

On January 9, 2012 we returned to Kenya in order to inform ourselves about the progress of the projects. Our principal goal was to better understand *VSL (Voluntary Savings and Loans)* micro-financing<sup>1</sup> and to document its functioning with video recordings and interviews. In addition, we also visited both children that we sponsor, *Fridah* and *Jemima*. We stayed for three days each in *Mutonga* (Region Mount Kenya) and in *Kendu Bay* (Region Nyanza on Lake Victoria). On Sunday, January 15<sup>th</sup> we visited the *Sarit Center* in Nairobi, which has a bookstore that offers an extensive collection of African literature and school books. This time we also visited the *Aboretum*, the peaceful but unfortunately somewhat rundown botanical garden of Nairobi.<sup>2</sup> From there we flew to Zanzibar where we spent several weeks in *Jambiani*. There we also checked up on the progress of the two vocational school students we sponsor and also visited a VSL group as well as a cooperative with a different development concept. Finally, we met with *William Mkufya* in Dar es Salaam to discuss Barbara's translation of his novel, "*Ua la Faraja*."<sup>3</sup>

In the following we summarize our experiences with the VSL groups, report on the status of the projects in Kenya and Zanzibar and draw conclusions for the future.<sup>4</sup>

### **Micro-financing through VSL: a new hope?**

As you will recall, the basic principle of the VSL is the self-organized group of 10 to 30 members. The members agree voluntarily to save and to help one another mutually through loans and the group organizes itself on the basis of agreed rules and procedures.<sup>5</sup> The savings contributions are usually made weekly, but often also on a monthly basis. Even though small

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<sup>1</sup> Originally known as *VSLA (Village Savings and Loan Associations)* and as *VS&L (Voluntary Savings and Loans)* in rural areas of Kenya.

<sup>2</sup> Originally established in 1907 as an eucalyptus forest in order to provide ready and inexpensive fuel for steam locomotives, without considering the damaging environmental impact of eucalyptus (high water consumption).

<sup>3</sup> "Flower of Consolation," a lively novel about HIV/AIDS.

<sup>4</sup> We thank *ChildFund Kenya* (Nairobi) for generous support, especially its director *Elizabeth Kamau* and the project managers *Wallace Amayo* and *Silas Kinuya*.

<sup>5</sup> These include rules for the admission and withdrawal of members as well as for conduct, for example, penalties for tardiness."

(one or two Euros per month), the contributions from a group of even 10 members can yield a significant amount available for loans. Members can borrow from the pool of common savings at an interest rate of usually 10%. The loans are supposed to be repaid within a period of from one week to six months. Over time a growing stock of capital is accumulated that ideally makes possible increasingly larger loans and corresponding investments. After a year (cycle) the group decides unanimously on paying out the profits, whether the group wants to enter into a second cycle, and whether new members are to be admitted or current members terminated by paying out their share. *ChildFund*<sup>6</sup> supports only the establishment and the survival of such groups through counseling, training and, in case of conflicts, moderation. Only in exceptional cases is money or material support given.

In contrast to the *VSLA*, the *VS&L* is especially designed to fit the needs of poor rural regions. In these areas most people have not gotten beyond the level of a subsistence economy and are highly vulnerable for natural catastrophes (above all drought), unexpected personal crises (sickness or death of a family member) or additional costs (school tuition, examination fees for children). For this reason loans in these groups are granted not only for economic but also for social reasons, for example, paying school fees, purchase of necessary medication, or to finance a funeral. The principal goal of the *VS&L*, therefore, is to provide income stability and emergency assistance since inadequate nutrition or gaps in school attendance endanger above all the development of children;<sup>7</sup> the generation of the prerequisites for the development of higher incomes through investments is only a secondary goal.

In *Mutonga* we made video tapes and conducted interviews with the *VS&L* group *Karimi*. It is in its second cycle and one of the most active of the 23 groups in the region. *Karimi* has 17 members and its main activities are in the purchase and sale of grain, chickens, goats and foodstuffs. Profits are attained by exploiting price differences between local markets: the closer a market is to population centers the higher the price.

We interviewed *Gervasio Mujumbe*, a successful example from this group. With the aid of a loan he purchased eight goats at a price of 2,600 Kenyan shillings (KSh) each and was able to sell them subsequently for 2,800 KSh each on another market. He was thus able to make a

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<sup>6</sup> Like other worldwide active NGOs. The American organization *CARE* is the most visible here in East Africa; its Norwegian branch originally developed the *VSL* concept in Nigeria in 1991.

<sup>7</sup> Thus the name of our foundation, "*Child Development Fund*." Living on less than a dollar a day can mean heading enough food and drink for a few days or weeks and then going without for days or weeks. In addition to the immediate suffering, this has catastrophic and lasting detrimental effects for the physical and intellectual development of children.

profit of 1,600 Kenyan shillings (about Euro16). When business is good he can do this twice a week. In a month he can thus achieve an income of up to Euro130, from which he can easily repay the interest on his loan.

The minimum savings of the group is 30 Kenyan shillings per week (120 KSh per month or 1,440 per year); interest rate 10%; repayment after one month. In its first cycle the group accumulated a capital stock of 50,923 KSh, which was distributed according to the different shares in savings. The largest saver received 5,190 KSh (2,000 savings contribution), the lowest 2,620 KSh (1,520 in savings).



In *Kendu Bay* we observed a meeting of *Buoye*, one of 48 VS&L groups of the grandmother project.<sup>8</sup> The group has 26 members (including one man), who save at least 20 Kenyan shillings per week and pay 10% interest for loans; an additional 5 KSh are paid into a social

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<sup>8</sup> Region *Kajiei Komwoyo Sublocations*; see further information in *Newsletter 4* and in the longer report about our visit from November 2010.



fund; the rules are strict.<sup>9</sup> In the 38 weeks of its existence the total of 17,320 KSh<sup>10</sup> in savings were contributed and a total of 25,950 in loans (circa Euro 260). On the average every member borrowed about 1,000 Kenyan shillings (circa Euro 10), but saved only 666 Kenyan shillings, and had de facto an additional 334 Kenyan shillings in available resources. In the period in which we observed the group loans were almost exclusively for school fees and similar expenditures; project manager reported, however, that this was an exception because (as usual at the beginning of the year) school had just begun. Otherwise about two thirds of the loans are used for income generating activities. The request for loans were greater than the amount of funds available through savings plus penalties and loans repaid with interest so that some requests had to be reduced by negotiation. Most of the grandmothers in this group make ropes from sisal that they sell on markets.

A particular highlight was a theater presentation in the open air in a village in *Kendu Bay* that we documented by video. *ChildFund* supports two theater groups whose objective is to combat discrimination against AIDS orphans and other endangered children as well as discrimination against persons who care for those suffering from AIDS.



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<sup>9</sup> For example, those who come too late or talk during the meetings pay a fine of 5 KSh.

<sup>10</sup> Somewhat less than the minimum savings contribution would imply.

Our parting gift donated by a sponsor<sup>11</sup> was a big hit in both projects: glass pearls in various sizes and colors to be used to make necklaces and bracelets, eventually for sale at markets.

In summary, our visit largely confirmed what we learned from the last trip. Very small loans, based on small savings contributions clearly help stabilize the income and life situation of the poor in the countryside. In both regions the number of VS&L groups has increased and the share of loans used for income generating purposes has risen since our last visit. Access to external financing (above all through micro-credits) has improved. Moreover, in addition to combating extreme poverty, social aspects should not be underestimated. The VS&L concept apparently fosters a culture of saving and of solidarity in the form of mutual assistance.

Whether the VS&L groups lead to economic self-sufficiency that goes beyond the subsistence level is still not clear. Even though securing an existence minimum rather than the creation of a growth-oriented enterprise culture is the primary goal, the desire for better investment possibilities and more lucrative sources of income was also evident during this visit to the region.<sup>12</sup> Of decisive importance for a transition towards larger and higher income generating activities are, in our view, the broadening of the spectrum of products and services; the improvement of product quality for market niches; higher productivity through appropriate (simple) machines; more effective methods of cultivation and irrigation; sale of products beyond local markets. These impressions were confirmed by our experiences in Zanzibar as well as by our analysis of documents and the literature.<sup>13</sup>

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<sup>11</sup> Heide Pfarr, professor emeritus for labour law and former director of *Hans-Böckler-Stiftung*.

<sup>12</sup> For example, the Mutonga group expressed a desire for a storage facility for seed, water pump for irrigation and a plow; the Kendu Bay group would like, among other plans, to process goats milk to yogurt and cheese.

<sup>13</sup> For more information see our video documentation and our extended (in part critical) report in preparation on micro financing through savings.

## Experience with our school stipends and more

As you may recall, we sponsor 20 children (mostly girls), 10 in *Mutonga* and 10 in *Kendu Bay*, in the form of scholarships in the amount of Euro 180 per year so that they can attend and successfully complete secondary school. In both regions we visited one secondary school and talked with the school directors as well as with two recipients of our stipends.

In *Mutonga* it was a "*Listed Local School*" in which a large share of the children only turns at home on the weekends.<sup>14</sup> Currently room and board costs, school fees and other costs now amount to ca. Euro 200 per year. Our sponsoring of children is highly regarded by the school and there is an acute need for more scholarships. The selection of the children takes place according to three criteria: 1) the child is an orphan or is the child of a poor and single mother; 2) the child is able and willing to complete secondary school; 3) she or he is jointly chosen by the ChildFund, the local community and school. *ChildFund Kenya* advises the children and writes a semiannual report on their progress. The children are also encouraged to write a letter to us once a year.<sup>15</sup>

A brief note regarding our investment in two "high quality sewing machines" (see *Newsletter 5*): In response to our query about this investment we were told that the central office together with the new regional project management decided to invest the money (Euro 1,000) in seven standard mechanical sewing machines. It was thus possible to equip seven women trained as tailors to earn their own income. We could only express our approval for this decision.

In *Kendu Bay* we visited a "*Provincial School*": All pupils are day students but receive breakfast and a warm lunch. For this reason there are also school fees here (although lower), which many parents or grandmothers are frequently unable to pay: 7,500 KSh for meals, 1,500 for a development fund (repair costs etc.), 900 for special needs (for example, inoculations). Together with examination fees, costs of school uniforms and teaching material the total support costs for pupils amount to 16,000 KSh or about Euro 160 per year according to project managers. In *Kendu Bay* the implementation of our scholarships was delayed by a number of difficulties, above all due to the additional condition that the children were to be selected from the VS&L groups of the grandmothers. We were able to assure

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<sup>14</sup> Other school types are "Provincial Schools" and "National Schools"; only in these are the residential costs and school fees covered in part.

<sup>15</sup> Last year we received one progress report from *ChildFund Kenya* and letters from six children.

ourselves that the project management in *Kendu Bay* carried out this task thoughtfully and carefully. We were given documentation for eight of the selected children; five are still on the waiting list. Here, for example, the case of *Jackline Achieng*:

"*Jackline* was born on August 4, 1996 and attends the *Awakra 'Mixed Secondary School,'* which we visited. She lives with her mother and two younger sisters and the father is deceased. The mother lives from a very small plot of land and can occasionally sell surplus, e.g. corn. She pays school fees in part by selling *Mtumba*,<sup>16</sup> but often has to wind cord per hand from sisal in order to pay the remainder of the school fees. *Jackline* used to have excellent school grades and was the second best pupil in her class; however she fell back to 8th because she was often tired in the morning when she had to help her mother winding cord and sometimes she was unable to attend school."

The project management in *Kendu Bay* promised to send us semi-annual progress reports. In addition to care and counseling for the children in school, *ChildFund Kenya* is also responsible here for the supervision of the children during school holidays and for encouraging them to undertake a responsible role in community activities, for example, setting up youth clubs or organizing sport and cultural events.



*Jackline Achieng*



*Fatma und Rayusa*

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<sup>16</sup> This is the term in East Africa for the booming trade with secondhand clothes, which often stem from the supplies of the large charitable organizations (e.g. Red Cross). This clothing is not – as many assume – distributed at no cost to the needy but sold on "black markets". *Mtumba* is in part responsible for the decline of the Tanzanian textile industry.

In *Jambiani* (Zanzibar) we met with the project manager, Mr. Vuai, who is responsible for our two vocational school scholarships as well as for the two fortunate girls who were chosen from 12 applicants: *Rayusa A. Nemshi* and *Fatma A. Hasan*. *Rayusa* is 18 years of age and has two brothers and a sister. Her parents live in *Jambiani* from their scanty earnings from a farm (potatoes, vegetables etc.) and the mother also earns additional money in the sea weed fields.<sup>17</sup> *Rayusa* is doing a full-time business course at the *Zanzibar Public Administration College* that culminates in a diploma after three years. *Fatma* is also 18 years of age and has two brothers and a sister. Her parents live in *Stone Town*; the mother is a housewife and the father a farmer. *Fatma* attends the *College of Health Science Zanzibar* in a full-time vocational training course for medical technicians, which also lasts three years and ends with a diploma. Both girls have a contract with the *Jambiani* local government that obligates them to work there, or in the vicinity, after completing their training. In *Fatma's* case it is already clear that she will work in the local hospital. In addition to the stipends (see *Newsletter 5*) we provided both with a subsidy of Euro 325 each for laptops. We visited both schools in *Stone Town*, spoke with teachers and heads of the responsibility faculties. We were above all impressed by the quality of the health college.

### Conclusions for future activities

The trip confirmed our impression that we are on the right path. Therefore, no important changes to our basic approach are planned at the moment. We will consider further possible changes in detail. An important factor is the development of the flow of donations; naturally, we hope being able to expand our activities. We would like to express our heartfelt thanks here to all those who have supported our *Child Development Fund* so far. We look forward to any suggestions in reaction to our report and request your continuing support for the project.<sup>18</sup> Our next step will be to assess our videos, interviews and documents collected from the trip. We will provide further information from this material in the next newsletter.

Barbara and Günther Schmid<sup>19</sup>

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<sup>17</sup> Barbara has made a video film about seaweed cultivation that is available on DVD.

<sup>18</sup> Reminder: Contributions should be sent to: Child Development Fund (CDF) (Barbara und Günther Schmid), Bank für Sozialwirtschaft, Stuttgart, BLZ 601 205 00, Account No. 778 1826; Swift Code/BIC: BFSWDE33STG, Account/IBAN: DE98601205000007781826. **Important!** Please give with the donation your private address and you will get a receipt for contributions to a recognized charity.

<sup>19</sup>We can be reached at the following E-Mail addresses: [schmidhdb@aol.com](mailto:schmidhdb@aol.com); [gues@guenterschmid.de](mailto:gues@guenterschmid.de). Please see our home pages for more biographical information about us: [www.editionpamoja.de](http://www.editionpamoja.de); [www.guenterschmid.eu](http://www.guenterschmid.eu).