



To: Holden Karnofsky, Executive Director
The Clear Fund

Subject: 731502797 Cause 2 Proposal B from Grameen Foundation

Date: August 3, 2007

Dear Mr. Karnofsky:

On behalf of the staff, managers, and Board of Directors of Grameen Foundation, I would like to thank you for the opportunity to present our proposal to The Clear Fund for a grant in the category of Cause #2: Help people in Africa become economically self-supporting.

Grameen Foundation requests \$25,000 for individuals and their communities to lift themselves above poverty through Village Phone, a microfinance program. A loan as little as \$200 from the Village Phone program allows a borrower to buy a cell phone and collect fees for calls that fellow villagers make with her phone. The borrower and her family rapidly see their income rise. By providing what is often the village's first-ever telecommunications infrastructure, Village Phone (VP) fulfills the urgent need for wealth in an impoverished community. For example, families that use VP are no longer forced to lose productive working hours to travel to urban areas for information on market prices for their agricultural goods, government services, health care, and family members. With support from The Clear Fund, Grameen Foundation will deploy 30 Village Phones per month in Cameroon starting September 2007, with a goal of reaching 5,000 Village Phone businesses by 2012. The Village Phone Cameroon program builds on the highly successful microfinance program Grameen Phone, South Asia's largest cellular phone company. Our Cameroon work also expands on the current achievements of our Village Phone Uganda and Rwanda programs.

Grameen Foundation is a US-based non-profit organization founded in 1997 by a group of individuals inspired by the work of Professor Muhammad Yunus and Grameen Bank, winners of the 2006 Nobel Peace Prize. Grameen Foundation supports local organizations around the world that expand access to microfinance services. These local microfinance institutions reach more than 3.6 million families in 27 countries across Africa, the Americas, Asia, and the Middle East.

I am available for any additional information you may need. We look forward to hearing from you. Thank you again for your consideration.

Yours truly,

A handwritten signature in black ink, appearing to read "Helen Yuen".

Helen Yuen
Manager of Annual Giving

The Clear Fund
Application Cover Sheet

Legal Name of Organization: Grameen Foundation USA (“Grameen Foundation” or “GF”)

Address: 50 F Street, NW, 8th Floor City/State/Zip: Washington, DC 20001

Phone: 202-628-3560 Fax: 202-628-3880

Website: www.grameenfoundation.org

Executive Director: Alex Counts, President

Phone: 202-628-3560 Email: accounts@grameenfoundation.org

Contact Person/Title: Helen Yuen, Manager of Annual Giving

Phone: 202-628-3560 ext. 125 Email: hyuen@grameenfoundation.org

Employer Identification Number (EIN): 73-1502797

Are you an IRS-approved 501(c)(3) nonprofit? Yes Date of Fiscal Year: April 1, 2007

Date of Incorporation: Oklahoma, June 7, 1996

Brief organizational description: Founded at the behest of 2006 Nobel Peace Prize winner Dr. Muhammad Yunus, the mission of GF is “to empower the world's poorest people to lift themselves out of poverty with dignity through access to financial services and to information.”

Current organizational (annual) operating budget: \$18,000,000

Principle Sources of Support: Corporations/Corp. Foundations 19%; Foundation 32%; Individuals 48%; Other (Govt, etc.) 1%

Project Title: Microloans for Phones: Expanding Access to Village Phone in Cameroon

Project Start and End Dates: August 1, 2007 to March 31, 2008 Total Budget: \$25,000

Is this a new program for your organization?: No

Amount Request/Purpose of Request: \$25,000 for capital for on-lending

Previous Grant from The Clear Fund: N.A.

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Date Submitted _____

4G Category _____

Proposal Reader _____

I. Proposal Narrative

Summary of Organizational History, Mission, & Goals

Grameen Foundation (“GF”) is a non-profit that supports microfinance, commonly known as “banking for the poor.” Microfinance dramatically changes the lives of poor people by giving them tiny loans (usually less than \$200), savings, and other financial services to enable them to launch their own businesses. As a woman’s business grows, so does her family’s well-being, her self-esteem, and the job opportunities in her community.

More than 1 billion people on earth live on less than \$1 a day. To answer this poverty crisis, GF was founded in 1997 by individuals inspired by the work of Professor Muhammad Yunus and Grameen Bank, winners of the 2006 Nobel Peace Prize. Professor Yunus is a founding and current board member of GF.

GF supports local organizations around the world that provide microfinance to poor people. These microfinance institutions (MFIs), known as GF “partners,” receive financing, technology, and training from GF. This infusion of resources is designed to increase exponentially the growth and capacity of the microfinance industry so that more poor people can lift themselves above poverty. Today, GF’s microfinance partners reach more than 3 million families in 27 countries across Africa, the Americas, Asia, and the Middle East.

Overview of GF Programs

Our programs include supporting the expansion of access to microfinance services as a strategy to reduce poverty; applying innovative uses of information and communication technology to create self-sustaining technology-based microbusinesses and support better communications and the flow of information to remote areas; tapping capital markets to bring new, private sector funds to MFIs; and spearheading pioneering technology solutions to expand the effectiveness and reach of the microfinance industry. We are also committed to sharing “best practices” to advance the microfinance industry’s impact on global poverty. We have challenged ourselves to achieve the following three goals by March 31, 2009:

- ▶ Reach five million new microfinance clients.
- ▶ Ensure that 50 percent of clients escape poverty within five years of their first loan.
- ▶ Deliver three innovations that will increase substantially the delivery of microfinance to far more of the world’s poorest people.

The Grameen Technology Center (GTC) is a division of GF. GTC develops programs that apply information and communications technology to reduce poverty through microfinance. GTC runs the Village Phone (VP) program, which provides technology and support to MFIs that make loans to borrowers to purchase a cell phone. Borrowers rapidly see their incomes rise as they collect fees for calls that fellow villagers make on their phones. By providing what is often the village’s first-ever telecommunications infrastructure, VP fulfills the urgent need for wealth in an impoverished community. Families that use VP are no longer forced to lose productive working hours to travel to urban areas for information on market prices for their agricultural goods, government services, health care, and family members. VP builds on the highly successful microfinance program Grameen Phone, South Asia’s largest cellular phone company.

II. Proposed Program Description

VP is an innovative collaborative arrangement in which GF works with local MFIs and the local private telecommunications company to establish a network of cell phone pay phones in rural areas that are currently unserved by both landlines and the mobile phone system. VP is a business in a box. A poor person, usually a woman, uses a micro-loan to purchase a mobile phone and then collects fees for her neighbors to use the phone. The Village Phone kit provides all the inputs – phone, power solution, charger, signage, and antennae device – that the entrepreneur requires to start and manage her small business. The program increases the income of the individual borrower, or “Village Phone Operator” (VPO), by creating a sustainable micro-business. The MFI gains a new revenue stream from commissions on telecommunications airtime as well as interest from this new loan product, the telecommunications company gains incentive to enter rural markets, and villagers gain information services.

While the VP program has certain elements that are standardized across all markets, each implementation of VP is also customized to reflect the local environment and business conditions. The program is already successful in two countries because it is effective, sustainable, and scalable. Grameen Phone in Bangladesh, the original “Village Phone” program developed by Grameen Bank, is now the largest cellular phone company in South Asia, with over 8.5 million subscribers. Created only ten years ago, there are over 300,000 “Phone Ladies” in Bangladesh today.



Bitangaza, who owns a Village Phone business in Uganda, operates it from her shop as an extra source of income.

Working with the local African telecommunications company MTN, GF has brought the success of Grameen Phone to Uganda and Rwanda. The initial goal in Uganda was to establish 5,000 new cell phone businesses in five years, beginning in 2003. In just three years, we surpassed that goal, establishing over 10,000 new businesses and growing at a rate of more than 150 businesses per month. In Rwanda, where the program began in 2006, 477 Village Phones have been deployed thus far, averaging 11 minutes of use per day. The next goal is to expand this creative, successful model of convenient, affordable shared access to support entrepreneurs in the impoverished country of Cameroon.

Collaborating with telecom company MTN Cameroon and local microfinance institutions, GF will bring telecommunications access to thousands of people who did not have it before, allowing them to contact family, friends, business partners, and the rest of the world. GF is currently working with two microfinance institutions and is planning to partner with an additional two before year end. The MFI Credit du Sahel serves clients in the North and Far North provinces, which are the poorest areas in the country with a GDP per capita of US\$200/year, compared to an average of US\$800/year for the entire country. CVECA works in the deepest rural areas of the Center province.

A pilot program took place from January through June of this year with 50 phone operators from Central and Northern Cameroon. This program is different than previous Village Phone programs as it incorporates Electronic Voucher Distribution (EVD) to disburse the airtime to the Village Phone Operators. This helps overcome the challenges of poor infrastructure, especially in terms of the lack of roadways to rural areas, and lack of purchase points by enabling the VPO to buy the scratch cards used in previous programs to re-up airtime.

Currently, 25 phones have been deployed in Central Cameroon, and another 25 have been deployed in the Far North. The Village Phone team aims to deploy 30 Village Phones per month beginning in September 2007, with the intention of increasing deployment rates to the standard 150 Village Phones per month shortly thereafter. The goal is to create 5,000 Village Phone businesses by 2012.

Geographic Area Served by the Project

Cameroon is a central and west African country plagued by a corrupt bureaucracy and high levels of poverty. The Cameroon Household Survey has shown that about 87% of the poor in Cameroon are living in rural areas; 50% of rural households are living under the poverty line of CFA 700 (\$1.18) per day, and 52% of those who belong to poor households are women. Cameroon ranks 144 out of 177 on the 2006 UN Human Development Index. 6.9% of the Cameroonian population lives with HIV/AIDS, and the risks of contracting infectious disease are very high. Transportation and other infrastructure are poor and degraded, making it difficult to travel around Cameroon.



Village Phone has helped more than 6,700 borrowers in Uganda create better lives for their children.

Given the relatively high levels of poverty, widespread corruption, and generalized lack of affordable access to telecommunications, GF has the opportunity to play a key role in advancing transformative development in Cameroon via Village Phone, a grassroots poverty alleviation program.

Statement of Need

As described above, as throughout much of Africa, there is a great unmet demand for sustainable livelihoods and poverty alleviation. Microfinance directly addresses both needs by enabling poor people to become heads of their own businesses. Also pressing is the need for affordable and convenient access to telecommunications services, as the traditional telecommunications infrastructure (landlines) is generally non-existent and/or severely degraded. Up to 200 of the 321 administrative units and 15,000 villages are without access to public telephones. It is not uncommon for people to travel hours or even days to place a simple telephone call, which cuts into the productive working hours of able-bodied family members. The loss in productivity further impoverishes already desperately poor families. This lack of access to basic communications exacerbates other geography-based development disparities and also has negative impacts on health and other important development factors. VP can help overcome these challenges by providing a sustainable, replicable, market-oriented solution.

Project Activities

All VP programs are implemented according to a standardized timeline as described below:

- Market Research
- Develop Relationships with Local Telecommunications Provider and MFIs
- Create VP Structure
- Pilot Phase / Field Testing
- Analyze Pilot Outcomes

- Create and then deploy VP product kits to MFIs
- Follow-Up and Evaluation

GTC is in the process of launching the VP program in Cameroon, and this grant would support further deployment of Village Phones in the Greater North and Central regions.

Program Budget: FY2008 (April 1, 2007 – March 31, 2008)

FY08 Summary Budget: Village Phone Cameroon for 04/01/2007 to 03/31/2008

Line Item	Cost	Description
Salaries and Fringe Benefits	\$86,751	1.2 FTE Program Management Support and Research and GF Fringe @ 19%
Outsourced Services	\$62,500	Local management (75%) & Local Organization capacity building (25%)
Travel	\$32,000	US-based staff travel to Cameroon (10 trips @ \$3,200 each)
Banking Fees	\$1,600	International wire transfer and other fees
Events	\$7,500	Marketing and official launch event of program
Partner Support	\$25,000	Capital for onlending for local MFI partners to provide loans to women entrepreneurs to start up Village Phone businesses
Total Direct Costs	\$215,351	
GF Indirect costs @ 22.28%	\$47,980	
TOTAL	\$263,331	

III. Evaluation for featured program

Outcomes and Metrics for Success

Village Phone programs have multiple benefits and beneficiaries. The entrepreneur benefits from the additional income from retailing communications services, which are often “add-on” services to their existing roadside stands. A study commissioned by the Canadian International Development Agency concluded that earnings from Village Phone can increase operators’ income by 40%, increasing expenditures for health, nutrition, and education. More broadly, the customers benefit from increased access to communications services. For example, producers can learn the market rates for their goods and therefore not undersell themselves. Village Phone reduces the expense and stress associated with travel to retrieve information. The same study also found that the program generated “significant positive social and economic impacts, including relatively large consumer surplus and immeasurable quality of life benefits.” Broad-based economic growth spurs social change, as people have the time and resources to control their lives and livelihoods more effectively. And, MFIs, which can be leading development agencies in rural areas, benefit from revenues associated with another product line.

In order to gauge the level of success of a Village Phone program, the Grameen Technology Center relies on statistics that capture the number of Village Phone operators, the number of deployments, and the average minutes of phone use per week. A detailed impact assessment is underway that will document the household level economic benefits of participation in Village Phone Rwanda. The results can be applied to all Village Phone programs.

Success Story: Overcoming HIV and Building Her Community

Marie-Claire's story - One of Grameen Foundation’s first Village Phone Operators in Rwanda rises above the odds

Village Phone Operator Marie-Claire Ayurwanda stands on the rock foundation of the house she is building in Setwara, Rwanda, and looks at the progress. “I want to finish building this house for my children before I die,” she says with resolve. As a woman living with HIV/AIDS, the weight of her words is heavy with a history of struggle and challenge. Yet when she talks about her present and future, her smile is light and her laughter comes easily.



The years have not been easy. She had a son 17 years ago and then took in her brother’s two children when he was killed in the 1994 genocide. Her husband died in 2003 of an unknown cause. She then remarried and had a daughter. After learning that her new husband drank too much, she left him. Then, she discovered she had, as she calls it, “the Virus.”

After her husband died, Marie-Claire decided to start a business and took a 20,000 franc (\$40) loan from Village Phone microfinance partner URWEGO to open the Isimbi Restaurant. The profits from the restaurant help support the four children in her household and pay school fees.

Set against the backdrop of the rolling Rwandan hillside, Marie-Claire serves goat brochettes (skewers) and Irish potatoes. Her laughter bounces off the bright blue walls of the restaurant as she talks with her

customers and employees. And if a customer wants to make a phone call, she proudly takes them to a separate, private room where she has set up her Village Phone.

When Marie-Claire heard about the Village Phone pilot program early in 2005, she quickly got a phone. The business turned out to be profitable enough for her to pay her phone loan off in 5 months (rather than the standard 6 months). So now, all profits from the phone are hers.



“Marie-Claire is one of the top five operators in Rwanda out of the fifty businesses created during the pilot phase of the project,” George Conard, Technical Project Manager for Grameen Foundation, said. “She sells nearly thirty minutes a day and the phone generates about US\$12 a week. In a country with the average income around \$230 year, the extra income from the phone has a huge impact on her life.”

“In addition to paying school fees for my children, I bought the land and the foundation for my new home with the profits from my Village Phone,” Marie-Claire says. “If I get some more business to do, in a few years I will die as a rich woman.”

Work, she says, is what keeps her strong. After learning she had the virus, she took the risk to tell other business people in the community. “When I told them, they liked me very much because I told the truth,” she says. “People see that I have the virus and am still doing business. I am respected in the community and people come and use the phone because of that.”

Being honest also helps other people living with HIV/AIDS because they see how antiretroviral drugs help Marie-Claire be less tired. “I am very strong because of the medicine,” she says. “And I was able to tell my friends, and now they are on the drugs too.” In her village, she is the president of IMPUHWE, an association of people living with HIV.

She is now interested in adding a second phone that she can run in another small village. When asked how she would spend the additional income, her goals are focused on developing her community. “I want to buy a pickup,” she says. “People in the association have their own gardens with Irish potatoes. With a pickup, I can take the potatoes to Kigali and sell them.”

Marie-Claire’s son Jean d’Amour, 17, is also interested in giving back to the community. When home from boarding school, he helps his mother at the shop and with the Village Phone to raise money for school fees. “I am very, very, very happy I can go to the Rambura Boys School,” he says. “I want to be a doctor to help my neighbors and friends.”

IV. Other support for featured program

Bibliography: Works in Support of Microfinance

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