

# **Microfinance Associations**

**The case of the Ghana Microfinance Institutions  
Network (GHAMFIN)**



**Division 41**  
**Economic Development and Employment Promotion**

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## Currency Equivalentents

As of 15 November 2001

1 Euro = 6,543,80 GHC (Ghana cedis)

1 USD (United States Dollar) = 7,408.10 GHC

## Abbreviations and Acronyms

AMINA	African Microfinance Initiative
AFMIN	African Microfinance Network
A/MS	Administration and Member Services Manager
AGM	Annual General Meeting
ARB	Association of Rural Banks
BMZ	Federal Ministry for Economic Co-operation and Development
BOG	Bank of Ghana (Central Bank)
CSI	Critical Success Indicators
CU	Credit Union
CUA	Credit Union Association
DANIDA	Danish Agency for Development Assistance
ERP	Economic Recovery Programme
GCSCA	Ghana Co-operative Susu Collectors Association
GDP	Gross Domestic Product
GHAMFIN	Ghana Microfinance Institutions Network
GHC	Ghanaian Cedi (national currency)
GOG	Government of Ghana
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IDA	International Development Agency
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
MBP	Microenterprise Best Practices
MFA	Microfinance Association
MFI	Microfinance Institution
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NFBI	Non-bank Financial Institution
NGO	Non-governmental Organization
RB	Rural Bank
RFSP	Rural Financial Services Project
SEEP	Small Enterprise Education and Promotion Network
S/L-Company	Saving and Loan Company
TC	Training Coordinator
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States Dollar
WWB	Women' s World Banking

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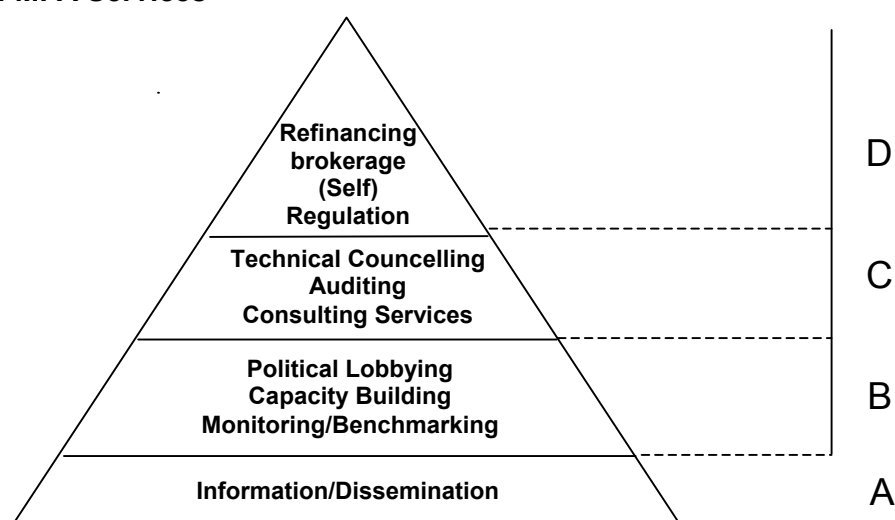


## 1. Introduction

Microfinance Institutions (MFI) are seen as one of the most efficient instruments in promoting economic development and fighting poverty in poorer countries. Numerous MFIs in all regions have proven that financial services can be offered on a sustainable basis with high outreach. With the increasing importance of MFIs for the overall development of financial sectors in developing countries, MFIs and their partner institutions have started to initiate projects and programmes that support the microfinance industry as a whole. Some of the more prominent examples include the *Stratégie Nationale pour le développement pour le secteur Microfinance\** in Mali or the *Rural Financial Services Project* in Ghana. Within such sector-wide programmes, which are supported by a number of donors, issues such as regulation and supervision, training and capacity building, refinancing etc. are seen as crucial elements in the consolidation and stabilisation of the development of individual MFIs. In other words, the international debate on developing the microfinance industry has increasingly focused on the development of second tier financial sector institutions (e.g. Apex Banks, training centres, MF associations).

Within this context, MFI associations play a particular role. **Microfinance Associations (MFAs)** contribute to the stabilisation and consolidation of the microfinance sector in general by providing a number of different services, such as information/ dissemination, monitoring/ benchmarking, political lobbying, training, marketing, auditing and refinancing brokerage. The following chart shows the **pyramid of services** offered by MFAs<sup>1</sup>.

**Table 1: Pyramid of MFA Services**



MFAs are also seen as potential partner institutions for donors which can create higher leverage, higher dissemination and greater outreach of their technical or financial assistance packages.

The various MFAs have different backgrounds. Some have been directly started at the MFI community's own initiative with the aim of rationalising some of the above services, while

<sup>1</sup> designed by Gross and Al-Bagdadi

others have been started as research projects initiated by donors in order to rationalise donor assistance packages being offered to the industry.

The GTZ is supporting a number of MFAs within technical assistance projects and programmes in countries like Mali, Uganda, Niger and Namibia,. In order to receive a more in-depth picture of MFAs in our partner countries, the GTZ has commissioned studies on MFAs in six Sub-Saharan African countries with the main objective of identifying best practices and success criteria.

This present study is one of the GTZ' s series on MFAs in Sub-Saharan Africa. It showcases the results of a study on the Ghanaian MFA, the Ghana Microfinance Institutions Network (GHAMFIN). With more than 70 regulated and non-regulated MFIs that together serve over 260,000 clients, GHAMFIN is one of the largest MFAs in Africa and probably one of the most promising, as on this continent it is at the forefront in setting up performance standards and benchmarks for its local MF industry.

After this introductory chapter, Chapter 2 briefly outlines Ghana's macroeconomic development in the last decade, followed by a brief overview of the Ghanaian financial and micro-finance sectors.

Chapter 3 gives a detailed analysis of GHAMFIN. This chapter begins with the presentation of GHAMFIN's history and overall objectives. It then highlights the network's organizational and membership structure, putting particular focus on the services offered by the network. Lastly, GHAMFIN's financial performance is analysed and discussed, especially in terms of self-sustainability.

Finally, Chapter 4 summarizes the conclusions of this study and highlights the challenges ahead for GHAMFIN.

## 2. Background

### 2.1 Macroeconomic Context

Before Ghana went through an economic downturn in the 1990s, the Ghanaian economy had experienced two decades of economic boom. Economic progress was mainly due to the set up of the **Economic Recovery Program (ERP)** in 1984, which envisaged the gradual opening of the country to a market-oriented system. However, economic distortions started in the latter part of the 1990s, especially in the year 2000, when economic instability rose sharply. The macro-imbalances were caused by spiralling inflation, a deterioration in the terms of trade, and ever-increasing budget deficits (exacerbated by significant increases in oil prices in 2000).

The **new government** elected at the end of 2001 has already expressed its willingness to return to **macroeconomic stability**. Efforts made in this direction include first of all reducing the large budget deficit, thereby signalling the new government's commitment to cutting expenditure. Furthermore, within the government's program, private sector growth and the promotion of micro, small and medium enterprises is emphasized. The government also has played a proactive role in the privatisation of stated-owned banks and maintaining a liberal financial sector regime.

#### *Key Economic Indicators*

Table 1 summarizes the economic indicators over the past 5 years.

**Table 2: Key Economic Indicators**

	1996	1997	1998	1999	2000	2001 1 <sup>st</sup> Quarter	2001 2 <sup>st</sup> Quarter
Real GDP Growth	4.6%	4.2%	4.7%	4.4%	1.1%	n.a.	n.a.
Consumer Price Inflation (in %)	46.6%	27.9%	14.6%	12.4%	25.2%	41.9%	36.8%

Source: Zander et al, Bank of Ghana Annual and Quarterly Report

The table illustrates the degree of economic downturn in 2000. While GDP remained in the latter part of the 1990s at a relatively high level (on average 4.5% during the period 1996-1999), economic growth slowed sharply in 2000, reflecting declining growth rates in agriculture and industry. Accordingly to the Economist Intelligence Unit (EIU) forecast for the Ghanaian economic development, real GDP is forecasted to grow by 3.5%, rising to 3.7% in 2002.

The economic crisis is also reflected in the inflationary trend concerning consumer prices. Inflation rose to 40.6% at the end of 2000, mainly caused by the significant fall of the cedi and a loose fiscal policy. The new government has announced that it will fight inflation by using tight fiscal and monetary policies. The EIU expects that inflation will fall continuously to an annual inflation rate of 22% in 2002.

The high inflation rates show some impact on interest rate developments.

Beside inflation, the Government's steadily increasing debt financing requirements coupled with worsening terms of trade pushed interest rates up and crowded out domestic private sector borrowers. In 2000 the savings deposit rate ranged between 1%-26%, while lending rates ranged between 28% to 47%, with an average of 37.75%.

### 2.2 Financial Sector

The financial sector in Ghana consists of the following formal, semiformal and informal institutions:

- the **Bank of Ghana (BoG)**, which regulates and supervises the commercial banks and the Non-bank Financial Institutions;
- **17 commercial banks** operating with 304 branches, including the Ghanaian Agricultural Development Bank and 112 Rural and Community Banks which operate under Banking Law 116 (as at the end of 2001) (RBs);
- **Non-bank Financial Institutions (NBFIs)**, comprising 8 different types of NBFIs amounting to 36 institutions, e.g. the Savings & Loans Companies, the Credit Union Association (CUA), and Building Societies.
- **NGOs and MFIs:** these are mainly credit-granting NGOs which are not liable to central bank or other prudential supervision, together with informal operators such as susu collectors and susu groups, as well as some donor programmes engaged in small and medium enterprise finance.

These and other regulatory requirements are prescribed in the **1989 Banking Law**, which applies to commercial banks and the **Financial Institutions (Non-Banking) Law of 1993**, which again applies to NBFIs. Compliance with these BoG regulations is mainly supervised by the Central Bank, although some supervisory power is delegated to second-tier institutions such as the CUA, which supervises their affiliated Credit Unions.

Most recently, an apex bank is currently being established for the RBs, which will also carry out certain functions of the BoG.

**Box 1: ARB Apex Bank**

Due to their large network of branches, RBs are recognized to play a substantial role in increasing the outreach of financial services in rural areas. However, at present the RBs face many problems hindering them from fulfilling their set expectations. Common problems include weak management, low capital, lack of check clearing, poor technology, poor accounting and book-keeping and a lack of training.

Against this background, an Apex Bank for RBs was established in 1998, with the mission to create sufficient and effective RBs. Thereby, a focus is set for the Apex Bank in its technical role, whereas the advocacy role for RBs still remains with the Association of Rural Banks (ARB). The major functions and goals of the Apex Bank are:

- **clearing checks of RBs:** In 2001, the Apex Bank became a member of the *Bankers' Clearing House Association*, which authorizes the Apex Bank to clear checks for the RBs. Altogether, the Bankers' Clearing House Association consists of 19 members from various banks.
- **provision of training programmes** for RBs: So far, training for RBs has been offered by the ARB. It is planned\* to establish a training department with an own entity\* and which shall be incorporated with the Apex Bank. The training programmes contents will be addressed to the aforementioned RB constraints.
- **supervision and regulation:** It is planned that the Apex Bank will exercise some delegated supervisory powers over the RBs, while overall supervision remains with the BoG. In addition, the Apex Bank shall, in collaboration with the BoG, set up standards and indicators for the regulatory framework of the RBs.
- establishment of a **Rural Deposit Insurance** system
- introduction of **new products** to the market.

The physical structure of the Apex Bank has been expanded to five full branches in different Ghanaian regions. Efforts to equip these branches, mainly in terms of computerization, will start in 2002. These and other capacity building activities, such as setting up Apex Bank key units (Banking, Supervision and Monitoring, Rural Deposit Insurance, New Products), will be broadly supported within the recently started Rural Financial Services Project. (see Box 2).

The **high statutory and liquidity reserve requirements** that tie up 44% of commercial banks' and 62% of RBs' total deposits are worth mentioning: since reserves from primary reserve requirements must be directly held interest-free in the BoG, while reserves from secondary requirements must be held in interest-bearing bonds, these reserves are tied up and not available for on-lending to the private sector. Because of this and other weaknesses concerning laws governing financial institutions, the financial sector's legal framework is at present under parliamentary review.

### 2.3 Microfinance Sector

In the context of this study, the term microfinance is understood as a sub-sector of the financial sector, comprising most different financial institutions which use a particular financial method to reach the poor. According to this definition, the microfinance sector in Ghana

comprises various types of institutions, ranging from formal financial institutions such as commercial and rural banks (with a special window for micro clients), semi-formal institutions like NGOs, MFIs and Credit Unions, and informal institutions, which are mainly represented through susu collectors and susu clubs, in addition to traders, input-suppliers, money lenders, rotating savings and credit associations (ROSCAs) and regular savings and credit associations (RESCAS).

The microfinance sector in Ghana is a young and dynamic sector with a lot of potential. But up to now, few MFIs have displayed satisfactory performance in key categories such as outreach, management and sustainability<sup>2</sup>.

The World Bank captured case studies from some successful MFIs in Ghana<sup>3</sup> and has used them as examples to make the use of promising microfinance delivery systems within the Ghanaian microfinance context more widespread. Efforts in this direction are widely supported by the **Ghana Microfinance Network (GHAMFIN)**, which is aiming to professionalize the sector by providing particular services such as capacity building, information and dissemination, and performance monitoring and benchmarking.

Whereas NGOs and MFIs have recently appeared in the field of microfinance, Ghana can look back on a long tradition of a strong and vibrant **informal financial sector**, especially the susu system. A large number of **susu collectors** are operating in the informal financial sector. They provide collection and safekeeping services for the savings of mostly women market vendors. The savings are usually deposited with banks by the susu collectors. Moreover, collectors give their clients access to "loans" in the form of overdraft facilities against the total amount of savings they have contracted to deposit weekly for a set period. On average, susu collectors have 150-200 clients. Susu collectors are neither regulated nor registered. An increasing number of susu collectors have become co-operative member associations such as the recently-established National Association of Susu Collectors. These aim, among other things, to establish accreditation and identification procedures as well as to develop the business skills of their members (e.g. book-keeping).

As susu collectors have shown that they can collect savings efficiently and with a remarkable outreach, some pilot on-lending schemes have been set up with the objective of linking up susu collectors with banks for-on lending to the collectors' clients (see chapter 3.6.4).

In addition to susu collectors, **susu clubs** are also popular. Market women vendors and micro-enterprise operators meet at a designated place and on a specified day of the week to make their savings deposits with the susu collectors who run the susu club. This arrangement enables the susu collectors to collect savings of a much larger number of clients, averaging around 400-500.

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<sup>2</sup> In Ghana no statistics providing information on the total number and amount of outstanding small loans and small savings are available.

<sup>3</sup> World Bank (1997): Techoserve/Ghana. Africa Region. The World Bank: Studies in Rural and Micro Finance No 2, Washington D.C.; Ansah, Mark Owusu (1999): Nsoatreman Rural Bank-Ghana. Africa Region. The World Bank: Studies in Rural and Micro Finance No. 6, Washington D.C.; Quainoo, Aba Amisah (1999): Financial Services for Women Entrepreneurs in the Informal Sector of Ghana. Africa Region. The World Bank: Studies in Rural and Micro Finance No. 8, Washington D.C.

The Government of Ghana is committed to promoting the Microfinance sector, as it sees microfinance as a suitable tool to combat poverty in Ghana. Therefore, it has set up some sector-wide programmes such as the **Non-bank Financial Institutions Project (NBFIP)**. This program has supported NBFIs targeting the poor. Assistance within the project is mainly given through the provision of seed funds with the special purpose of enhancing the respective institutions' capacity, for example in terms of equipping and staffing.

Most recently, the **Rural Financial Services Project (RFSP)** has been launched (see chapter 1).

### Box 2: The Rural Financial Services Project (RFSP)

The RFSP is a sector-wide programme executed by the BoG, the MoF and a number of donors (The World Bank, IFAD, AfDB, UNDP, USAID, BMZ, DANIDA). The project seeks to promote growth and reduce poverty in Ghana by broadening and deepening financial intermediation in the rural area. Its aims include the following objectives:

- Strengthening operational linkages between informal and semi-formal MFIs and the formal network of rural and community banks in order to expand services to a larger number of rural clients.
- Building the capacity of the rural and community banks, the principal formal financial intermediaries operating in rural areas, in order to enhance their effectiveness and the quality of services they provide.
- Supporting the establishment of an apex structure for the rural banking system to provide the economies of scale needed for these unit rural banks to address generic constraints related to check clearing, specie\* supply, liquidity management and training etc. which have impeded the growth of the rural financial sector.
- Strengthening the institutional and policy framework, thereby giving improved oversight of the finance sector.

With these aforementioned objectives in mind, the RFSP has defined the following core activity areas:

- **Establishment of a Pilot Training Fund for MFIs:** The RFSP has a two-year pilot capacity building component which is expected to run from 2002 to 2004 with a total budget of USD 9.74 million. The capacity building component focuses on training and institutional strengthening, and is addressed to formal financial institutions like RBs, credit unions, S/L-companies, semi-formal institutions such as NGOs specialising in microfinance, and informal institutions such as susu groups.
- **Legal and Regulatory Framework:** Some regulatory and supervisory issues are presently being extensively discussed within the MFI industry in Ghana. A focal point of discussion are the regulations concerning minimum capital requirements and reserve requirements. The present minimum capital requirements applying to RBs (GHC 0.5 billion (USD 73,104)) and new entering S/L-companies (GHC 15 billion (USD 2,375,968)) are regarded as being too high, while the existing reserve requirements are felt to bind too high percentage of the institutions' financial means (see section 2.2). The RFSP is expected to help overcome these legal and regulatory weaknesses.
- **Linkages and Networking:** Linkages between the formal, semi-formal and informal sectors are high on the programme's agenda. Possible linkages between susu collectors (and susu clubs) and RBs, NGOs and NBFIs are to be worked out. The potential role of associations like GHAMFIN, CUA, ARB etc. in promoting better linkages will also be considered.
- **Innovations and New Products:** The RFSP will have an *Innovation Fund* with a total budget of USD 5 million. The fund is to be used to support new product development within institutions engaged in microfinance.

Expectations concerning to the programme's impact are high, not only because of the high amount of donors' funding (USD 24,46 million), which is involved with the programme but also due to programme's perception as it targets to support the (rural) microfinance as a whole containing issues such as regulation and supervision, training and capacity building, refinancing etc.



### 3. Ghana Microfinance Institutions Network (GHAMFIN)

#### 3.1 History of GHAMFIN

GHAMFIN evolved from an initiative created by some MFIs operating in Ghana and was promoted by the World Bank-sponsored **Action Research Programme**<sup>4</sup>, which started operating in Ghana in 1995. The aim of this program was to identify Ghanaian MFIs which had developed innovative microfinance techniques and the scope for wider application. Three MFIs with the above mentioned capability were selected: the Nsoatreman Rural Bank Ghana (a formal financial institution operating in rural areas), Women's World Banking (a semiformal financial institution operating in urban areas) and Technoserve/Ghana (a service provider offering financial intermediation between small-scale farmers and the formal financial sector). After case studies of these institutions had been carried out by the World Bank, the concerned institutions felt the need to form an informal network. Hence, in 1996, the Ghana MFI Action Research Network (GAMFIARN) was established as an informal network of microfinance practitioners, initially with eight foundation members. The group has since organised a series of meetings to discuss the implications of the information generated by the case studies, and identified critical issues affecting the development of the MFI industry. Technoserve/Ghana was the host institution for the network during the first two years, providing logistical support for the coordination of the networks activities. Then, in 1998, GAMFIARN was formally registered as a company limited by guarantee under the 1963 companies' code. In the same year, a secretariat was established to manage the networks activities. Finally, in 2000 GAMFIARN changed its name to GHAMFIN, and is now operating with one part-time and four full-time managers.

GHAMFIN's history demonstrates that a microfinance network can be rapidly set up if a network's participants are interested in a mutual exchange of information and share a common vision. The network's history also shows how and to what extent a donor can contribute to the formation of a national MFA. Whereas the first mentioned\* is indispensable for the formation of an MFA, external assistance is not implicitly necessary, as some examples from self-initiated microfinance networks in other countries indicate (Ethiopia and Niger). However, external assistance can help to accelerate a network's formation process, as the World Bank's Action Research Programme has clearly demonstrated.

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<sup>4</sup> Between 1994-2000, the Africa Regional Department of the World Bank Group conducted an Action Research Programme on Sustainable Rural and Microfinance in Africa. Under this programme, the World Bank Group has helped national institutions form networks as a way of strengthening their capacity to deliver cost-effective financial services to the poor. Altogether, six networks in the following African countries have been assisted within the Action Research Programme: Kenya, Ghana, Zambia, Cameroon, Ethiopia and Mozambique.

As a participatory approach, leading MFIs were selected as a core group in the initial stage of the programme, one of which was nominated as the coordinating agency. Diagnostic studies of selected MFIs were then conducted and discussed at a national workshop, which led to the formation of a national network. After the formation of a national network, the programme gave further support to the networks by financing national and sub-regional workshops as well as newsletters and periodic network meetings. The aim is to share experiences and international best practices, develop guidelines and get into a policy dialogue with the government. Many networks have established Secretariats to run the national network and to establish linkages with international institutions. Finally, some have become associations.

### 3.2 Vision, Mission and Objectives

GHAMFIN has not yet developed a **vision statement**.

According to GHAMFIN's **mission statement**, "*GHAMFIN's mission is to network Micro-finance service providers to develop their capabilities through training and research and to provide a platform for advocacy. The GHAMFIN seeks to provide these services in an efficient, socially responsive, transparent and sustainable manner that encourages experience, resource sharing and the promotion of industry best practices.*"

GHAMFIN's **main objective** is to initiate support and facilitatory processes to address the constraints faced by its members in the promotion and financing of low-income micro entrepreneurs.

These constraints have been identified by various studies of the Ghanaian microfinance sector, and include:

- Lack of access to on-lending funds
- Poor MFI staff skills
- Inappropriate financial technologies and inadequate operational strategies
- Poor Management Information Systems
- Lack of impact assessment indicators, performance standards and codes of conduct to measure the performance of MFIs
- Lack of conflict resolution mechanisms, whereby many MFIs collapse due to conflicts among founders

These constraints are typical of the critical issues facing MFIs throughout the international microfinance industry, and affect Ghana in particular as the microfinance sector in this country is still young. Hence, the capacity-building of Ghanaian MFIs represents a major task in the next couple of years, and is therefore high on GHAMFIN' s agenda.

GHAMFIN's **specific** objectives are accordingly:

- To establish performance indicators for the self-regulation of MFIs in Ghana
- To develop an information bureau on the microfinance industry in Ghana
- To organize seminars and workshops to share best practices among members
- To provide access to continuous training for MFIs
- To enhance financial integration between the formal, semiformal and informal sectors
- To collaborate with the Government, donors and other regional networks to overcome common problems facing MFIs and to seek funds for research and development

The lack of access to on-lending funds has been identified as a key constraint facing Ghanaian MFIs. However, the mobilization of savings as a potential source of funding is missing from GHAMFIN's specific objectives, even though the importance of savings mobilization for local economies in general and for MFIs in particular has been widely

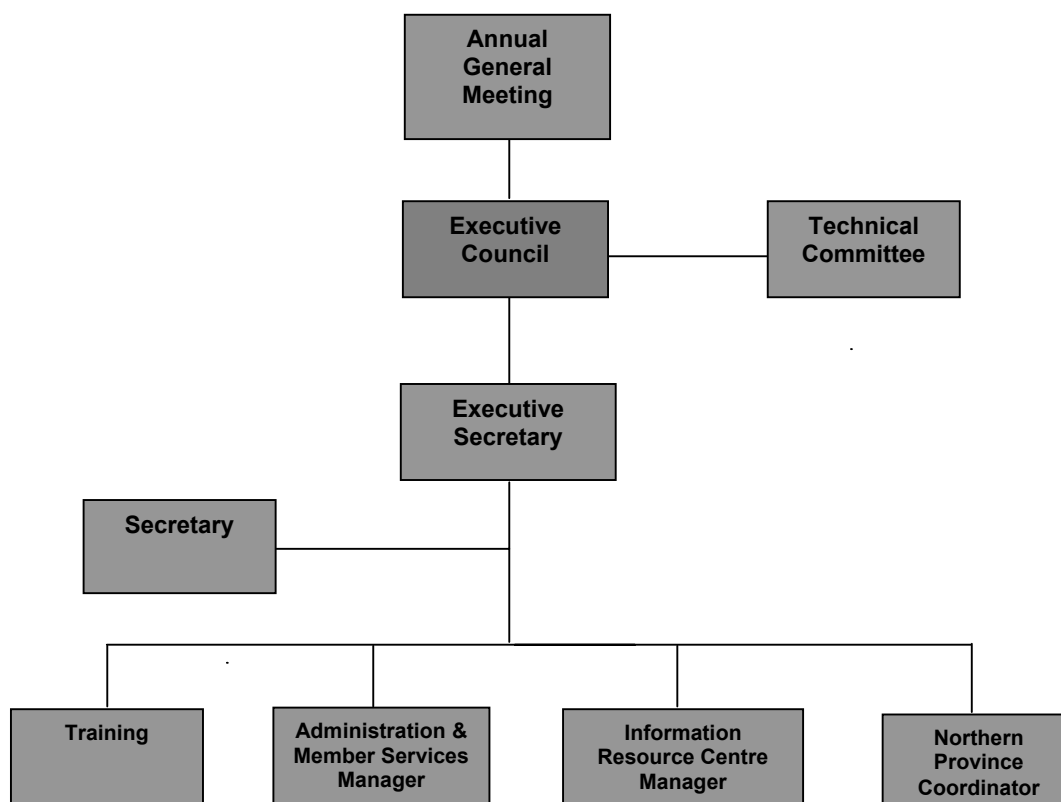
recognized amongst microfinance practitioners and theorists.<sup>5</sup> Advocating savings mobilization in Ghana is therefore highly recommended for GHAMFIN.

### 3.3 Organization

#### 3.3.1 GHAMFIN's Organizational and Governance structure

The organizational structure of GHAMFIN is presented in Figure 3 below.

**Table 3: GHAMFIN's Organizational Chart and Management Functions**



The **AGM** is the network's **highest authority**. It controls the network, elects the members of the Executive Council at its AGM, determines the amount of registration and subscription fees, reviews GHAMFIN's activities at its AGM, and approves the programme of action and the budget. The latter is completed on the basis of the Annual Report to the AGM, which the Secretariat is responsible for. In addition, quarterly reports are sent to the Council and to the different donors supporting GHAMFIN. Beside these internal control mechanisms, GHAMFIN is controlled externally through annual audits conducted by Deloitte & Touché, a French audit company.

<sup>5</sup> For further details of microsavings mobilization, see Hannig, Alfred/Wisniewski, Sylvia (1999): Challenges of Microsavings Mobilization - Concepts and Views from the Field -, Eschborn.

GHAMFIN is **governed** by an **Executive Council**, whose members are elected for a period of two years by the AGM. It comprises 9 senior management level personnel from MFIs all over the country, including a Chairman, Vice Chairman, Secretary and 8 other directors.

The main functions of the Council are to formulate policy direction and to guide the activities of the Network. The Council is also responsible for the assignment of the **Executive Secretary** as well other network staff members. These positions have to be appointed in accordance with the normal recruitment process (advertisement of vacant posts followed by interviews).

The Council meets quarterly, apart from extraordinary meetings.

In summer 2001 a **Technical Committee** was inaugurated to support the Council in its work by **advising** the Council on policy direction, technical matters and all other matters which are of interest to the network or its members. In addition, the Committee has been mandated to review GHAMFIN's activities so far.

The term of office of this committee is limited to two years. The committee is comprised of four GHAMFIN representatives, the Microfinance Coordinator of the Ministry of Finance, a staff member of the BoG, an economics professor from Accra University, and the former Coordinator of GHAMFIN.

A **permanent secretariat** was established in 1998. It is managed by an Executive Secretary, four managers including a part-time manager and an Administrative Assistant (Secretary). In addition, the Network employs two support staff (a driver and a cleaner).

#### *Managerial functions*

The **Executive Secretary** is responsible for day-to-day management under the direction of the Council. He is furthermore obligated to report regularly (including monthly, quarterly and annual reports) to the Council and the different donors supporting GHAMFIN. These reports provide relevant management information on the progress of the Network in relation to its objectives.

The **Training Coordinator (TC)** is responsible for the coordination of training programmes. Her task includes preparatory work for the training programmes (e.g. identifying the training needs of member institutions, recruiting training providers and programme participants, and announcing training programmes in newspapers). Since GHAMFIN has a keen interest in checking and maintaining the quality of training courses, the TC is also responsible for the monitoring and evaluation of training courses. The TC has accordingly developed some assessment tools (particularly questionnaires for programme participants) to fulfil this task. Furthermore, the TC conducts an impact assessment on training courses by holding meetings with beneficiaries after a set period of time since a training course has elapsed.

However, although these monitoring, evaluation and impact assessment efforts are of great importance to ensure the quality and efficiency of network services, they are also very time-consuming. Given the average number of programme beneficiaries (40 participants per programme), coupled with GHAMFIN's limited work capacity, it is questionable whether

GHAMFIN can exercise these tasks satisfactorily. GHAMFIN is itself aware of its limited capacity, and the network intends to appoint an additional manager for monitoring and evaluation purposes in 2003. So far, the TC has been supported by the other managers in conducting monitoring and evaluation; this situation will continue to be necessary until the new manager has been appointed.

The Finance and Administration Manager's responsibility has been refocused to include Member Services duties, and the current job title has been changed to **Administration and Member Services Manager (A/MS)**. The incumbent has been working in this position since October 2000. The A/MS's major responsibilities include financial and administrative duties as well as the running of the Performance Monitoring and Benchmarking Project (see section 3.6.3) and the drawing up of an inventory of MFIs in Ghana (see section 3.6.1).

At the beginning of 2002 the network plans to set up an office in the Northern Regions of Ghana (Tamale); a **Coordinator for the Northern Regions** has already been appointed.<sup>6</sup> The creation of this new regional branch is designed to establish operations and expand services in this so far more unrivalled region, with the additional aim of acquiring new network members from this region. Up to now, the network has mostly focused on the central areas (Greater Accra and Kumasi).

The **Information Specialist** is mainly in charge of managing the network's library (see section 3.6.1). This task includes some bibliographic work related to sourcing and processing the relevant literature. He is also assisting in the Ghanaian MFI database project (see section 3.6.1), in which he is primarily responsible for the necessary data entries and data processing.

At present, the Information Specialist only works one day a week, which is hardly sufficient to accomplish the above mentioned tasks. However, due to lack of funds GHAMFIN has not yet been able to offer him a full-time position.

#### **3.3.2 Staff (background, education, work experience)**

GHAMFIN's staff structure has changed significantly since 2000. Up to this point in time, the permanent secretariat only consisted of an Executive Secretary, who resigned from this position this year. He enjoyed a high reputation amongst the GHAMFIN members and other stakeholders. Although his assignment he is still committed to GHAMFIN, as he remains a member of the network's Technical Committee.

In 2000 a new Executive Secretary was recruited. He holds an MBA in Banking Management from the University of Exeter in the U.K. and a Diploma in Financial Studies awarded by the Chartered Institute of Bankers, which he became a Fellow of in 1992. After acting as the Chief Executive of the Chartered Institute of Bankers in Ghana for 22 years, he took up an appointment in the Bank of Botswana before being appointed as the Executive Secretary of GHAMFIN.

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<sup>6</sup> In the long run, GHAMFIN intends to establish further offices in different provinces.

The TC holds MBA Human Resources Management, another Masters in Population studies, a Bachelor of Education degree and a Diploma in Sociology. She also previously worked as the Head of the Social Studies Unit of the Curriculum Research and Development Division of the Ghana Education Service. Her other work experience includes working for UNICEF as a consultant, as well as teaching economics, geography, statistics and mathematics at senior secondary schools.

The A/MS holds a Bachelor of Science degree in Administration (Accounting). Before joining GHAMFIN, he worked for Ghana Printing limited, Tema, Shell Ghana Limited, Kumasi and Nova Komplex Limited.

In Ghana, the microfinance sector is highly competitive as regards personnel. Currently, GHAMFIN is not in a position to offer competitive salaries due to its limited financial capacity. Higher salaries may be offered at a later date, when the network's income from services is sufficient to justify competitive salaries.

## 3.4 Members

### 3.4.1 GHAMFIN's Membership Structure

The number of members of GHAMFIN has risen significantly, from eight foundation members at the very beginning in 1996, to a current membership total of 87. This growth has been especially marked during the last twelve months, which have seen membership more than double. This exponential growth may reflect increasing acceptance of a body that is seen to advocate microfinance industry affairs in Ghana.

**Table 4: Development of GHAMFIN's membership**

	1996	2000	2001	2005 (expected)
<b>Total Number of Members</b>	8	30	87	120

GHAMFIN aims to acquire members from all over the country for its network, thus enabling it to become an umbrella body for the entire Ghanaian MF sector as well as to put network activities on a solid financial base. The establishment of a branch in the Northern Province is a first step in this direction; further branches in different regions are planned to be opened in the foreseeable future. Beside this regional expansion strategy, GHAMFIN has now opened its training courses and workshops to all interested parties, in the hope of attracting new members (previously, training courses and workshops had been exclusively for network members). With the help of this new policy, which was applied for the first time to the latest training course, GHAMFIN was able to attract six new members.

Whether or not a maximum number of members is desirable, however, remains an open question. On one hand, there is a need for a broader membership base in terms of the

network's financial weakness. Furthermore, being the one accepted umbrella body for MFIs in Ghana would also provide greater legitimacy. On the other hand, an increasing membership base requires the network's capacity to be enhanced, which is again difficult to realize, given the limited financial and institutional capacity. Members could end up frustrated, especially if they do not benefit from the network's services (for instance, if registration for training courses is limited due to financial constraints), which could result in disappointed members leaving the network.

Even if the optimal membership level is a more theoretical problem at the present organizational stage, this problem should be taken into consideration at a later date in order to assess what network requirements will accrue from a broader membership base.

#### *Membership structure*

GHAMFIN's membership base consists of various institutions and players. It comprises formal FIs (Savings and Loans Companies, Rural Banks), semiformal and informal FIs (Credit Unions, NGOs, Susu Collectors, Rotating Savings Clubs), the formal and semiformal FI apex bodies<sup>7</sup>, business development service providers as well as individuals.

GHAMFIN's membership can be subdivided into **Ordinary**, **Associate** and **Honorary** members.

Accordingly to GHAMFIN's regulations, **ordinary and associate membership** is open to registered corporate bodies who meet determined levels of performance in their microfinance operations. However, performance standards are currently not taken into consideration as a basis for decision making concerning membership. This decision needs to be put into context: the majority of Ghanaian MFIs are still operating on a weak financial base, so few MFIs would meet any performance standards. Furthermore, GHAMFIN sees itself as an open network, with one of its generic tasks being supporting members who are trying to build their capacity. According to this central goal, it makes little sense to exclude MFIs right from the start, particularly when MFIs are seeking to improve their performance and therefore want to join the network.

The annual fee for MFIs is currently fixed at GHC 300,000, while business development service providers are charged GHC 250,000.

According to GHAMFIN's statutes, associated members (unlike ordinary members) belong to the network's corporate capacity and do not therefore have any voting rights on any resolution at GHAMFIN general meetings.

**Honorary membership** is conferred upon individuals who, in their professional capacity or as a result of their skills, are useful to the priority areas of the network's activities. Like associate members, honorary members are also not members of GHAMFIN in its corporate

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<sup>7</sup> These include: Association of NBFIs; Association of Rural Banks; Credit Union Association (CUA), Ghana Cooperative Susu Collectors' Association (GCSCA), Microfinance Susu Collectors Association and the Association of Advanced Susu Clubs.

capacity. They have no voting rights and are not obliged to pay any subscriptions to the network.

Although membership is formally structured into different categories, GHAMFIN's membership has so far not been grouped according to its statutes. This situation has led not only to confusion and inconsistency in GHAMFIN's governance structure, but also to extensive discussions within GHAMFIN's membership. The aforementioned apex bodies in particular feel uncomfortable with the situation, having the same status in terms of voting rights as affiliated member institutions. Moreover, some apex body representatives have even demanded that GHAMFIN should incorporate only apex bodies and not individual MFIs, because they want to be the exclusive agent for their affiliated members. This statement indicates that GHAMFIN's role as an umbrella body for the Ghanaian MF sector is not completely accepted, and could cause further conflict if no compromise between the network and the respective apex bodies can be found.

Thus, it would be advisable to group individual MFIs and apex institutions into two different categories, in order to clarify GHAMFIN's membership structure.

## 3.5 Partners

### 3.5.1 Government of Ghana (GOG)

The GOG has recognized that microfinance can be an effective tool in fighting poverty in Ghana. Therefore, on the basis of common interests, GHAMFIN has received various instances of support from the government through the **Ministry of Finance (MOF)**, while collaborative activities relating to the development of the microfinance sector have been formulated. Regarding the latter, the creation of a **national strategic microfinance network document** is the most important measure to date. On the basis of this document, the activities and policies of stakeholders (i.e. MFIs, donor organizations, the Government) will be streamlined. The Government's financial support to the network has been mainly provided under the **Non-Bank Financial Institutions Project (NBFI Project)**. Initially, support within the project included the provision of seed funds for the establishment of a permanent office and secretariat. In addition, a brainstorming session on the aforementioned Strategic Framework document was held in 1999. A West Africa Regional Network Workshop was also organized and hosted by GHAMFIN in the same year, as well as GHAMFIN's 1<sup>st</sup> Annual General Meeting - both of which were funded by the NBFI Project.

Later on, in January 2000, a **Memorandum of Understanding (MOU)** was signed between the MoF and GHAMFIN, guaranteeing further financial support for the network's activities. Implementation functions for certain activities of the microfinance component of the NBFI Project were also delegated to the network. Delegation implementation functions include the selection of a national Training Coordinator (incorporated into GHAMFIN, see section 3.3.2), as well as the equipping of the Training Coordinator's office and the setting up of a Resource Centre for public use (located in GHAMFIN building (see Chapter 3.6.1) ).



Collaborations between the MoF and the network have also included the commissioning of a number of studies for the Government. These studies were commissioned by GHAMFIN using approved consultants on behalf of the MoF.<sup>8</sup> These studies include:

- National Strategic Framework for the Development of Rural Microfinance
- Establishment of a Pilot Training Fund for Micro and Rural Financial Institutions
- Feasibility Study for Capacity Building Fund for Micro and Rural Finance
- Training Needs Assessment
- Inventory of Rural and Microfinance Institutions in Ghana
- Study on a Partial Loan Guarantee Fund for MFIs to access bank loans
- Inventory of Ghanaian Micro Finance Best Practices.

Furthermore, other collaboration measures included the organization of some workshops, as well as the establishment of benchmark and performance indicators for leading MFIs in Ghana.

The collaboration between the GOG via the MoF and GHAMFIN is a positive example which demonstrates how, and to what extent, a network can add value to the development of the microfinance industry. In particular, the preparation of a comprehensive “National Strategic Framework” has brought the Government and microfinance practitioners together, with the aim of formalising the Government’s relationship with the microfinance sector on one hand, and streamlining stakeholder policies and activities for the same sector on the other. To achieve these goals, a network would appear to be the ideal body, since lobbying the Government is one of its main functions.

Overall, the collaboration between the GOG and GHAMFIN indicates that GHAMFIN’s role is accepted by the Government.

#### **3.5.2 Collaboration with Regional and other National Networks**

GHAMFIN is a member of the newly established **Africa Microfinance Network (AFMIN)**.<sup>9</sup> AFMIN seeks to support national networks to achieve their missions and to help to improve the microfinance environment in the region. Beside other planned core activities<sup>10</sup>, AFMIN will offer training programmes and workshops designed to build up the capacity of their respective member networks, including training in microfinance principles and best practices for staff of MFIs, training in network management, and technical assistance to country-level networks. So far, since AFMIN was formalized, a workshop on best practices of microfinance

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<sup>8</sup> GHAMFIN itself benefits from this collaboration with the MoF, keeping 25 % of the total sum of each of the seven contracts.

<sup>9</sup> AFMIN evolved from an initiative in 1996 led by microfinance practitioners from 15 African countries, Women’s World Banking (WWB) and the United Nations Development Programme (UNDP), with the intention of building up a regional network. Before the regional network was formalized and established in a permanent residence (Abidjan/Ivory Coast) in 2000, WWB served as the temporary secretariat of the Africa Microfinance Network Initiative. At present, AFMIN has a membership of 13 country-level networks from East, West and Southern Africa, representing 326 institutions and almost 2 million poor clients.

<sup>10</sup> These activities will include consulting services; advocacy and policy change; research, publication and information dissemination activities; as well as particular services offered to member networks (e.g. organizing meetings for members and defining and monitoring performance standards and norms).

institutions and networks has been organized by the regional network. This took place in summer 2000, giving members the opportunity to share experiences and build knowledge on key aspects of microfinance.

GHAMFIN also collaborates with some **country level networks** with the primary goal of sharing experiences and sharpening networks' strategic vision as a co-ordinator of efforts. Several regional workshops have accordingly already been organized by GHAMFIN and other national networks.

The most recent of GHAMFIN's collaborative efforts was a workshop hosted by the Ghanaian network in April 2000. This regional microfinance network workshop was organized in partnership with the Small Enterprise Education and Promotion Network (SEEP), and was attended by the following national networks: Cameroon, Benin, Malawi, Uganda, the Philippines, Burkina Faso, Mauritania, Nigeria, Peru, Namibia and Zimbabwe.

The topics of regulation, supervision and self-regulation were high on the workshop's agenda. By focusing on the last of these categories, GHAMFIN is seeking, like some other national networks, to become a self-regulating entity, entrusted with monitoring its members' performance and setting minimum standards for them (see section 3.6.3).

In addition, GHAMFIN hosted a regional pre-planning meeting on performance monitoring of African MFIs in December 2000. This meeting was sponsored by the World Bank and coordinated by SEEP.

#### **3.5.3 Donors**

In GHAMFIN's first financial year (1999), funds, beside governmental support, were mainly received from the World Bank and Microenterprise Best Practices (MBP). Further funds for the network were provided by DANIDA, Women's World Banking and AMINA. In the financial year 2000, funding for GHAMFIN came from MBP, IFAD and Care Int./Ghana.

In total, the total figure of funds supplied by donors has risen from 34,600 USD in 1999 to 41,291 USD in 2000.

At present, GHAMFIN receives financial support from The United States Agency for International Development (USAID). This financial support amounts to 300,000 USD, and is provided for a period of 18 months. The main purpose of the USAID fund is for organizing training programmes and workshops, as well as for paying the salary of GHAMFIN's permanent secretary.

Furthermore, GHAMFIN is taking part in MBP's Collaborative Learning Program, with a limited duration of one year. This program started in 2001 and seeks to strengthen national and international networks by providing grant facilities and linking networks with SEEP for training and technical assistance. Moreover, GHAMFIN is one of three networks that receives core support from MBP beyond the Collaborative Learning Program, which means grants provided to these three networks have longer durations and are larger in scope and funds. Altogether, GHAMFIN has received 65,000 USD from the MBP grant facility.

### 3.6 Services offered

The services offered by GHAMFIN mainly belong to layers A and B of the pyramid of MFA services (see chapter 1). Services grouped on these layers are principal network services, such as information dissemination, political lobbying capacity building and performance monitoring, as they correspond to the fundamental constraints of MFIs. In addition, A and B services are, in comparison with C and D services, easier to provide, since their provision requires less capacity in terms of the network's specific technical background and financial capabilities.

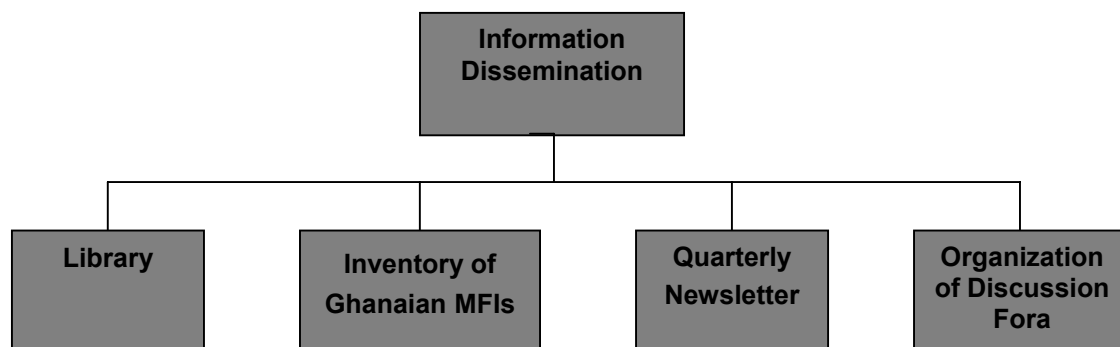
GHAMFIN's service offer primarily focuses on information dissemination and capacity building corresponding to the basic needs of the Ghanaian microfinance sector. Most recently, GHAMFIN has started to set up the Performance Monitoring Project, and it is expected that performance monitoring will become one of the network's most important services in the years to come.

Political lobbying is also one of GHAMFIN's focal activities. Establishing a dialogue with government and donors has proven to be indispensable in the creation of an enabling environment for MFIs in Ghana.

#### 3.6.1 Information dissemination

GHAMFIN's objective of disseminating information about good microfinance practice is accomplished by the provision of various services. Information services comprise the following:

**Table 5: Information Services**



#### Library

The library and **Information Resource Centre** is a way of supporting access to international microfinance information and enhancing the local availability of microfinance materials. The centre is designed for the use of GHAMFIN members, but is open to the public as well. GHAMFIN's Information Resource Centre is the only existing library in Ghana which contains microfinance literature. Hence, the library is used by people from different backgrounds,

including university students , lecturers, bankers, consultants, staff from MFIs and other individuals.

So far, the library has a stock of 520 books, pamphlets, articles and journals/magazines (this includes multiple copies of the same publications) and 80 downloaded publications on diskettes. These documents have been catalogued and classified based on **Calmeadow's Cataloguing and Key Terms Guide**. GHAMFIN has also created the **GHAMFINKB**, a bibliographical database, which is a computerised catalogue of publications. For the time being, the database contains 140 records.

As GHAMFIN seeks to provide information services as effectively as possible, the network is making an effort to identify the information needs of target groups and to develop relevant services based on these needs. Therefore, a **user needs assessment survey** will be conducted in order to meet members' expectations.

Some **income** from the Information Resource Centre has been generated by the sale of publications to members and the offering of photocopying services. The network is presently investigating in what ways more income could be generated from the Centre. One possibility GHAMFIN is considering is the lending of documents overnight or over the weekend in exchange for a fee.

In an effort to provide a platform for disseminating information on MFI operations in Ghana, GHAMFIN plans to create a **Knowledge Bank** which goes beyond the single provision of a microfinance library. The Knowledge Bank is envisaged as a information platform that, in addition to the library, will publish a newsletter and brochures (see section 3.6.1), will offer a network website, and provide training and management tools to GHAMFIN members.

#### **Inventory of Ghanaian MFIs**

As no information about the total number of Ghanaian MFIs is currently available, the MoF has commissioned GHAMFIN to create an inventory of MFIs in Ghana (see section 3.5.1), which GHAMFIN has asked a local consulting firm to produce. Inventory information is given free of charge and on request to researchers, consulting firms, donors etc.

The inventory has not been completed yet. So far 223 MFIs have been identified, including CUs, RBs, NGOs and S/L-Companies.

However, since it is rarely possible to get information on MFIs' institutional and financial performance or, moreover, to update such information (GHAMFIN's Performance Monitoring Project is attempting to do this), the inventory provides only basic information on each MFI, such as its name and location, general information about the board of directors, number of branches and the type of financial services offered.

### Quarterly Newsletter

The **GHAMFIN News** is a quarterly newsletter published by GHAMFIN. This newsletter is the mouthpiece of the network and a key communication tool connecting GHAMFIN with its entire membership, donors, the Government and the general public.

More specifically, the newsletter is used by GHAMFIN to keep its readers informed about the network's current projects and recent developments of general interest. It also contains a "newsfile" which announces forthcoming events such as meetings, workshops, training programmes etc. (organized by both GHAMFIN and other institutions), as well as new micro-finance initiatives and programmes. In addition, the newsletter provides a platform allowing Ghanaian MFI profiles to be showcased. GHAMFIN has therefore encouraged MFIs to submit their profiles for publication. This offer has so far been taken up by two MFIs.

Although the newsletter is intended to be published on a quarterly basis, it only proved possible to publish two issues in 2001, due to a lack of funds. In terms of the newsletter's financing, GHAMFIN relies on donor funds because of scarce resources. GHAMFIN has so far not been able to generate sufficient means from advertising which could actually cover the costs of publishing; moreover, no income is generated by the newsletter, as it is free of charge and regarded by GHAMFIN as a basic information service.

In the future, when the newsletter has gained acceptance, GHAMFIN hopes to generate income from newsletter sales, thereby adding to its existing income stream.

### Organization of Discussion Fora

Fora are being held to upgrade the knowledge of the entire sector and to promote mutual cooperation and interchange within the community.

A number of regular seminars and workshops and ad hoc meetings have been held so far, such as the seminar on exposure to best practices in Microfinance, or the workshop on microfinance regulation, both of which were held in 2001.

#### 3.6.2 Capacity Building

##### Coordination of Training Courses

As already mentioned in chapter 3 (section 3.5.1), the GOG is greatly interested in supporting and strengthening the microfinance industry in Ghana. The Government has also recognized that building the capacity of MFIs is one of the Ghanaian microfinance sector's most urgent needs. Therefore, GHAMFIN was commissioned by the MoF to select a national Training Coordinator (TC), with the aim of introducing and coordinating an **industry-wide training programme**, providing training courses for a substantial number of MFIs. To this end, the MoF has made funds available to GHAMFIN by funding a series of training courses in 2000 and paying the TC's salary for a specific period of time. In general, these funds have been provided by the MoF with the intention of enabling GHAMFIN to generate revenue from training coordination activities and to strengthen GHAMFIN's role within the Ghanaian

microfinance industry by incorporating the national TC within GHAMFIN. This would therefore enable the network to become an important and permanent actor in the field of training services.

As mentioned before, GHAMFIN aims to organize training courses to a large number of suppliers of financial services. The network intends to achieve this through a **competitive strategy**, following a strategy of **differentiation** and **cost leadership** through economies of scale in the market of training services. Training courses are differentiated according to the heterogeneous and specific needs of GHAMFIN's different members. So far, training courses offered by GHAMFIN are only targeted at Board members, senior management and middle staff of MFIs. The specific needs of other financial institutions, for instance susu collectors or susu groups, have not yet been considered, although GHAMFIN is presently working on the conception of a training course addressed to the needs of susu collectors.

The training courses are targeted to the specific needs of MFIs, which as identified by several studies commissioned by the GOG (see section 3.5.1).<sup>11</sup> Topics include introductory principles of microfinance, financial and accounting basics for MFIs, and capacity-building and governance of MFIs.<sup>12</sup> The network offers mainly short-term courses with an average duration of 3-5 days, which are open to members and, most recently, also to non-members.

GHAMFIN's role in the set-up of a industry-wide training programme is limited to the coordination of training courses, since the network itself does not carry out any training courses. The **coordination task**, which is exercised by the TC, includes the following aspects:

- Identifying training needs
- Recruitment of service providers
- Developing of training modules and terms of reference (TOT)
- Funding of training courses and organization of training locations
- Selection of the right participants
- Monitoring and evaluation of the training process (see section 3.3.2)
- Assessment of a training programme's impact
- Elaboration of new training programmes (based on the impact assessment, and aiming to meet members' requirements).

The **financing** of these **training programmes** is based on a cost-sharing arrangement, whereby, the programmes' beneficiaries are obliged to bear 50-60 % of the total cost of courses, while the remaining sum is funded by different donors (e.g. GOG, World Bank, IDA, USAID). For the foreseeable future, GHAMFIN is considering establishing a new cost-sharing arrangement which aims to pass 100% of costs to strong financial MFIs, and in the long run to reach full a cost-covering of programme expenses solely through beneficiaries' fees.

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<sup>11</sup> Among these studies are: 1) National Strategic Framework for the development of Rural and Microfinance 2) Feasibility Study for Capacity Building Fund for Micro and Rural Finance, and, most importantly, 3) Training Needs Assessment.

<sup>12</sup> For an overview of planned training programmes, see Annex 1

The network generates income from training coordination services through the training fees that the training's beneficiaries have to pay. This is a major source of income for GHAMFIN, and is used to finance the network's different activities.

The funding of training programmes has been a major problem for GHAMFIN in recent times. Whereas in 2000 it was possible to hold planned training courses regularly due to financial assistance from the MoF and IDA, in 2001 only two out of eight scheduled courses could be conducted. These cancellations were the result of a shortage of funding, and this has led to disappointment among members.

As already mentioned in section 3.5.3, GHAMFIN is expecting financial support from USAID starting in summer 2001 for a period of 18 months. This significant degree of support from USAID (300,000 USD) is mainly for organizing training programmes and workshops within the given time period. Finally, the agreement with USAID upon financial support ensures the financing of network training courses in the time specified, and thus allows GHAMFIN to offer training services to its members on a more regular basis. Hence, GHAMFIN plans to offer 15 training programmes within these 18 months.

To sum up, GHAMFIN could become a major player in building the capacity of Ghanaian MFIs, if it is able to offer training courses on a regular and sustainable basis. To achieve this, it is highly important for GHAMFIN to be able to raise funds for planned training courses in a timely manner.

GHAMFIN role in capacity building would also be strengthened were the network to be selected for the coordinating of the Pilot Training Fund within the RFSP (see Box 2); for the time being, however, no decision has been taken.

#### **3.6.3 Performance Monitoring and Benchmarking**

GHAMFIN is to establish performance indicators for purposes of microfinance **self-regulation** in Ghana. Efforts in this direction have to be seen against the background that a large number of MFIs in Ghana are not subject to any special regulatory framework. Moreover, most MFIs lack the capacity to report their information, while their managements' understanding of their institutions' performance is often lacking.

To overcome these problems and as a first step towards self-regulation, in 2000 GHAMFIN launched a **performance and benchmarking project**. This project was assisted by the World Bank through Calmeadow in setting up the performance monitoring project. The overall goals of the project are:

- to develop a set of performance indicators by which GHAMFIN can monitor the performance of MFIs in Ghana
- to customize a reporting format for members
- to provide a benchmarking mechanism to compare local MFIs' performance with internationally accepted standards
- to provide information on the specific training needs of MFIs.

For the project's implementation, the network has appointed an additional manager (see section 3.3.2) who has been trained by Calmeadow. Furthermore, a set of ratios and performance indicators have been developed by GHAMFIN (see Annex 2). These performance indicators are adopted from various models e.g. PEARLS, CARMEL, GIRAFFE, CGAPs, and have been adjusted to the specific Ghanaian microfinance sector context. In addition, with the assistance of Calmeadow, a customized reporting format has been created by GHAMFIN for its members.

In the initial stage, the project started with the selection of a starter kit of MFIs to be monitored. Altogether, 10 MFIs located in different Ghanaian regions (most of them RBs) were selected by the network. The selection process was based on a questionnaire sent to all known members of the network, requesting certain information on matters of institutional and financial performance. MFIs who promptly delivered complete information were then given priority for the project.

For the next couple of years, GHAMFIN intends to collect full data from 120 MFIs.

For the foreseeable future, GHAMFIN wants to generate income from this project by selling information from its database.

However, some constraints have already occurred in the initial stage of the program. GHAMFIN faces major problems in collecting information on the piloted MFIs. This is because some of the 10 MFIs have no access to the Internet, while alternative communication means, such as the telephone, have proven problematic, given the poor condition (especially in rural areas) of the Ghanaian telephone network. On top of this, problems have occurred with the implementation of the data processing software provided by Calmeadow.

In summary, this programme is justified since performance monitoring and benchmarking represent appropriate tools to improve MFI performance. However, the programme started at a low level of performance monitoring due to the aforementioned constraints.

#### **3.6.4 Linkage-building between the formal and informal financial sectors**

GHAMFIN instituted a **pilot scheme for on-lending to savings collectors in Ghana** in 1996 with support from DANIDA and the World Bank. This pilot scheme was motivated by the research findings of Aryeetey (1992), who analysed the Ghanaian informal financial sector, and aims to foster and develop linkages among informal, semiformal and formal financial institutions.

The purpose of the pilot scheme was to promote trust and mutually beneficial arrangements between susu collectors and more advanced MFIs. The susu collectors were introduced to the culture of banking and obtained access to credit for on-lending to selected clients, while the MFIs benefited through mobilization of savings and close monitoring of their clients.



Within the pilot project, members of the Ghana Co-operative Susu Collectors Association (GCSCA) were linked in selected regions with selected financial institutions. These included the:

- Sinapi Aba Trust (Ashanti Region)
- Nsaoterman Rural Bank (Brong Ahafo Region)
- Citi Savings and Loans Company (Greater Accra Region)
- Lower Pra Rural Bank (Western Region)

GHAMFIN's primary role in the on-lending scheme was to provide overall coordination for the scheme; to organize training programmes for the GCSCA, participating susu collectors, financial institutions, and clients of the susu collectors; and to monitor the scheme focusing on its effectiveness and efficiency.<sup>13</sup> With the latter in mind, GHAMFIN therefore commissioned an evaluation study for the on-lending scheme, which was published in the World Bank's Studies in Rural and Micro Finance.<sup>14</sup>

The following table highlights some of the evaluation's findings:

**Table 6: Pilot On-Lending Scheme**

	<b>Sinapi Aba Trust</b>	<b>Nsoatreman Rural Bank</b>	<b>Citi Savings and Loans Company</b>	<b>Lower Pra Rural Bank</b>
<b>Year of joining the scheme</b>	1998	1998	1998	1996
<b>Number of collectors participating in the pilot</b>	15	4	17	10
<b>Average loan to collectors (GHC' 000)</b>	3,000	5,000	4,000	5,000
<b>Clients per susu collector (average)</b>	175	175	500	250
<b>Number of defaulting susu collectors</b>	0	0	0	0

Source: GHAMFIN survey data, 2000

The same study concludes critically that the aspect of deposits was neglected by the programme designers, while loans were favoured. Nevertheless, the study states that susu could become a major source of deposits for the participating financial institutions<sup>15</sup>, if appropriate incentives for the mobilization of savings are set. According to the study, the participating financial institutions failed to provide the collectors with any incentive beyond an on-lending facility to attract more deposits. The pilot scheme was highly appreciated on the

<sup>13</sup> As part of the overall support to the scheme, GHAMFIN received funding from the GOG as well as for the scheme's assessment study.

<sup>14</sup> Aryeetey, Ernest (2001): On-lending to Savings Collectors in Ghana. Africa Region. The World Bank: Studies in Rural and Micro Finance No. 12, Washington D.C.

<sup>15</sup> The study provides no statistics about the total increase of deposits on the part of the participating financial institutions.

part of the susu collectors' clients, since their demand for credits was high. The loans were mainly used for different productive purposes, helping the beneficiaries to enlarge their businesses. Finally, the susu collectors benefited from the pilot scheme through increased client numbers and improved book-keeping practices.

GHAMFIN has therefore shown a proactive role in enhancing integration between the formal and informal sectors by instituting the on-lending pilot scheme. The latter has demonstrated the potential of sustainability and higher outreach. Experience gathered during this project should therefore be used to reproduce the pilot scheme.

#### **3.6.5 Political Lobbying and Advocacy**

A network which represents an entire sector or industry is a good place to launch a policy dialogue with the Government aiming at creating an enabling environment for member operations. So far, GHAMFIN has developed an intensive dialogue with the GOG's ministries, as the Memorandum of Understanding suggests (MOU) (see section 3.5.1).

In terms of an appropriate legal framework for MFIs in Ghana, discussions with the GOG, BOG and microfinance practitioners have just started. GHAMFIN has just organized a first workshop on this topic in October 2001, and expects to furthermore play an proactive role in lobbying government to design a appropriate legal framework for the microfinance industry in Ghana.

Another example of political lobbying is GHAMFIN' s efforts to avoid distortions caused by GOG's recently launched Emergency Social Relief Programme. This program contains an on-lending credit fund which is set up with RBs in selected areas, making loans available to farmers, fishermen and microenterprise operators at low interest rates.

This fund has led some MFIs who provide the same target group with loans on cost-covering interest rates, and therefore fear a loss of competitiveness, to voice grievances. GHAMFIN supports these MFIs in their concerns by using its influence on GOG to avoid on-lending funds being provided at distortionary interest rates.

GHAMFIN also advocates on behalf of the CUA in its attempts to have a separate credit union law passed. Presently, CUA and its affiliated CUs, as well as other cooperatives societies (production, marketing, etc.), are governed by the same General Cooperative Act and its regulations. These do not, however, exactly meet the credit cooperatives' needs. The CUA presented its case at a GHAMFIN workshop in 2001 and requested assistance from the network.

Recently, some sensitization seminars on micro insurance have been held in Ghana. Efforts to promote micro insurance in Ghana have been made by the World Bank. On May 2001, a round table on micro insurance was held, attended by a number of Ghanaian MFIs (including GHAMFIN) and the World Bank. The round table's participants concluded that there is much scope for micro insurance in Ghana. GHAMFIN was then commissioned by the round table's participants to conduct further investigations into micro insurance by establishing a dialogue with the insurance industry.

These examples of political dialoguing with the government and advocating for particular MFI's interests and products (micro insurance) indicates that GHAMFIN is generally accepted as an agent for microfinance concerns not only by the GOG, but also by different financial institutions and donors.

#### **3.6.6 Technical Counselling**

The term technical counselling refers to technical advisory services offered by the network, for example to parliamentary committees or development programme committees.

As far as Ghana is concerned, network advisory services are regularly demanded by the Government and its ministries on different occasions, such as for the conceptual design of (micro) financial sector programmes. GHAMFIN is also represented on steering committees on sector development projects, most recently on the RFSP steering committee.

Regular requests for GHAMFIN' s technical expertise from ministries and donors again indicates the general acceptance of the network as the mouthpiece of the Ghanaian micro-finance sector and also as a competent partner in all matters concerning microfinance.

#### **3.7 Services for the future**

It is widely agreed among GHAMFIN's Council and membership that the network should, at first, consolidate services in terms of the quality and quantity of services before new services are offered.

The table below illustrates what activities to consolidate the strength of the network and the services provided are planned.

**Table 7: Consolidation of Services**

Services Offered	Information/ Dissemination	Capacity Building	Performance Monitoring	Linkage Building	Political Lobbying & Advocacy	Technical Counselling
<b>Quality</b>	<ul style="list-style-type: none"> <li>- Creation of a network website and development of an online access for members</li> <li>- Database online linkages with Calmeadow</li> </ul>	<ul style="list-style-type: none"> <li>- Fostering evaluations of training programmes</li> <li>- Incorporating risk management into training programmes</li> </ul>	<ul style="list-style-type: none"> <li>- Improving the exchange of information</li> </ul>	<ul style="list-style-type: none"> <li>- Offering training courses for the specific needs of susu collectors and other informal financial suppliers</li> </ul>	<ul style="list-style-type: none"> <li>- Advocating for Micro-Insurance</li> </ul>	<ul style="list-style-type: none"> <li>- Upgrading the network's technical in-house knowledge</li> </ul>
<b>Quantity</b>	<ul style="list-style-type: none"> <li>- Increasing the library's stock of literature and training materials</li> <li>- Publishing the GHAMFIN News quarterly</li> </ul>	<ul style="list-style-type: none"> <li>- Offering continuous training programmes</li> <li>- Making training programmes accessible to more members</li> </ul>	<ul style="list-style-type: none"> <li>- Expand the number of participating MFIs in the Performance Monitoring Project</li> </ul>	<ul style="list-style-type: none"> <li>- Enhance integration between the formal and informal financial sectors</li> </ul>	<ul style="list-style-type: none"> <li>- Intensification of political lobbying and advocacy activities</li> </ul>	<ul style="list-style-type: none"> <li>- Being more pro-active in initiating dialogue and contacts with relevant micro-finance stakeholders</li> </ul>

So far, GHAMFIN has mainly offered basic network services, as per layers A and B in the MFA pyramid of services (see chapter 1). After the consolidation process has been completed, GHAMFIN could in the future consider offering services belonging to layers C and D. These include more advanced services, such as consulting, auditing, (self-) regulation or refinancing brokerage, and therefore require a substantial degree of technical capabilities and capacity. For the time being, the required capacity does not yet exist within GHAMFIN; however, capacity should be built for a more advanced stage of the network. Demand for C and D services will naturally grow with the increasing professionalization of the Ghanaian microfinance sector. Moreover, C and D services are mainly private goods, allowing a network to offer these services on commercial terms. Revenues from C and D services can therefore substantially increase a network's rate of self-funding, an essential component of self-sustainability.

### 3.8 Economic Situation

#### 3.8.1 Income and Expenditure

This chapter provides financial information about the network for the financial years 1999 and 2000. This information is taken from the network's **financial statements** for these specified years, which were conducted by the auditing company Deloitte & Touché.

The following table provides information on GHAMFIN's income and expenditure and other financial data:

**Table 8: Income and Expenditure**

	<b>1999 GHC'000</b>	<b>2000 GHC'000</b>
<b>Income</b>		
Donor Funds	505,974	1,074,995
Other Income	27,187	154,770
• Exchange Gain		
• Interest Income		
• Membership Fees		
• Consulting/training		
<b>Total Income</b>	<b>533,161</b>	<b>1,229,765</b>
<b>Expenditure</b>	<b>337,837</b>	<b>566,249</b>
<b>Income Surplus trans-ferred to Accumulated Fund</b>	<b>195,324</b>	<b>663,516</b>
<b>Income Surplus/ Operating Income (Rate of self-funding)</b>	<b>5.09 %</b>	<b>12.6 %</b>
<b>Donor Income (%)</b>	<b>94.91 %</b>	<b>87.4 %</b>
<b>Operating Expenses/ Total Income</b>	<b>63.36 %</b>	<b>46.04 %</b>

These figures indicate an excess of total income over expenditure. Moreover, GHAMFIN was able to increase its total income in the given period of time significantly, primarily due to an increase in donor funds and the relatively moderate expansion of expenditure.

However, the same table reflects GHAMFIN's high level of dependency on donor funds. Although the **rate of self-funding** could have been pushed from 5.09 % to 12.6 %, GHAMFIN is far from achieving operational self-sufficiency. Sustainability is a crucial issue for GHAMFIN and emerges all the more the consolidation of the network's strength and their investigation in new income generation services\*.

### **3.8.2 Self-Sustainability**

As already mentioned, a question that has been much discussed within the network and in the international microfinance community in general is the definition of sustainability for microfinance networks. This is because many of the services offered by networks are **public goods**, such as providing information and participating in policy dialogues. The costs of these services are hard to quantify, and it is therefore difficult to apportion these costs directly based on members' contributions.

Against this background and according to a definition provided by the World Bank, network sustainability means " *providing services to members and the Rural and Micro Finance*

*Industry that are enough in demand that they generate local revenues that cover a substantial (and increasing) share and attract external co-financing on a sustained basis".<sup>16</sup>*

In the case of Ghana, GHAMFIN has developed a **business plan** for the period 2001-2005 consisting of financial projections together with an estimation for the self-funding of its activities.<sup>17</sup> According to this business plan, GHAMFIN aims to achieve a percentage of self-funding of 50 % for the year 2005. The latter figure is more an optimistic assumption than one based on any concrete calculations. A more detailed picture is given by the **financial projections**, which project **sources of income** for the period specified. The period covered by the plan shows that the total revenue of GHAMFIN is expected to increase from GHC ('000) 533,161 in 1999 to GHC ('000) 1,712,906 in 2005. Beside the expectation of a continuing and substantially increasing flow of donor funds in the plan period, the network also expects a significant growth in internal generated incomes, primarily income from training and consulting services (GHC ('000) 274,910 are projected). The income from membership fees is also expected to grow considerably. According to this projection, GHAMFIN has calculated that its membership will reach 120 in 2005, and that the present average fee per member will double (GHC 622,080) in the same period. According to this financial projection, the percentage of self-funding will have reached 32 % - a figure below the targeted 50 %, but still acceptable according to the **Critical Success Indicators (CSI)** developed by the network to measure GHAMFIN's performance in this period. As regards the network's financial performance, the CSI has defined the following key indicators for success:

- Achieving a level of self-financing by covering operating expenses and surpluses by at least a minimum of 20% and a maximum of 50% of internally generated income during the period 2001-2005
- Maintaining a minimum 10% of total income and income surplus for each year
- Keeping the ratio of operating expenses to total income below 90%.

The **total expenditure** of the network during the plan period is expected to increase from GHC ('000) 337,837 in 1999 to GHC ('000) 1,455,970 in 2005. For the entire plan period, major expenses have been calculated for providing training and seminars, replacing furniture and equipment and replacing the motor vehicle currently in use in the year 2005.

The capital expenditure also includes some **staffing projections**. GHAMFIN has already appointed a manager for the northern office, which started operating at the beginning of 2002. Beside the new manager's salary, other expenditures include the acquisitions of a motor vehicle, furniture and equipment for the northern regional office.

An addition a manager will also be appointed in 2003 for monitoring and evaluation purposes.

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<sup>16</sup> Muntamba, Shimwaayi/Amuah, Alexander (2000): Building Networks of Service-Providing Institutions. Africa Region. The World Bank: Studies in Rural and Micro Finance No. 10, Washington D.C.

<sup>17</sup> The same business plan contains, among other features, an analysis of the network's operating environment and strengths and weaknesses, a review of GHAMFIN's historical performance, some forecasts and a management action plan.

To sum up, GHAMFIN can presently be regarded as sustainable if the World Bank's definition of sustainability is applied. GHAMFIN currently enjoys a high level of donor goodwill which enables the network to consistently attract co-financing of activities. The network has also been able to generate local revenues that cover a substantial proportion of the costs.

However, there is no guarantee that the goodwill of donors will always remain, hence it is necessary for GHAMFIN to increase its rate of self-funding - not only to achieve a respectable level of operations based on sustainable business principles, thereby enabling the network to maintain operations even in situations where donors suddenly withdraw their support, but also to justify in economic terms the assistance of donors in this network.

It is not yet clear if GHAMFIN can become fully self-sustaining on internally generated income alone, while even within GHAMFIN membership there is no consensus on sustainability. While some representatives of the network are convinced that financial sustainability is indispensable to maintain the network's operations in the long run, other members regard rates of self-sustainability between 50-80 % as the maximum achievable percentage in the future.

However, precisely which level of self-sustainability GHAMFIN will effectively reach depends on various factors (e.g. quality of services and member satisfaction, ability to minimize operational expenses, the capacity of members to pay higher fees and contributions for services, successful expansion of membership base, external threats like the emergence of new networks, or macroeconomic distortions affecting the whole microfinance sector, etc.). Notwithstanding these factors, it remains important that self-funding should represent a substantial (and increasing) proportion of the network's funding. If the members visibly benefit from the services offered by the network, and if GHAMFIN can contribute to the stabilisation and consolidation of the Ghanaian microfinance sector in general, then donor subsidies can be clearly justified.

## 4. Conclusions

### *Potential*

- Although GHAMFIN is still in its initial stage of operation, it has already undertaken some promising activities designed to stabilise and consolidate the Ghanaian Microfinance sector. Activities such as capacity building, information/dissemination, monitoring/benchmarking, political lobbying etc. all contribute to a qualitative and quantitative upgrading of the respective sector.
- In stabilizing and strengthening the Ghanaian microfinance sector, GHAMFIN is an ideal partner for donors (including the government) to create higher leverage, dissemination and outreach of their technical or financial assistance packages. GHAMFIN represents an increasing number of MFIs serving more than 260,000 clients, who can be reached indirectly by the assistance of donors via the network.

### *Challenges*

- Support by donors and the government has proven indispensable for GHAMFIN. Happily, GHAMFIN has been able to count on broad assistance from different donors and most importantly from the Government. To maintain operations and to fulfil its set targets, GHAMFIN needs to count on **donors' goodwill**. GHAMFIN can keep this goodwill by maintaining a good performance record, taking on a proactive role in political lobbying, and by creating appropriate marketing and fund-raising strategies.

In terms of performance, the network's success should be measured by the CSI set up by GHAMFIN (see section 3.8.2) and through the network success indicators proposed by the World Bank<sup>18</sup>. These indicators include:

- **efficiency**: an indicator that measures and compares the costs and the benefits of member institutions
  - **effectiveness**: an indicator that measures and compares the results achieved by the network to the network's objectives
  - **outreach**: growth in membership
  - **improved policy environment** due to network advocacy
  - **member satisfaction**: an indicator that can be measured by quantitative/qualitative indicators.
- In addition to donor funds, GHAMFIN needs to increase its **rate of self-funding** in order to become more independent from external funds and to finance its planned activities. Therefore, the network should examine its services with respect to further income generation opportunities. Sources of self-generated income are:

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<sup>18</sup> see Muntemba, Fimwaayi/Amuah Alexander (2000): Building Networks of Service-Providing Institutions. Africa Region. The World Bank: Studies in Rural and Micro Finance No 8, Washington D.C.



- The **Information Resource Centre**: GHAMFIN has already generated income from the sale of publications, photocopying services and information requests. GHAMFIN is currently examining how more income could be generated from this resource. Initial findings suggest there is potential for further income from this resource via increased information requests as well as lending fees.
- GHAMFIN also aims to sell information from the database envisaged in the performance monitoring project. This project has targeted over 120 MFIs, from which information will be gathered.
- **Training Programme fees**: Training programme fees are a major source of self-generated income for GHAMFIN. Higher income from fees can be achieved with the set up of the new cost-sharing arrangement for training programmes (see section 3.6.2).
- **Research**: GHAMFIN has conducted and commissioned research studies for different principals (e.g. MOF, donors). It is highly recommended that GHAMFIN continue to upgrade in-house expertise in order to attract more research missions.
- Another major source of self-generated income, apart from income generated by services, interest and exchange gains, is **membership fees**. The total income from membership fees can be improved by charging higher membership fees and expanding the network's membership. According to GHAMFIN's business plan, membership fees should double by 2005. However, this increase can only be realized if GHAMFIN is able to meet its members' needs. Membership growth can be achieved by the expansion of the network into Ghanaian regions previously not operated in. The establishment of the Northern office is an important first step in this direction. Additionally, GHAMFIN could try to acquire more members through intensive marketing activities. These activities should not be limited by national borders; on the contrary, staff members from national and international organizations could also be approached to join the network.
- GHAMFIN's objective of **disseminating information** is an appropriate means of upgrading the knowledge of the entire microfinance sector, as well as speeding up MFIs' learning curves. To this end, the network offers various information services, such as the provision of a microfinance library, the creation of an inventory of Ghanaian MFIs, the publication of a newsletter and the organization of discussion fora. GHAMFIN seeks to improve these services in terms of quality and quantity (e.g. by creating a network website, or handling information requests (see section 3.7)), although at present problems have occurred due to a lack of funds and limited working capacity. Additional funds would be mainly necessary for the purchase of new books, magazines, training materials etc, the production of the newsletter as well as for the appointment of a full-time manager who would act as an information specialist.
- Within GHAMFIN's offered services, **capacity building** is one of the most important. In general, capacity building has been recognized as representing a major challenge for the Ghanaian microfinance industry. GHAMFIN could make an important contribution to

building the capacity of Ghanaian MFIs, if it is able to realize its objective of introducing a sector-wide training programme. So far, problems in offering training courses on a regular basis have emerged due to a lack of funds.

- GHAMFIN' s **Performance Monitoring and Benchmarking Project** is also an important contribution designed to make the microfinance sector in Ghana more professional. The network has already developed a set of internationally accepted performance standards and benchmarks, which have been applied to the MFIs participating in the performance monitoring project. For the next couple of years, GHAMFIN aims to enhance the monitoring project significantly by monitoring the performance of 120 MFIs. This would be a cornerstone for the self-regulation of microfinance in Ghana.
- The GHAMFIN **pilot scheme for on-lending to savings collectors** was an attempt to integrate the vibrant Ghanaian informal financial sector into the formal financial sector. The results of this pilot scheme are encouraging, and linking formal, semiformal and informal suppliers of financial services is again high on the microfinance sector agenda in Ghana (most recently in the RFSP, see Box 2). GHAMFIN should therefore use its experience with linkage-building approaches by advising the RFSP in the design of new pilot schemes and follow-up programmes.
- The collaboration between GHAMFIN and the Government and donors has proved that the network is recognised as a **advocate** for microfinance in Ghana. Though GHAMFIN has collaborated well with MoF in the past, changes in personnel and policy of the new order\* requires both GHAMFIN and the MoF to generate new ideas for active collaborations in the future which will keep the flame of progress burning for the entire sector's benefit.

## **Annex 1: GHAMFIN' s Microfinance Training Menu**

### Work Programme July 2001 to December 2002

- a) Governance and Capacity Building for Board Members
- b) Introduction to Microfinance
- c) Interest rate Calculation and Delinquency\* Control
- d) Basics from Book-keeping to Accounting Balance Sheet, Preparation and Interpretation
- e) Financial Planning, Analysis and Management
- f) Best Practices in Microfinance
- g) Microfinance Product Development and Marketing
- h) Microfinance Operations: Loan Portfolio Analysis, Management and Delinquency\* Control
- i) Governance, Leadership and Management Skills
- j) Business Development Services and Entrepreneurial Management
- k) Cost Containment and Cost Reduction Measures
- l) Strategic Planning and Performance
- m) General Banking and Principles of Rural Banking
- n) Basic Computer Skills
- o) Introduction to Management Information Systems: Database Management and Report Preparations

The training programmes a-e are repetitions of already offered training programmes.

## Annex 2: Ratios For Performance Indicators/Benchmarking and Monitoring

### 1. PROFITABILITY

Return on total assets	= $\frac{\text{Financial Income}}{\text{Average Total Assets}}$
Unadjusted Return on Assets	= $\frac{\text{Net Operating Income}}{\text{Average Total Assets}}$
Adjusted Return on Assets	= $\frac{\text{Adjusted Net Operating Income}}{\text{Average Total Assets}}$

### 2. EFFICIENCY

Financial Cost Ratio	= $\frac{\text{Financial Cost}}{\text{Average Total Assets}}$
Loan Loss Provision Ratios	= $\frac{\text{Loan Loss Provision}}{\text{Average Total Assets}}$
Operating Cost Ratio	= $\frac{\text{Operating Expenses}}{\text{Average Total Assets}}$
Cost Per Unit of Money Lent	= $\frac{\text{Operating Cost}}{\text{Total Amount Disbursed}}$
Cost Per Loans Made	= $\frac{\text{Operating Cost}}{\text{Number of Loans Made}}$

### 3. INCOME AND EXPENSES

Asset Utilization Ratio	= $\frac{\text{Operating Income}}{\text{Average Total Assets}}$
Operating Expenses Ratio	= $\frac{\text{Interest, Adjust* , Loan Loss \& Admin. Expenses}}{\text{Average Total Assets}}$
Interest Margin	= $\frac{\text{Adjusted Net Interest Margin}}{\text{Average Total Assets}}$
Interest Expenses ratio	= $\frac{\text{Interest Expenses}}{\text{Average Total Assets}}$

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Adjustment Expenses Ratio	= $\frac{\text{Adjustment Expenses}}{\text{Average Total Assets}}$
Loan Loss Provision Expense ratio	= $\frac{\text{Loan Loss Provision Expenses}}{\text{Average Total Assets}}$
Salary Expenses to Assets ratio	= $\frac{\text{Staff Expenses}}{\text{Average Total Assets}}$
Salary Expenses to Portfolio ratio	= $\frac{\text{Staff Expenses}}{\text{Average Loan Portfolio}}$
Other Admin. Exp. to Assets ratio	= $\frac{\text{Other Admin. Expenses}}{\text{Average Total Assets}}$
Total Administrative Expenses Ratio	= $\frac{\text{Total Admin. Expenses}}{\text{Average Total Assets}}$
Portfolio Yield	= $\frac{\text{Total Interest \& Fee Income from Portfolio}}{\text{Average Loan Portfolio}}$
Real Interest Yield	= $\frac{\text{Portfolio Yield} - \text{Inflation Rate}}{1 + \text{Inflation Rate}}$
Salary Structure	= $\frac{\text{Average Staff Salary}}{\text{GNP per Capita}}$
Cost per Borrower	= $\frac{\text{Total Admin. Expenses}}{\text{Average Number of Borrowers}}$
Staff Productivity	= Number of Borrowers per Staff Member

#### 4. SUSTAINABILITY

Donation and Grants Ratio	= $\frac{\text{Donation \& Grants}}{\text{Average Total Assets}}$
Operating Self-Sufficiency	= $\frac{\text{Financial Income}}{\text{Financial \& Operating Costs} + \text{Provision}}$
Financial Self-Sufficiency	= $\frac{\text{Financial Income}}{\text{Financial \& Operating Costs} + \text{Provision} + \text{Imputed Cost of Capital}}$

5. OUTREACH

Number of Active Borrowers =  $\frac{\text{Number of Active Borrowers}}{\text{per Credit Officer}} \times \text{Credit Officer}$

Portfolio per Credit Officer =  $\frac{\text{Value of Loan Outstanding}}{\text{Number of Loan Officers}}$

6. QUALITY

Portfolio in Arrears =  $\frac{\text{Payments in Arrears}}{\text{Value of Loan Outstanding}}$

Portfolio at Risk =  $\frac{\text{Balance of Loans in Arrears}}{\text{Value of Loan Outstanding}}$

Loan Loss Ratio =  $\frac{\text{Amount Written Off}}{\text{Average Loans Outstanding}}$

Loan Loss Reserve Ratio =  $\frac{\text{Loan Loss Reserve}}{\text{Value of Loans Outstanding}}$

7. CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio (Banking Law) =  $\frac{\text{Adjusted Capital base as \%}}{\text{Adjusted Asset Base}} \times 100$

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