

## Microcredits/Microloans

The allocation of microloans composes another building block to the subject of capacity building and should be a jump start into a better future!

However, this is only possible under the constrictions of responsible use of money of the people, no or appropriate interest rates and easy settlement in emergency.

A query is thoroughly examined by a female staff member. In most cases, settlement should be possible through a good consultation and strict guidelines for allocation of the loans.

There is no profit aimed for by the application of microloans. Repayed loans are recycled into new loans.

The people will be Proud for every repaid loan and they will gain self confidence, for the accomplishment is a result of their very own strength.

As a priority, microloans will be given to needy families, if at least one child attends the Kwa Moyo School and there is a prognosis of repayment of the agreed upon amount with a chance of at least 75%.

Also, other families, groups of people or individuals qualify for a microcredit if there is a prognosis of repayment with a 100% chance.

Women are preferred as the beneficiary because they are more reliable than men. Women pay back the loans more on time and reliable than men and invest the money conscientiously into the education of their children and medical care of the family.

### I. Eligible for microloans are

1. Needy families, at least one child visits Kwa Moyo School
2. Other families, at least one child visits Kwa Moyo School
3. Groups of people - individuals and support groups -

#### a. Individuals

The group consists of at least five members (lower credit risk). Out of those, only two receive a loan at first. Only once they achieved the agreed upon repayments together with possible interest on time, the other members are able to receive a microloan. This ensures mutual control of the group members on how the loan is spent and if the repayment has been met correctly. The members gather in regular intervals for compulsory meetings.

#### b. Support groups

Members control each other on how the loan is used and if the repayment has been made correctly. Each member is liable for their own proportion individually. Meetings of both all support groups and the members of each group are compulsory.

4. other needy families
5. Individuals

## II. Microloans can be employed

- a. For temporary protection of daily life (Repayment up to 100%, no interest)
- b. After catastrophe resulting in existential difficulties (e.g. damage as a result of storm or flooding) (Repayment up to 100%, no interest)
- c. For treatment of life-threatening diseases or diseases that prevent continuous occupation. (Repayment up to 100%, no interest)
- d. Once for reallocation of debt from other loans with high interest if there is a threat of insolvency. (Repayment 100%, interest up to 3%)
- e. For creation a basis of existence. (Repayment 100%, no interest)
- f. For investment in their own agriculture or craft. (possible safety, Repayment 100%, interest up to 3%)
- g. For development of other means of existence. (possible safety, Repayment 100%, interest up to 3%)
- h. As a building loan. (Safeties, Repayment 100%, interest up to 3%)
- i. As a student loan for education at college. (Repayment 100% after education, no interest)
- j. Consumer loan. (Safety, Repayment 100%, interest 3%)

## III. Phrasing definition

"Needy" means to be unable support oneself or the own family. According to this, need means absence of assets and employment.

## IV. Repayment and agreement of interest (see II.)

Loans can be awarded without safety and under certain conditions without interest.

Repayment of the loan can be negotiated as less than 100% of the awarded amount.

Repayments can for ~6 months, for educational loans by No. II.1 until after education get abandoned.

As an emergency measure, settlement of the microloan can be adjusted to the

financial possibilities of the reciever (for example after natural disaster or great increase of foodprices, ongoing illness, unforeseeable insolvency and so forth).

No collection of debts, no seizure of possessions, no defamations!!

#### V. **Arrangements of allocation of microloans**

Allocations are delivered to a female person in most cases.

Following principles apply:

- a. Discipline, consensus, courage and hard work,
- b. The promise to arrange for healthy food, clean water and hygiene, to restrict the size of the family (compulsory participation in workshops).

#### VI. **Execution**

##### **Staff member**

Employment of a female staff member – at first with only 10 hours of work per week. (Goal: full employment). If possible with education in the fields of banking or administration.

##### **Tasks of the staff member:**

Research of legal foundation, legal handling etc.

Designing of microloan contracts.

Giving presentations and hold lectures on "Basics for dealing with money"

Necessary data regarding the recievers of the microloans are taken from the reports of the famliy visits and further independant visits.

Inquiry of the beneficiaries.

Approval after consultation with and approval from Florence/Jane.

Payout/transfer of money.

Perform controls in No. I. 3.

Supervision of repayment

Problem solving

##### **Miscellaneous**

Budget for microloans is derived from committed donations, loan repayment and

lending rates (initial basis of ~1000 € is provided from Buch-Aktion e.V.).

The Money are available for distribution of microloans exclusively.

Other financial business is not permitted.

Compensation for the female staff member is independent of allocation of or repayments of loans. Compensation for the staff member is provided by Buch-Aktion e.V. via Kwa Moyo e.V.

### **Examples of projects worthy to support:**

- Food and firewood for a flying kitchen
- Buildup of a bicycle rental / bicycle sale (next to the school)
- Buildup of a bicycle workshop for repairs
- Purchase of seeds
- Purchase of agricultural devices
- Settlement of an agricultural lease
- Purchase of goats/cows / dairy farm
- Planting fruit tree in order to sell the fruits at the market
- Planting crops and selling those at the market
- Establishment of a handicraft business or tearoom
- Breeding chicken in order to sell the eggs
- Support groups consisting of single mothers found a small tailorshop and manufacture school uniforms
- A family/group establishes a small grocery store