



PARTNERSHIP WITH KIVA TO FINANCE LOAN FUND ALIDÉ, Benin

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APPENDIX : Partnership agreement Alidé – KIVA (in French)

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I. *Brief description of the system*

Presentation of KIVA

KIVA is the first microcredit web site to enable individuals to loan directly to entrepreneurs in developing countries (peer-to-peer lending). In order to enter this system, Alidé signed a contract with KIVA enabling Alidé to benefit from this opportunity to finance some of its borrowers.

- The borrower's photo and profile are posted on KIVA's website in order to obtain financing.

- KIVA lenders agree to lend an amount of money to individuals or groups that are posted as borrowers on KIVA's website. Lenders read through the borrowers' profiles (information sent by Alidé) to choose the people they wish to lend money to.

The eligibility criteria for institutions wishing to register with KIVA can be found on their website: www.KIVA.org. The main conditions are:

- To serve at least 1.000 active borrowers
- To have at least 2 to 3 years experience in microfinance in the country of operation
- To be registered as a legal entity in the country of operation
- To have at least one year's audited financial statements
- To be registered with Mix market (preferably).

Presentation of Alidé

The Association de Lutte pour la promotion des Initiatives de Développement (Alidé) is a Beninese microfinance institution which emanates from the institutional transformation of the "Programme Crédit Epargne" – PCE (loans and savings programme) which had been launched by the French NGO Initiative Développement (ID).

This programme started off in 1995, when ID launched an integrated programme in the poor suburbs of Cotonou (Placodji and Akpakpadodomé). The programme comprised of various activities, including one of microfinance. The microfinance activity transformed in 1998 into a full fledged programme and gradually extended its areas of intervention, reaching out to many other areas in Cotonou. Alidé now has 6 branches, and offers financial services (loans, savings) and non-financial services (training, social referrals) to more than 6.000 people. The strong growth in its activities these past years calls for a significant increase of the institution's loan fund; its active portfolio exceed 1 million euros at end of March 2008 (an increase by +62% in 6 months).

Process followed by Alidé:

1. Assessment and notation of Alidé by a KIVA representative, which included contacting references. This process took place end of 2007 – early 2008. Once the notation is completed, KIVA grants the institution 'stars' which grade its level of organisation and performance. The number of stars given to an MFI determine the maximum monthly amount it is authorised to ask for. Alidé obtained 4 stars (on a total of 5 maximum) and is thus entitled to asking for a maximum of 46 000 USD.
2. KIVA and Alidé signed a contract (which is attached as an appendix to this document – in French).
3. Alidé is required to engage in 3 months' pilot phase (1st quarter 2008) during which the ceiling amount of funds that can be raised via KIVA is 23.000 USD monthly.
4. Training was given by KIVA to the Alidé staff in charge of managing this system (training done over Skype).
5. Alidé selects potential "KIVA borrowers" within its portfolio and posts their profile on KIVA's website.
6. KIVA lenders accept to finance Alidé's "KIVA borrowers" via an on-line transaction.
7. Alidé collects repayments from its "KIVA borrowers".
8. KIVA wires funds to Alidé monthly: the amounts sent are the net between the funds collected by KIVA for Alidé clients, minus the repayments collected by Alidé on the "KIVA borrowers". If the repayments collected by Alidé are higher than the funds granted by KIVA, then Alidé must wire the difference to KIVA, on a quarterly basis. KIVA does not charge any administration fees on the funds they collect via their website to finance Alidé clients.

9. Alidé uses the funds received from KIVA to finance its “KIVA borrowers”. In the case where Alidé has disbursed the loan before the funds have effectively been received from KIVA, then they use the funds received from KIVA to replace the amounts already disbursed.
10. The process then repeats itself from step 5.

II. *Implications in setting up this partnership*

The implementation of this system in Alidé generated new tasks for the loan officers. First of all, they had to amend the training that is given to Alidé clients prior to receiving loans. The following topics now have to be discussed in the training sessions:

- Any client whose loan amount is between 100 000 FCFA and 450 000 FCFA (individual loaner) will be considered as a “KIVA borrower” and this must appear clearly on their loan application so that the teller in the branch is aware of it when processing the loan application in Loan Performer (LPF);
- All KIVA clients will systematically be photographed during the home visit or the business visit. The loan officer must ensure that they collect all useful data for writing up the client’s profile.
- The loan officer will also take photos of the client on a quarterly basis in order to post regular feedback on the evolution of the client’s activity (if the client faces any difficulties, these must also be mentioned).
- The teller in the branch ensures that all “KIVA borrowers” are flagged as such in LPF.

III. *What adjustments were required in Alidé’s procedures ?*

- All loan amounts comprised between 100 000 FCFA and 450 000 FCFA (individual loaners) are systematically registered as KIVA loans. This bracket could increase to 500 000 FCFA, depending on the USD exchange rate.
- The MIS was configured to manage KIVA loans separately: when a loan application is encoded, the teller must select « KIVA » as a loan fund (this is in the drop-down box where other loan funds appear, BRS, Planète Finance....). KIVA does not guarantee that all clients can be financed, it is the KIVA loaners that decide which entrepreneurs they wish to finance. However, all profiles that are submitted according to the KIVA requirements are always financed. If a person’s profile has been posted on the website for more than 10 days and does not reach 100% funding, then the client’s profile must be updated to attract more loaners. In no case do we have clients that are only partially financed.
- Clients that fall in the KIVA category are photographed by their loan officer during the home visit or business visit; this is done by the loan officer, as the client is more comfortable with them. During the course of the loan, the client will be photographed at least three times (quarterly + once at the end of the loan).
- When KIVA clients are encoded in Loan Performer, the teller registers their loans against the KIVA loan fund.
- The teller retrieves the data on “KIVA borrowers” from Loan Performer, and exports it in Excel format (export of “approved loan applications report” filtered on the KIVA loan fund – this file gives data on the loan as well as some data on the client). The teller gives these files to the loan officers for their use.
- The loan officers integrate this data into the KIVA file where they then input additional data on the client: description of the client and of their activity
- The photos are renamed and classified by the loan officer.

- The KIVA file is then sent to Head office along with the photos, in order to be posted onto the KIVA website.
- Entries in the 'ledger' (this is an update of the client's profile that describes the actual situation of the client after 3 months, successes / difficulties) will be made quarterly for each KIVA client.
- Alidé chose the « automatic loan reimbursement » mode on the KIVA website. This means that loan officers must do a close follow-up of these loans, in order to inform KIVA of any instalment that is not paid on time.
- In case a borrower does not repay, Alidé has 30 days to inform KIVA that repayment has not been made, and the client is then classified as in arrears. Alidé is not required to repay KIVA at the planned date (the amount that is in arrears will not be deducted from the funds that are mobilised). These repayments will be collected as for any other repayment of arrears.
- KIVA do field visits and controls during the period of the agreement, in order to ensure that all data is being managed correctly.

IV. What data is required by KIVA?

The following information must be given to KIVA:

Step 1 : Description

- Type of loan (Individual or group)
- Internal ID number of the client (=the client's LPF account number)
- First name and Surname of the borrower
- Gender of the borrower
- Name of their enterprise (optional)
- Place
- Sector of activity of the borrower
- Detailed name of the activity
- Language
- Loan use
- Description

Step 2 : Conditions of the loan

- Exact amount
- Loan duration

Step 3 : Photo

- Insert the borrower's photo

Step 4 : Loan management

- Choice of the representative
- Updating frequency

Step 5 : Validation

- Adding the client after validation

Name, project, amount required, personal history, compulsory photo which must show the activity, but there is no specific model for collecting all the data.

V. Who collects the data?

All data is collected by the loan officer, who is directly in contact with the client.

VI. Who encodes the data in the computer?

The loan officer is in charge of encoding the description and the conditions of the loan as well as the updates (entries in the 'ledger'). An intern has been recruited especially for posting all the data on KIVA's website.

VII. On which system?

All data on the clients – except the description – come from an extraction from LPF to excel format. The data that is required is copied from this file to be pasted into a word document that also includes the description of the client.

VIII. How are the photos processed?

Photos are taken by the loan officer, who then processes them to reduce their size to facilitate posting onto KIVA's website. The photos are renamed with the borrower's name. There is a specific directory on each branch's computer, for storing photos; each branch has their own digital camera and matching USB cable.

IX. What are the perspectives ?

- Dispose of a large enough stock of loan applications to post on the website. Alidé must have the equivalent of at least 46,000 USD by the end of the pilot phase.
- Ensure that each month, all loan applications are posted at the latest on the 10th of the following month.
- Further train the loan officers on writing up the descriptions and making entries to the ledger.
- Make sure the loan officers have digital cameras at their disposal; may be dedicate one loan officer per branch to managing KIVA loans.
- Increase the number of group loan applications because they are more cost effective.

X. Conclusion

As of today, 4 months into this partnership, KIVA has financed 117 clients, 4 applications are being financed and 3 applications are pending.