than death or permanent incapability and fails to repay the loan within the repayment period, each client shall take the responsibility to contribute to his or her colleague (group guarantors).
 - **In case of disaster**, like earthquake, floods, drought, pests and diseases, DACOF staff in collaboration with extension workers, group leaders and KKM will refinance or reschedule the loan and agree with the loanee on how to repay.
 - **Borrower's properties**: Group leaders, KKM, extension workers in collaboration with DACOF staff, shall assess loanees' properties. And the total value of the assets will act as a security for the loan.
- (v) **Loan amount**. The maximum loan amount shall be 120,000 TShs for the first cycle and the minimum amount shall be 60,000 TShs, Loanee can also be supplied with credit of other essential farm equipment to meet the minimum loan amount required.
- (vi) **Loan Duration**. The repayment period for each loan shall be 6 months after production commences and a grace period shall be 12 - 14 weeks as maximum depending on the crop
- (vii) **Loan Application & Approval**. The group members shall fill loan application forms and submit them to group leaders. KKM shall appraises, recommends and approves the loan. Then the forms shall be forwarded to DACOF for processing of the loan.
- (viii) **Loan Disbursement**. The loan will be disbursed in form of farm input and implements equivalent in TShs through Payment Voucher arrangement with DACOF. During this stage the following documents shall be required before disbursement. Loan shall be disbursed to the group or individual by the supplier selected in collaboration with DACOF staff and extension workers.

Procedures

The procedure to be followed in the preparation and disbursement of the loans are as follows.

- Each group member saves the required amount for the agreed weeks/months
- Loan aspirant obtains input credit application form, which s/he duly completes, obtains the approval (signature) of the cell members and presents it to the KKM.
- KKM reviews each application and makes recommendations to ADACO
- ADACO reviews together with KKM to verify details provided and facilitates the approval of the loan application by KKM before forwarding for final endorsement by DACO.
- DACO approves the applications on the strength of the recommendation from the KKM and ADACO.
- Loan is disbursed to individuals through Payment Voucher arrangement written by ADACO/DACO to the KKM

(D) LOAN REPAYMENT AND MONITORING

Policies

- **Grace Period.** Farmers will be granted a grace period not exceeding 100 days. This is expected to coincide with the length of the farming season in the area.
- **Loan repayment intervals.** Loan repayment will be on weekly basis after 100 days grace period and the farmers have harvested and started selling their produce.
- **Method of loan repayment.** Loans will be repaid during group meetings. The collected money will be deposited by the KKM Treasurer and handed over the deposit slip to ADACO.
- **Arrearage and Default management.** Any loan not paid one instalment (7) days past the due date will be considered as default and measures to collect it will be instituted. Such and amount not received by the due date will attract a penalty of 8% per week.
- **Defaulters watch list** shall be used when the loan is considered in default situation, and group leaders as well as KKM shall be informed for close monitoring of repayment and other legal actions.
- The **loan** shall be recovered every week as per constitution. After 4 weeks, group leaders, KKM and Extension workers and DACOF shall consider the loan as unrecoverable if no repayment has been done. They shall prepare bad debtors list for repayment procedure, and other legal action shall be taken.

Procedures

The followings are the procedures of loan repayment and monitoring

- **Loan Repayment.** Each loanee shall pay his/her loan at the weekly group meetings. KKM treasurer shall deposit the money collected in the bank and submit the bank deposit slip to ADACO for updating the required Input Credit documents.
- **Follow-up on defaulted loans.** Once a loan is determined to be in default, the following procedure shall be taken:
 - ADACO shall raise the matter at the next group meeting
 - Members in the same cell (group of 5) with the defaulting client shall be required to institute measures to obtain the repayment, including the fine, before the next meeting.
 - If by the next meeting, the cell members will not have been successful in getting the defaulting loanee to repay, they shall be required to settle the defaulted amount in full immediately
 - In case the cell members do not make good the defaulted amount by the second meeting after default, their savings shall be forfeited by DACOF to meet its payment. Any amount on top will be paid by the entire KKM members savings, equally apportioned to each member

(E) INDIVIDUAL CLIENT/GROUP POLICIES

- The loanees shall select nominee who will be responsible in case one is incapacitated or dies
- Under the input credit scheme, a group shall be constituted by 5 members. The following credit delivery principles will be looked at all times;
 - (C) Character of the client i.e. age, marital status, brief history, number at dependants etc. shall be known.
 - (A) Ability of the applicants to repay the loan shall be considered and known by group members, group leaders, KKM and DACOF.
 - (M) Margin/profit expected shall be looked into to see if it is satisfactory. The applicants shall be responsible for increasing profit/margin for poverty alleviation.
 - (P) Purpose of the loan (that is for poverty alleviation) shall be understood by the applicants.
 - (A) Amount of loan (input credit) applied per applicant shall be known properly (it shall be related to the area to be cultivated and ability to pay it back).
 - (R) Repayment shall be ascertained. (i.e. ability to pay the loan)

(I) Insurance is important for the applicant. It should be ascertained before disbursement that the loan given to the loanee will be repaid without any problems; therefore, the programme should institute insurance as measures to guard against the eventuality.

- The **KKM and group leaders** shall make sure that discipline within the group is followed according to KKM Constitution.
- The **DACOF Registered Board of Trustee** shall only be facilitator of the process of group, and leadership selection. The procedure of leadership selection shall be self-initiated.
- **Loan agreement:** The loan agreement shall be made between DACOF registered Board of Trustee and farmers group or KKM for input credit.
- The authorised signatories to agreement shall be DACO, or ADACO group leader and witness.
- **Loan Repayment Process:** The group treasurer shall collect the money from the group members at the meeting place and hand to KKM treasurer. He shall deposit it to the bank under DACOF account. ADACO shall only receive bank deposit slips, and DACT shall update weekly collection report and weekly attendance.
- **Loan follows – up and monitoring.** Group chairman, secretary and treasurer in collaboration with extension workers and DACOF staff shall monitor loan repayment weekly during the meeting. DACOF staff shall make follow–up and give technical assistance to KKM, and shall be responsible for reviewing loan performance and decision-making. The follow-up and technical assistance includes repayment procedure (problems and solutions).
- **Rescheduling/refinancing.** In case of disasters such as flood, drought, earthquakes, pests, diseases, etc., the DACOF registered Board of Trustee in collaboration with extension workers and group leader of KKM will refinance or reschedule the loan and agree with the loanee on how to repay.

(F) **DOCUMENTATION FOR INPUT CREDIT**

The following documents shall be used for the time being:

- Loan Application form
- Summary of Input Credit
- Loan Agreement Form
- Disbursement Register
- Loan Assessment Form
- Delivery Note
- Store Ledger
- Clients Ledger Card

- Loans Status Report
- Consolidated Register
- Weekly and Monthly Monitoring Forms
- Loan Repayment Schedule
- Banking Register
- Receipt Voucher 1 & 2
- Payment Voucher
- Members Register
- Exit Form

(G) **DUTIES OF DACOF STAFF**

Duties of DACOF staff shall be as follows.

District Agricultural Credit Officer (DACO)

District Agricultural Credit Officer (DACO) has a full responsibility for the day-to-day operation of the input credit scheme. He provides DACOF with the overall direction and reports directly to DED. A transparent accounting is of utmost importance in the credit handlings.

DACO is responsible for the following financial functions.

- Overall co-ordination of credit handlings
- Check and approval of application forms appraised by ADACO
- Signing Input Credit Agreement
- Signing documents of input procurement
- Approval of payment to input suppliers
- Up dating Members Register
- Preparation of Monthly Loan Status Report (Consolidating Narrative Report “Operation Report” prepared by ADACO and Financial Report prepared by DACT) and submitted to DED
- Forwarding prepared books of Input Credit to a Professional Internal Auditor of the Region

Assistant District Agricultural Credit Officer (ADACO)

Assistant District Agricultural Credit Officer (ADACO) provides full support to DACO in financial and input delivery operations. He reports to DACO.

ADACO is responsible for the following financial functions.

- Co-ordination of day-to-day credit routine activities
- Preparation of annual and monthly budgets
- Up dating Members Register

- Preparation of Application Form and Loan Agreement
- Appraisal of all the application forms from farmers before passing them to DACO for checking
- Up dating Disbursement Register
- Up dating Consolidated Register
- Verification of Passbook up dated by CPMU treasurer
- Up dating Banking Register
- Issuance of Receipt Boucher I & II
- Preparation of Narrative Report “Operation Report” to submit it to DACO
- Preparation of minutes of meeting for monthly meetings of DACOF
- Market analysis of vegetables and fruits including price monitoring in collaboration with the Ministry of Cooperative and Marketing and Board of External Trade

District Agricultural Credit Treasurer (DACT)

District Agricultural Credit Treasurer (DACT) is responsible for the following tasks under the supervision of ADACO.

- Up dating Members Register
- Preparation of shopping list permit and order forms to the suppliers
- Up dating Disbursement Register
- Preparation of Repayment Schedule
- Up dating Banking Register
- Maintain the Cashbook Ledger
- Performing any other duties directed by DACO and ADACO
- Preparation of Financial Report including Cash flow Statement, Profit & Loss, Income Statement, Balance Sheet, Budget, Ratios Analysis and Bank Reconciliation Statement (Bank Balance, Cash Book)

DACOF Registered Board of Trustees shall always amend these policies and procedures as per prevailing social and other situation.

ATTACHMENT 3

ATTACHMENT 3-1

REPORT CONCERNING INPUT CREDIT INTRODUCTORY MEETING

INTRODUCTION

DACOF Staff conducted introductory meeting in February 2002 at Viziwaziwa Mwendapole/Kwa Mfipa and Mwanabwito.

THE OBJECTIVE OF THE MEETING

-To introduce Input Credit component to farmers who are not able to acquire adequate horticultural input due to financial difficulties.

This component will support farmers with horticultural input such as manure, fertiliser, seeds, chemicals, sprayers and other essential implements on credit. These farmers will also be supported with horticultural technical know how during the weekly meetings and therefore they can have the opportunity to increase their income through vegetable growing.

-To explain eligibility for the input credit. It was explained by DACOF staff that the credit is made available not to individuals but to groups; therefore groups must be formed. Group members must be active poor farmers above 18 years old with land (own or hired) and sustainable water source, closely know one another and co-guarantee each other.

-To introduce necessity of membership fee, importance of savings, purchase of passbook, minimum and maximum amount of loan, application fee, interest rate, insurance fee, grace period, punishment and repayment procedures.

OTHERS

- For Viziwaziwa and Mwanabwito, it was explained by DACOF that the members who are going to be selected should prepare themselves to contribute to whatever had been done up to now. The KKM will decide on what are they going to contribute as new members, because the former members contributed money and their manpower on construction and other activities.

- Community Development Officer Stressed about promotion of group formation, gender issues and farmers participation (community participatory development).

-The introductory meeting was able to send the message concerning input credit to farmers. After the above explanation, the farmers were able to ask questions so as to get clarification. The details of questions and answers are as follows.

DAY ONE 12 FEBRUARY 2002 – VIZIWAZIWA

Question: Is it necessary for the group to have the 25 members? Because we have our own group consisting of 10 farmers from sub village Mikongeni and we have enough water along Ngerengere pond.

Answer: If you apply for membership to KKM and accepted, then you can form two groups. The other three groups may be formed from other sub villagers of Viziwaziwa. What is important is that you should closely be known to one another living one another and willing to guarantee one another.

Question: If I have been selected to be a member of Input Credit and paid whatever is needed when are you going to provide me with inputs.

Answer: The input will be disbursed at least after a member saves for about 8 weeks. The disbursement of input is expected to be in mid may after the rainy season.

Question: You said that a member must pay insurance fee what is the importance of the fee.

Answer: This account will be used in case at incidental factors such as death certificate presentation and permanent physical disability upon doctors certification to help loan repayment.

Question: What is the importance of the passbook, is it possible for one to use that passbook in NBC Kibaha?

Answer: The pass book cannot be used in NBC Kibaha. The passbook will consist of savings and loan records. The passbook shows the amount saved per week, the amount of loan paid and remained.

DAY TWO 13 FEBRUARY 2002 -MWENDAPOLE /KWA MFIPA

Question: Is it possible for a farmer to have a loan while his/her farm is located in Ruvu or Mkuranga

Answer: It is not possible for such a farmer to obtain the loan because the program-selected villages are Kwa Mfipa and Mwendapole. For such farmers, it is difficult to follow up. A farmer should have land (own or hired) and a sustainable water source within Kwa Mfipa and Mwendapole

Question: What will happen or how can you help farmers; if the number of application exceeds 25. And they may be applying to pay whatever money the programme suggested.

Answer: All application should be made to KKM leaders for consideration then to DACOF. KKM in collaboration with DACOF shall select only 25 members in a group of 5 for the first year. Then after selling their produce, they will pay back the money to DACOF so that other groups can be assisted (revolving fund).

Question: If the amount of savings is to be banked for a certain period of time why don't we have any

interest?

Answer: The amount of saving per individual per month is very small and the amount of bank charges are higher, for that small amount therefore, the interest rate will be very small and the bank charges will be higher.

The DACOF bank account will pay the Bank charges each month and if a farmer exits from the group, the exact amount will be given without any bank charges.

Question: What will happen in case of disasters like locusts, armyworms, etc.?

Answer- In case of disasters; not only pest but also drought, flood, disease etc., DACOF will refinance or reschedule and agree with the farmers on how to repay.

Question: Why saving being made weekly.

Answer: Saving is being made weekly because as soon as the individual become a member of input credit she/he is required to save 200 TShs as emergence fund in KKM account and 500 TShs for savings with the programme at least 8 weeks before getting the input credit. The savings will act as a collateral and individual's own savings.

Question: Is it necessary for a group of 5 members to be known closely one another?

Answer: It is necessary because group members will be the one to identify one another and willing to co-guarantee one another in obtaining Input Credit.

Question: Is it possible for a group of 5 members to farm in one area all together?

Answer: DACOF advocate farming as group, what is needed is to have enough land and sustainable water source for irrigation. The collective farming will make fallow up as well as training concerning horticultural production easy.

Question: The Programme provides input credit to farmers especially chemicals, it is known that; produce from organic farming fetches higher prices. For that matter we may increase produce but our income might be affected with such phenomenon.

Answer: It is true that produce treated chemically fetches lower prices, but the rates, which are normally used, are the ones recommended that couldn't cause health hazard to users. Farmers will be trained suitable recommended input, how to apply the chemicals safely, and standard application rate.

Question: You talked so many things concerning money in order to obtain the credit. How about the management and auditing procedures concerning that money?

Answer: We have auditing system and have auditing once a year. Moreover, KKM should be registered to Regional cooperative office or the Ministry of Home Affairs as self help association and open their bank account. The KKM will have to have chairman, secretary and treasurer. Treasurer has to collect the money from group treasurers and deposit to bank (DACOF/KKM) account instead of DACT. DACOF will only receive Bank slips. The collection will be made during the weekly meeting.

DAY THREE 14 FEBRUARY 2002 MWANABWITO

Question: Each group members requesting input credit shall be required to pay a certain amount of money from membership up to loan application fee. Situation of Mwanabwito farmers are worse and the sources of income are very limited. How are you going to help them?

Answer: DACOF target group is active poor farmers, who have houses shelters, can produce enough food for them and their families, can be able to save small money for future and emergence use. Therefore group members requesting input credit must pay the entire fee as indicated in the eligibility for input credit.

Question: Should Input credit be provided this year to pump group to help repayment of the pumps provided by the project. Why are you advertising formations of new groups?

Answer: One criterion for having input credit is that a member shall not have any loan with any other programme/institution or project. If the pump groups completed repayment, they can apply for Input Credit. This is because the aim of project is to reduce/alleviate poverty and is not to initiate loan burden to farmers. It is a chance for other remaining village members. A system must be formed where by the input credit groups and the pump groups will cooperate to make sure that they increase produce and hence their income for their benefit.

Question: Is it possible to have 50 % as input credit and the other 50 % as money cash, so that one can decide what he/she can do with that money?

Answer: DACOF Registered board of trustee will only provide support to farmers in terms of farm input; the services that will be supplied in kind are seeds, manure, fertilier, chemicals, sprayers, other essential farm equipment, etc.

Question: After being supplied with input and the produce being increased. There must be produce exceeding market capacity. What are the preparations made by DACOF to make sure this exceeding is sold?

Answer: Instead of farmers waiting for coming traders/middlemen to buy their produce, they can organise themselves through their groups and sell the produce to retailers' middleman living in neighbouring villages or organise themselves so that their produce can be sold at towns market or sold to wholesalers

Question. To be eligible, the individual must be 18 years old or more as minimum age what about the maximum age?

Answer: The maximum age was not indicated but it was stated that to be eligible an individual must be an active hard worker who is able to produce beyond the break even point such that surplus can cater for personal use and project sustainability.

INTRODUCTORY MEETING CONCERNING INPUT CREDIT

THE KIBAHA DISTRICT AGRICULTURAL CREDIT OFFICE (DACOF)

Kibaha DACOF Registered Board of Trustee provides small –scale horticultural individuals who are not able to acquire adequate agricultural materials due to financial difficulties with support, in terms of farm inputs. The services are provided to groups and the credit will be supplied only in kind i.e. seeds, fertilizer, chemicals, sprayers and other essential farm equipment.

DACOF will receive farm input from JICA and deliver them to loanees in collaboration with suppliers, extension workers, Kamati ya Kuendeleza Mradi (KKM) and group Leaders.

Individuals select types/varieties and quantities of farm input according to their need. Suitable input and standard application rate will be set up and District Agriculture officers will inform individuals group in advance.

DACOF Registered Board of Trustee will give services to individuals in kind with the promise of paying back with interest of 8% flat rate.

The input credit Programme will adopt the group-based lending approach to individual small-scale individuals within the village project areas.

ELIGIBILITY FOR INPUT CREDIT

To be eligible for input credit an individual must be:

- In a group of 5 members identified by each other
- 18 years old or more.
- Closely known to each other, living near each other and willing to co-guarantee each other in obtaining agricultural input credit.
- An active poor individual
- An individual (or group member) who should be having sustainable water source for irrigation.
- A individual (or group member who should have land (his own or hired) for cultivation within the selected village.
- An individual (or group member) who is well known to group members, leaders and KKM Committee.

- Willing to save a minimum of TShs 500 for savings with the Programme and TShs 200 as emergency fund in KKM account for at least 8 weeks before getting the input credit. Savings should start as soon as the individual become a member of input credit. No member will be allowed to withdraw his/her savings as long as the group has still servicing the agricultural input credit. The Savings amount will act as a collateral and as individuals own Savings
- Ready to pay a Member ship Fee of TShs.1000 and a Passbook fee of TShs 1000.
- Required to fill in a loan application form, stating (in addition to personal information) details of input requirements and co-signed by the members as first guarantors, the KKM chairperson, secretary and treasurer of the group (on behalf of the entire group) as second guarantor, and the individuals VEO (on behalf of the village) as a witness
- Required to pledge marketable items to their group in case of the agricultural input credit given in case of default.
- Required to pay TShs 1,000/= as Loan Application Fee, Loan Interest Fee of 8%, a flat rate for 6 months of production, Loan Insurance Fee of 0.5% loan amount applied for.
- Expected to receive his/her loan in form of farm inputs and implements equivalent in TShs through Payment Voucher arrangement with DACOF. Loan shall be disbursed to the group or individual by the supplier selected by DACOF
- Eligible for a minimum amount of loan 60,000 TShs and the maximum loan amount of 120,000 TShs depending on individual input requirement and farm size.
- Having no loan with any other Programme / institution /project
- Granted a grace period not exceeding 100 days after receiving inputs. This is expected to coincide with the length of the farming season in the area.
- Expected to repay his/her loan on weekly basis after 100 days grace period for a period not exceeding six months.
- Required to pay his /her loan at the weekly group meetings. The group treasurer shall collect the money from the group members at the meeting place and hand to KKM treasurer. KKM treasurer shall deposit the money collected in the bank and submit the bank deposit slip at the DACOF to ADACO/DACT for updating the required Input Credit documents
- Required to pay a fine in case a group member fails to repay his /her debts within the repayment period, each member will take the responsibility to contribute to their members at a fee of 8% charged at the amount not paid.

FOR MORE DETAILS PLEASE CONTACT:

1. Kibaha District Agricultural and Livestock Development Officer at the Office or on

Tel No: 023-2402912 Or

2. Village Extension Officer Or

3. ADACO/DACT at DACOF Office or during KKM weekly meetings

ATTACHMENT 4

Problems Arising in the Periodical Weekly Meetings of the First Credit

(1st meeting: 16th October 2001) - Attendants 21 loanees

Shallow wells are not well prepared. Due to the delay of short rainy season starting, most of the farmers have not started vegetable growing as planned.

(2nd meeting: 23rd October 2001) - Attendants 19 loanees

Chemicals are poorly distributed within some groups. The farmers could not measure chemicals properly. Even though DACOF gave the farmers the lecture how to measure input at the time of delivery, they had not understood properly. It is needed to lecture them more about proper measurement on input. It was suggested that the redistribution should be carried out within the group with the help of Extension Officers.

(3rd meeting: 30th October 2001) - Attendants 19 loanees

The members are not serious about preparing the farmlands. CPMU chairman lectured them to be serious to prepare the farmlands.

The leader of group 3 was not active to lead his group members, and he never attended the weekly meetings. CPMU chairman said he would visit him and discuss the matters.

The leader of group 2 suggested making this meeting fortnight, as members were busy of participating in the construction of sheds. However, after a discussion this suggestion was denied.

(4th meeting: 6th November 2001) - Attendants 13 loanees

Sowing of okra and cucumber is delayed due to weather conditions. They are afraid that this hot temperature might damage seeds and young plants. Therefore, they would like to wait till the short rain comes which will come in the middle of November.

CPMU chairman said he had visited the leader of group 3 and discussed with him. The leader said he had been busy with his private issues, and he would not attend the meeting next, but he said he would pay fees for passbook and insurance that he had not paid yet. The money was handed over to the chairman and he brought that money to pay.

The chairman proposed that each member should be active and serious, and group leaders and members should discuss their problems arising before every weekly meeting.

(5th meeting: 13th November 2001) - Attendants 18 loanees

Hot weather conditions without rain still exist, therefore the farmers are hesitating to transplant tomatoes even tomato seedlings in the nursery have reached the transplanting stage. ADACO suggested the farmers to apply dry grass mulch and cover the soil surface around in order to reduce fertiliser leaching, conserve moisture, control soil erosion and reduce weed.

DACOT asked the farmers why the number of members who paid savings had decreased. Some of

them answered that the economic situation was not good and they normally grew amaranthus that grows vigorously at this time due to its resistance against drought. However, the weather conditions this time did not allow even such plant.

(6th meeting: 27th November 2001) - Attendants 19 loanees

Most of the participants claimed shortage of water due to drought. Many of them said they gave up transplanting tomatoes and the seedlings had flowered in the nurseries. Even the farmers who were supposed to grow okra or cucumber and had prepared the farmland hesitated to sow.

CPMU chairman reported the results of the Steering Committee Meeting held on the 26th November concerning the Project.

After the meeting, DACOF staff and VAEO visited two farmers to examine okra germination percentage. The germination percentage was good and if it would rain, production might be good also.

(7th meeting: 4th December 2001) - Attendants 16 loanees

Adding the water shortage problem, occurrences of grasshoppers that cut down tomato and okra plants were reported. ADACO warned the farmers to be serious about this problem and instructed to make regular inspections of their farms and spray the insecticide provided.

(8th meeting: 11th December 2001) - Attendants 16 loanees

KKM chairman reported that the spraying of insecticide (Karate) had controlled successfully against grasshoppers and told the farmers to make regular inspections of their farms and spray the insecticide. KKM chairman also said that rules and regulations should be applied effectively and the members should make close cooperation for the project to succeed.

(9th meeting: 19th December 2001) - Attendants 17 loanees

KKM chairman raised the problem of leadership of group 3 and he said he had written an official letter to him to be more active as a leader. For this issue, KKM chairman suggested the members of group 3 to select another leader if he would not attend the following meetings. Moreover, he appealed the members to attend the weekly meetings as it is compulsory whether they had water or not and whether they had money for savings or not.

One farmer reported the occurrence of unknown disease that affected tomato and made leaves and stems crinkled with a distinct light and dark green mottle. ADACO answered that the disease was known as Tomato Mosaic Virus caused by pathogen virus that was transmitted by insects such as white flies, grasshoppers, beetles and so forth. He explained about the disease (mode of transmission, symptoms and control measures) and no chemical is effective. Only way is to uproot the affected plants and bury/burn them to avoid spreading, to maintain field hygienic and to spray insecticides to control its vectors.

ADACO raised the problem of registration fee to the Ministry of Home Affairs how would the members pay it. KKM Chairman answered to hold a discussion with the machine group and inform the result at next meeting.

KKM chairman suggested that 14 members who had not planted their field should start planting okra and cucumber if short rain start.

(10th meeting: 31st December 2001) - Attendants 20 loanees

In response to the official letter issued by KKM chairmen, the leader of group 3 turned up at this meeting and explained why he had not attended the meetings. He said that he had been involved in a court case, family health problems and other activities concerning sub-village Sagare as its leader. Additionally, he complained to the chairman that the chairman had no right to write an official letter, as the members of group 3 had selected their leader. KKM chairman answered that as KKM leader he has the right to ask any leaders or members on issues concerning the project development. He further mentioned that all human beings have problems, but it is a matter of common knowledge to inform them to others, and this would show cooperation and responsibility as a leader. After a long discussion, it was agreed that members of group 3 should decide by themselves whether new leader would be selected or not.

Concerning the registration fee, it was informed that the members had agreed to pay TShs1,000.- per member and total amount collected was already TShs14,000.-.

(11th meeting: 8th January 2002) - Attendants 16 loanees

The leader of group 3 did not attend this meeting and members of group 3 complained about the leader's poor performance as a leader. At last they decided to select new leader next meeting.

The diseases were also reported and ADACO suggested to spray chemicals properly under side of leaves.

DACOF reminded the loanees that the repayment would start next week. However, DACOF expressed that it would judge the drought of this short rainy season as disaster and decided to apply the disaster clause of DACOF Policy. Therefore, DACOF asked the loanees to submit their rescheduling.

Opening of KKM bank account was discussed and it would be decided after discussion with the machine group.

(12th meeting: 15th January 2002) - Attendants 13 loanees

DACOF remarked that it was a starting day of repayment and every loatee should show his/her hospitality and commitment to pay what was due to pay. KKM chairman explained that most of the farmers expected to start harvesting at the end of January up to February. The rest might start planting during March. However, only one farmer made repayment of TShs10,000.-.

New leader of group 3 was elected even though the previous leader was absent.

(13th meeting: 22nd January 2002) - Attendants 22 loanees

Repayment was made by 7 loanees and amounted TShs 18,500.-.

DACOF introduced new repayment schedule and explained instalment period would be prolonged from 12 weeks to 24 weeks to increase the amount to be paid and final repayment day would be the 25th of June 2002.

It was informed that the rainfall of 12th, 13th and 14th had made kisimas to sustain certain amount of water, and the farmers had become busy at working on farm.

(14th meeting: 29th January 2002) - Attendants 16 loanees

Repayment was made by 5 loanees and amounted TShs 15,000.-.

DACOF explained about penalty of new repayment schedule and the penalty would not be imposed on arrears during the instalment period, however after the final repayment day, penalty would be imposed with 8 % per week for arrears. DACOF stressed this penalty is very big, so the loanees had to repay in time. DACOF also explained the loanees to understand clearly the meaning of co-guarantee. The group leaders should conduct group meetings frequently and strengthen group unity in order to achieve

The problem of transport cost was also raised and the last week paid amount was banked nearly one week later due to lack of bus fair. Therefore, DACOF made a suggestion that DACOF would take paid money and issue bank deposit slip to KKM Treasure on the spot, and then bank it till KKM would be strengthened. KKM agreed the idea.

(15th meeting: 5th February 2002) - Attendants 17 loanees

Repayment was made by 8 loanees and amounted TShs 25,000.-.

Concerning the registration fee, it was informed that total amount collected was already TShs16,000.-.

It was realised that the amount of money belonging to KKM was only TShs14,200.- that was from emergency fund and this amount could not sustain to open bank account. Therefore, the members should make more savings for emergency fund.

DACOF informed that recruit of new loanees for next credit would start soon and stressed that the existing loanees had to repay all otherwise they would not be able to make new credit. The explanatory meeting about next credit would be held next week and to inform the meeting advertisement poster for the meeting would be put up today.

(16th meeting: 12th February 2002) - Attendants 17 loanees

Repayment was made by 7 loanees and amounted TShs 18,000.

The leader of group 5 informed that one of member was not honest to attend group activities, and no one had been grasping his movement. Therefore, it was decided to solve this matter as KKM problem.

KKM chairman informed about improvement of kisima that was carried out last Saturday, being made of timber that prevented sand and soil to enter inside the wall making water more available. He told other farmers to come and see it, and if one became interested in it, he could make it using locally available materials.

ATTACHMENT 5

Difficulties Concerning Input Credit of the First Credit in 2001

During the implementation of the first credit in 2001, the Team identified the following issues as difficulties to implement Input Credit.

CPMU Registration

At first, group registration was considered only for Input Credit group, and the registration fees were deemed paid by credit group members in the manner of including the fees in the debt amount and repaid with the debt. However, it was found that the group registration was needed for other micro projects as well as for Input Credit during the workshops. As a result, it was decided that CPMU should be registered to the Ministry of Home Affairs, but who would pay the fees and how to pay had been discussed and CPMU decided to collect fees not only from the Input Credit group but also from other CPMU members.

Measurement of Farmland to be Cultivated

Measurement of farmland where loaned input is applied is very important, as it decides the input requirement amount. In the first credit, DACOF staff made the measurement of 25 farms. However, 125 farmers are expected for next loan, and it is a hard job to measure 125 farms. Therefore, DACOF shall lecture the farmers how to measure farmland and trust the farmers' measurement from next time. However, it was not realised.

Amount of Input Requirements

The farmers required maximum amount of input for 0.5 acre. However, as a result of the actual measurement done by DACOF, most of each member's farmland area expected to be cultivated was smaller than 0.5 acre even they insisted it was 0.5 acre. It meant amount of requirements for 0.5 acre was too much. The farmers said they would measure their lands and adjust the area, bigger or smaller, to 0.5 acre. DACOF suggested the farmers to require input amount depending on area that can be watered by each exiting water source judging from their experience, as the area to be able to cultivate is limited by the amount of water. However, the farmers still insisted to require maximum amount. As a result, it was judged that induction training to the farmers was needed, as they did not recognise seriously what the credit was demanding. The induction training was carried out on the 19th of September 2001, and the following issues were lectured there.

- everybody must work hard to carry out loan
- importance of keeping to the rules, duty and responsibility
- importance of CPMU's role
- exclusion of impossibility - definition of area to be cultivated by DACOF

Filling Application Forms

In the Plan of Operation, application forms and the Summary of Input Credit were supposed to be filled and summarised by the farmers and the group leaders respectively. However, most of farmers did not know any thing about such works, so DACOF prepared them with the assistance of JICA.

Procurement of Input and Decision of Unit Price

In the Plan of Operation, procurement procedure was defined as follows.

Selection of Suppliers (Decision of Unit Prices) - Ordering in accordance with the Sum of Requirements - Ordering - Delivery by the Suppliers

However, at the time of ordering, the unit prices for the first credit were changed from their quotations even in the big retailers, as, they said, they were imported. In another case, the goods that were available at the time of quotations were not available at the time of ordering, so other shops were chosen, and it changed the unit prices, as well. Therefore, the unit prices were reviewed and revised at the time of purchasing. Additionally, all the retailers did not have transport to deliver goods, and DACOF had to prepare transport and add the transport costs to the unit prices revised. Therefore, the final unit prices were decided one day before disbursement date, and it incurred revision of loan amount and re-signing of final agreements.

Concerning manure, it was impossible to purchase it in one poultry farm and the manure was collected from several farms. Additionally, in such farms, they just sold only manure, and buyers had to prepare bags and transport. It meant the buyers had to fill manure in the sacks and load the sacks on trucks. The prices of manure, sacks and transport were not constant depending on the cases. Therefore, the unit price of a sack of manure was computed and decided after summing up the costs.

Procurement of Manure

As mentioned before, it was impossible to purchase manure from the retail shops, and manure ordering was made to poultry farms nearby for the first credit. However, it was also impossible to purchase manure in one poultry farm, since the farms nearby were small-scale farms and the amount of manure needed was very huge (874 sacks with 50 kg/sack). Even DACOF ordered the manure to several farms ahead of time, DACOF failed to collect all on that very day, as the farms actually could not prepare the manure then. Additionally, the purchase of manure was very complicated as mentioned before.

Concerning the second loan, the amount of manure was expected to be 5 times more than the amount this time and occurrence of harder confusion was easily predicted.

There are some solutions as follows.

1) DACOF starts manure purchasing very earlier (e.g. 2 months earlier).

In this case, input requirement shall be decided very early or DACOF shall forecast the amount to be required.

2) DACOF purchases manure from a big poultry farm in the outskirts of Dar es Salaam. (DACOF at

last purchased the remaining amount of manure needed from the big farm in Dar es Salaam at this time.)

In this case, there remains some uneasiness of purchasing the manure to be used in villages from far urban area.

- 3) Manure shall be mixed with cow dung, as cow dung is easier to collect than fowl droppings. (The farmers preferred the fowl droppings to the cow dung.)

In this case, the problem remains to the farmers who cultivate farmlands hired, as the cow dung is effective in long span but does not become effective instantly compared with the fowl droppings.

- 4) DACOF shall lecture the farmers how to produce green compost.

- 5) The farmers start management of poultry farms by themselves to acquire fowl droppings.

In this case, financial and technical assistance is needed.

Solutions 1), 2) and 3) are adoptable instantly, but 4) and 5) are rather difficult to realise soon.

Emergency Savings

CPMU chairperson Viziwaziwa said that the emergency savings of TShs 200 should be saved in DACOF account same as the savings for collateral. DACOF answered that character of that savings was different from savings for collateral, so it should be kept and handled by CPMU. Additionally, one farmer suggested that in that case, the emergency savings account should be separated from other projects savings such as machine group; otherwise they would use the savings.

ATTACHMENT 6

Other Topics Concerning Input Credit

Interview Survey to First Credit Loanees

The Team conducted the interview survey to the loanees of the first credit in May 2002, as there arose a doubt if the loanees thought it was useful them to join this Input Credit scheme during the workshops observing they were urged to repay. Twenty-one out of 25 loanees replied, and the followings are the results acquired by the survey.

- Twenty said it was useful to join the scheme with main reasons of; 1) Obtaining input easily (17 replies), 2) Obtaining training and farming technology (11 replies), 3) Creation of community awareness (6 replies) and 4) Increase in produce and income (5 replies).
- One said it was not useful with the reasons of; 1) Insufficient manure due to not fulfilled bags, 2) High prices of input compared to the shops and 3) No assistance by DACOF, even though some losses due to drought. However, this responder still expressed his intention to continue it in the next loan.
- One lady, who even said it was useful to join, answered not to join next loan with the reasons of high contribution fees and being blamed concerning repayment delay.
- Concerning the questions if DACOF staff and VAEO acted properly and what do you expect from them, many of them said VAEO's performance was proper, but complained way and contents of talking by DACOF staff, such as strong way to talk concerning repayment and unreasonable recommendation to seek other financial sources for repayment.

As a result, most of them answered that it was useful and fine to join this scheme. On the other hand, most of them were complaining concerning DACOF staff's talking at the repayment stage. It can be considered that most of the complaints are made at their own sweet will. However, it is still needed to maintain good relationship between the farmers and the District Officers, as one of purposes of V/S is to make the pipe between the community and the administration thicker. Therefore, the Team explained to the loanees concerning repayment including penalty, especially penalty after the 25th of June was not so small, and to avoid piling up a lot of debt, it was needed to seek other financial sources for repayment. Since then, it seems that the farmers' feelings to DACOF staff have changed better than before.

Savings

Savings were introduced as collateral, but achievements were not satisfactory as collateral, not only in the first credit but also in the second credit. On the other hand, the loanees of the first credit seem they are looking forward seeing their passbooks with savings accumulated, as they denied shifting amount of savings to repayment to avoid penalty as much as possible. It was proposed when the new penalty was set, even though the proposal was contradictory if the nature of the savings were considered.

The following table shows the achievements of savings as of 11th of July 2002.

Achievements of Savings at Each Village (TShs)

Village	Viziwaziwa (1)	Viziwaziwa (2)	Mwanabwito	Mwendapole	Kwa Mfipa
Loanees	25	11	25	25	25
Achievement of Savings	158,500	8,500	4,500	67,500	53,900
Achievement of Savings per Each Loanee	6,340	772	180	2,700	2,156

DACOF lectured them many times through the workshops to contribute themselves for savings in order to be aware of self-reliance and assist CPMU's sustainability, but the achievements of the loanees at Mwanabwito and Viziwaziwa (2) are very bad compared with other two villagers with the reasons of shortage of money. Therefore, the savings do not act as collateral so far, but the savings might have another nature of creating farmers' motivation to join Input Credit, so it is better to observe the achievements some more time till the loanees get harvests.

DACOF Documentation

Since the second credit started, it seems, DACOF staff has not been able to manage DACOF documentation properly, and the documents are always piling up and waiting for up dated or sorted out. The first reason is that the number of loanees has increased to nearly five times, and the documentation introduced by Swissaid is rather complicated and sometimes unfit to Input Credit. Moreover, DACOF systemisation by computer was also introduced, even DACOF staff was not familiar with computer handling, so the training for computer handling was also carried out and still they are learning it.

To get out of this difficult situation, some countermeasures are being taken. First of all, DALDO made ADACO and DACT permanent staff members for DACOF in February 2002. Moreover, DACOF decided to involve VAEOs in DACOF duties as staff members in June 2002. However, ADACO was busy for other duties concerning one of micro projects of V/S tentatively even though he was nominated as a permanent staff member of DACOF, and VAEO's were also busy for receiving



Training for Computer Handling

Extension Officers' Training conducted as one of micro projects of V/S at the beginning of July 2002. Therefore, DACT alone was in charge of Input Credit as a permanent staff member with the collaboration of DACO and some times ADACO. Effects of these countermeasures will hopefully

appear at the end of July 2002.

Secondly, simplification of DACOF documentation has been carried out with the collaboration of the Team. The documents simplified are cashbook of each Input Credit group normally recorded by the group treasurers, banking register and clients' ledger books. The latter two books are to be updated by DACT. They are all computerised, but cashbook of each group is to be made on notebooks and handed to group treasurers, then the treasurers shall record them manually. Each client ledger corresponds to his passbook that is updated by group treasurers, and DACOF can confirm updated passbook by the client ledger. Cashbook for DACOF and store ledger will be prepared subsequently.

Revolving Fund

The revolving fund accumulated by the payment done by the loanees of the first credit at Viziwaziwa including interest and charges reached TShs930,000 as of 11th July 2002. DACOF started to consider effective use of this revolving fund, going along with the Team's suggestion, since this fund would not be used as the revolving fund to the loanees unless the loanees repaid their debt completely as group. However, it was still rather difficult to be realised soon, as the most loanees were expecting to complete their repayment in August 2002. Therefore, it deemed useful to utilise a part of this revolving fund other than to the loanees.

On the other hand, observing the workshops held at Viziwaziwa nowadays, the loanees' morale was depressing, as DACOF and CPMU chairperson were always urging them to repay. So it was considered to give loan to CPMU to revitalise members' morale depressed. Even though the repayment rate was only 20%, there existed revolving fund amounted TShs1,034,700 and was not so small amount of money. It seemed better not to stick on low repayment rate but to open eyes to positive possibilities.

Consequently, DACOF explained it at the workshop held on the 2nd of July 2002, and the CPMU members welcomed this proposal. CPMU raised three ideas for the loan as follows.

1. Flour project: purchase some maize, mill it by the village milling machine and sell it to get profit and give a chance to get clients for the village milling machine project, for rice also
2. Poultry project: purchase chicks, feed them using milling machine by-product and sell them to get profit and to dispose by-product from the milling machine, more over chicken manure is obtained
3. Cashew nut project: purchase cashew nuts in season and sell them in the off-season to get profit

DACOF suggested CPMU to consider these projects in detail and to draw up their plans. DACOF would assess them and if they were judged appropriate, the loan would be given to CPMU.