

Phone conversation between CUMO (Samson Hailu, CUMO Board Chair) and GiveWell (Natalie Stone) on June 1, 2010

CUMO: First let me give you some background on CUMO's history. Concern Universal is a non-governmental organization that focuses on relief and development. It was established in the UK in 1976, and now works in 12 countries. Our Malawi program is by far the largest program and has been running for 20 years. We started in Malawi assisting refugees of the civil war in Mozambique. After 5 years of the refugee program, we began to run programs to assist the host communities with their long-term development, such as water and sanitation programs, food security, and sustainable livelihood programs. More recently we began to work to make our food security program more integrated and provide comprehensive poverty-reduction support. We regularly reflect on what impact we have achieved and one of the things we reflected on in 1998-99 was that, while we were improving lives through crop diversification, nutrition training and safe water and sanitation, our impact on incomes and economic opportunities was not as strong as we wanted it to be. Using funding from the British government, we explored 3 options: continuing to focus on our core programs, encouraging other microfinance institutions to come into the areas we were working, and scaling up our own financial service provision. When we conducted need assessments, lack of access to credit always came up as one of the top 4-5 constraints holding people back. We decided the best way to improve the quality of our work was to scale up our own microfinance operations. In 2000, we began 3 years of set up and started scaling up in 2003. By 2006-2007 we reached a point where we had to determine whether the program was a success and thus worth continuing. We brought in 4 experienced volunteer advisors (3 Malawian and 1 British). By 2007, we decided to create a company limited by guarantee and formed a board with the 4 advisors and 5 representatives of Concern Universal. CUMO is still owned and controlled by Concern Universal. We now cover 11 of the 28 regions in Malawi. We offer 6 different products: a short-term cash loan, a longer-term cash loan, micro-insurance, agricultural input loan, hospitalization insurance, and tea grower loans, for which we have an agreement for a large tea buyer who collects loan repayments for us at the time it purchases tea from growers.

GiveWell: How does CUMO track its repayment rate? Can it share data on loans disbursed, written off, rescheduled, and in arrears?

CUMO: For each product we have a repayment reschedule. 95% repayment rate means 95% of expected principal and interest was received. We use KREDITS system, which is very sophisticated, to monitor repayment. I will send you detailed information about each of our loan products.

GiveWell: What interest rates and fees does CUMO charge its clients? What is the savings requirement?

CUMO: We charge a flat interest rate of 4-6% per month. The higher rate is for loans with higher default rates, such as the agricultural loans, and the lower rate is for lower default loans such as the tea grower loan. CUMO is not licensed to receive voluntary deposits, but we facilitate savings within loan groups. When a group is first formed and before they receive a loan, we train them in our group-based savings system. Groups are required to save among themselves and to meet biweekly while they are new to CUMO (this is relaxed to monthly for established clients). Within their groups they manage savings, determine who will receive loans from the group savings and distribute interest earnings from these loans. All savings are held by the group. There is a minimum requirement for how much they must save.

GiveWell: Does CUMO have data from after 2004 on clients' standards of living? Does CUMO have client data on indicators such as housing quality, food security, and access to sanitation?

CUMO: There are many different ways that we interact with clients to get information on their lives. One of the most regular is that we conduct regular clients satisfaction surveys (at least once per year). We ask them questions such as 'are you satisfied with interest rate, loan size, service provided by loan officers, and the speed of administrative processing.' We produce a report from these surveys. One of the interesting things that has come out of this that clients have never indicated that they think the interest rate is too high. The only alternative in the area is the informal sector which charges much higher rates than we do. From these surveys we learned are that clients thought that meetings were too frequent, and we responded by relaxing the biweekly meeting requirement for established clients to monthly meetings. Another issue we learned about was that clients were worried about what happened when a group member died (which is a frequent occurrence in a country with a very high HIV rate). We created funeral benefit insurance as a result. Clients then told us that they needed assistance in the case of illness as well. As a response, we have just started piloting hospitalization benefit insurance.

We also do regular impact assessments. We conducted assessments in 2004 and 2006, and in 2008 we contracted with M-CRIL to conduct a social performance assessment of CUMO. If you ask the CEO of CUMO, he will be able to share the 2008 report with you.

In addition, we use the LAST (Livelihoods Asset Status Tracking) system. We go back to the same clients we have originally interviewed and measure whether their assets have increased or decreased. I do not know the details of how the client sample is selected, but the CEO should be able to provide this information.

GiveWell: How does CUMO calculate the drop out rate?

CUMO: I don't know specific formula. We consider the retention rate to be one of the most important indicators of our success. The board sets a target for this rate.

GiveWell: Is there a process for monitoring whether procedures for preventing over-indebtedness are effective?

CUMO: We monitor over-indebtedness through our impact and social performance assessment systems. We do not have an ongoing monitoring system.

We have a graduated increased system—new clients receive loans of about \$35 and they have to show that they are responsible borrowers before they receive larger loans. In addition, our loan officers live in the villages they work in and understand the businesses of the clients.

GiveWell: Can CUMO share reports on how client complaints were resolved? Does CUMO have information on how effective this and other practices are at protecting clients from harassment?

CUMO: CEO will give you more specific answers than I can. A group of financial officers report to an area supervisor who regularly visits groups. During these visit, clients have opportunity to complain to the supervisor. I have not seen a type of report that specifically addresses client complaints. I have not heard of any cases of clients

being pressured to take on larger loans or more loans than they can handle. Financial officers do put pressure on clients to repay, but I suspect that more pressure comes from other group members than from financial officers.

GiveWell: What are 'intensified arrears collections'?

CUMO: On time repayment has consistently been about 95% except for during two periods. One was a major crop failure. Large numbers of people were receiving food aid. In one particular area clients defaulted on their loans at a high rate. We wrote-off those outstanding loans. In 2008-2009, we issued agricultural loans to a number of cotton producers. During the cotton-growing season, the president of Malawi announced a minimum price for cotton and largest cotton buyer closed and left Malawi. While the state eventually set up a state company to buy the cotton at a lower minimum price, there was a delay and we are just starting to recoup these loans.

GiveWell: How is the performance of financial officers assessed and rewarded?

CUMO: Pay for loan officers is a combination of a fixed salary and substantial performance-based pay. You can ask the CEO for details on these incentives.

GiveWell: Can CUMO share quarterly reports for before 2010?

CUMO: I can send you reports going back 4-5 years.

GiveWell: How much in additional donations could CUMO productively use in the next year? What would such donations be used for?

CUMO: We have two main priorities for donations: geographic expansion and piloting new products. If we are not able to get additional grant funding, we would expand client base in existing areas. With additional resources we would open activities in adjunct provinces.