

Accra, Saturday, 05th December, 2009

GiveWell / The Clear Fund
Att. Ms. Natalie Stone
320 7th Avenue #232
Brooklyn, NY 11215 - USA

SUBJECT: GiveWell Economic Empowerment Grant application

Dear Natalie,

In response to your communication of 1st December, 2009 and subsequent phone conversation of 3rd December, 2009, I wish to thank you for your interest in Initiative Development Ghana and to formally confirm the interest of ID-Ghana in the Economic Empowerment Grant that GiveWell wishes to propose to organizations like us.

As agreed during our exchanges, I send you the following list of documents:

- **2005 Satisfaction Survey:** this survey contains information about the poverty level of ID-Ghana beneficiaries as well as some other information related to their satisfaction and their needs.
- **2008 Baseline Survey:** this work was conducted over a period of 6 months and was aiming at updating the socio-economic knowledge that the organisation had of its areas of activity¹. It therefore contains, per branch, a whole lot of data describing the living condition of the population, their education level, their poverty level, etc.
- **2008 SPI Report:** this report is based on the CERISE SPI tool² and aims at assessing ID-Ghana's social mission. We assess ourselves on a yearly basis and our social mission team is currently working on the 2009 report, interviewing 22 stakeholders and assessing the social performance of the organisation. The results will lead to some recommendations that will be incorporated in our 2010 work plan to strengthen our social performance.
- **2008 Audited Financial Statements:** these audited financial statements have still not been uploaded by MIX-Market on our profile.
- **2008 Annual Report:** the documents presents the main events that took place and results obtained in 2008. t gives an overview of the 2009 prospects as well as a number of general information about ID-Ghana.
- **2009 NHIS survey:** the Dutch cooperation agency SNV made a Monitoring and Evaluation survey on our access program to the National Health Insurance Scheme and promoted it as a model of engaging the Poor into health insurance. This document is the overview of the findings of this survey.

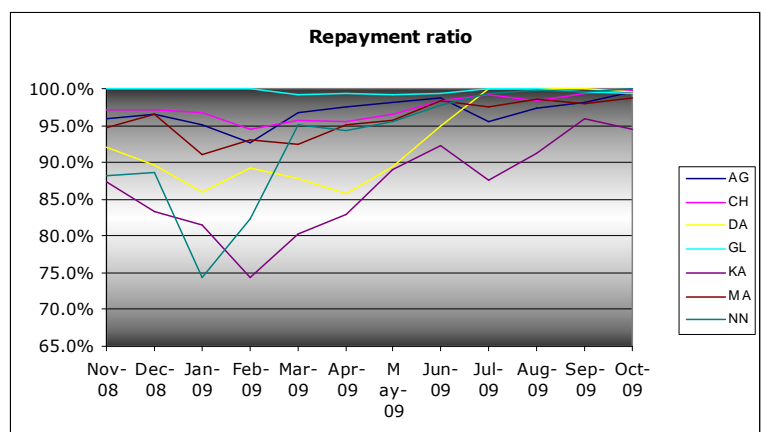
¹ The survey was not done only on ID-Ghana beneficiaries but on population living in the areas of activity in general.

² See www.cerise-microfinance.org/

- The Poverty Assessment Tool & its first results:** The Poverty Assessment Tool, which we incorporated in our Home Visit form (form completed prior to each loan, when our Credit Officers visit the home of the applicants and prior to the business visit), was administered to more than 300 people since the first pilot started in 2009 in 5 out of 7 branches. A few results are drawn³ for the purpose of this application but the full scale review has not yet been done. The main outcome shows that people at first cycle -i.e. people joining the credit scheme- are mostly rated as very poor (more than 70%) by our tool while a significant portion (over 20%) of the same entrants are rated as extremely poor. This latter group of people is predominant in the branch of Chorkor due to the fact that this branch piloted the Kick Start loan product, a product targeting the most deprived micro entrepreneurs. This product is very low in amount (US\$ 13 to US\$ 40) and is interest free and commission free. We therefore expect the proportion of extremely poor entrepreneurs to rise in all branches as we have been replicating the pilot since last month in 6 of our 7 branches.

I also would like to share with you some information about a few points, you were interested in:

- Loan repayment pattern:** our repayment ratio is **99.0% as of Oct-09**. It has tremendously improved over the past few months thanks to the development of our new group methodology called 'Onipa Nua' which represents the bulk of our portfolio:

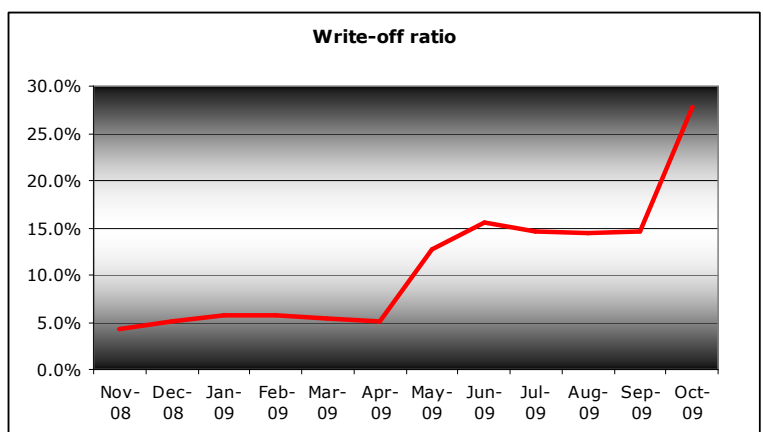


This methodology has proven to be very effective over time, which is quite visible in a branch like Glefe (GL on the chart above, in light blue), where the methodology has been pilot-tested: repayment ratio has never come below 99.2% over the 3 years it has existed.

This repayment ratio applies to a portfolio of loans which are never rescheduled, as this practice is not allowed by our credit policy.

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- Write off ratio:** The write-off ratio has shot up lately because of the clean up that followed the phase out of our old loan products which proved to be inefficient and impactless. This clean-up process happened in two steps: first step in May-09, which is the normal time of the year when ID-Ghana processes its write offs for loans in arrears for more than 365 days, and second step in October

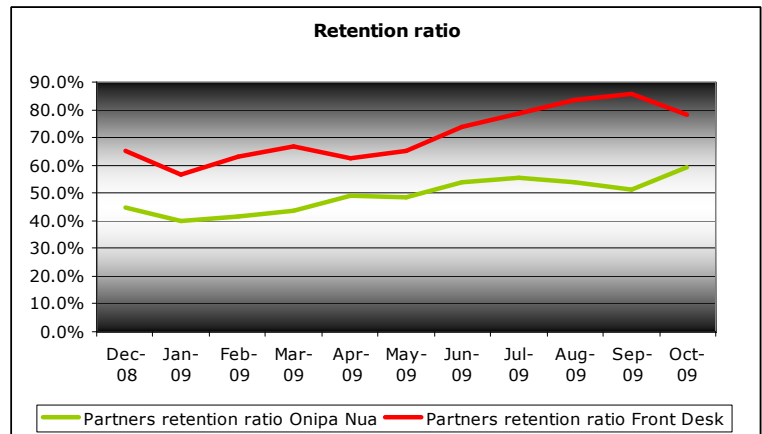


³ See charts in annex at the end of this document.

after the Executive Council (the upper most governance body of the institution) passed a resolution to write off the portfolio linked to the phased out loan products, so as to follow-up on these loans without hampering the quality indicators of the global loan portfolio. This ratio stands as of Oc-09 at 27.7%, which brought down the portfolio at risk at 30 days at 3.0%, a value where ID-Ghana is confident it can be maintained in the long run with its new products.

- **Retention ratio pattern:** Our benchmark for this indicator is 80%. The retention

ratio has suffered a lot from the problems of disbursement. ID-Ghana has faced in 2009 an acute cash flow crisis which has led the organization to hold its disbursements almost throughout the year. Thanks to some fund raised lately from our strategic partner Entrepreneurs du Monde⁴, disbursements have taken a more normal



pace which has reflected on the retention ratio of Onipa Nua in October. The new Front Desk product, implemented in market areas (as opposed to Onipa Nua, implemented in residential area) has suffered less from the chaotic disbursement pattern than the previous product: retention ratio has been in the benchmark zone since last summer and is currently standing at 78.4%. All in all, Onipa Nua retention ratio is 59.1% only, but we are confident that with some cash availability, we are able to reach the 80% target by the middle of 2010. Kick Start loan retention ratio has not been calculated yet because no subsequent loan has been disbursed yet.

- **Address of a partner charity in the US:**

Village Exchange International (registered as U.S. 501(c)(3) organization)
 551 Main Street, Apt. W213
 Roosevelt Island
 New York, NY 10044 – USA
 Tel: +1 646 206 0881
 Skype ID: christiane.milev
 Contact: cmilev@villageexchangeinternational.org

A word about Onipa Nua methodology

The Onipa Nua methodology has been successfully pilot-tested in the branch of Glefe as of Jan-07 and replicated since Mar-08 in all residential areas where ID-Ghana works.

The success of this methodology went far beyond our expectations, as we have experienced almost no default, since we have implemented it. The cases where we found ourselves facing difficulties turned out to be problems of implementation on ID-Ghana’s side rather than methodological problems.

The Onipa Nua methodology is an individual lending methodology which works with collection groups. It is applied only in residential areas where groups of 15 to 30 people (96% women) gather to interact with ID-Ghana. The only group commitment members take towards ID-Ghana is to do everything possible to make possible defaulters pay their dues. In other

⁴ www.entrepreneursdumonde.org/

words, individuals of the group are morally liable, but not financially liable like in the “traditional” microfinance model of solidarity groups.

Entrusted with this moral duty, it turns out that borrowers make it a point to repay very regularly and we observed that true solidarity mechanisms work much more efficiently than in traditional solidarity groups: when someone is facing a genuine difficulty, members of the group are well aware of the issue and in most cases decide on their own to pay for that defaulter, because they trust they can recover the advance later.

The methodology therefore makes it possible to reinforce tremendously the self governance of the group, while the weekly pace of collection gives as many opportunities to deliver trainings to all members of the group. Financial services are thus the backbone of our non-financial services.

A word about our social approach

The approach developed by ID-Ghana is that of a social microfinance institution seeking the right balance between good financial governance and meaningful social content.

This vision translates into a strong will to reach out to operational sustainability by the end of 2011, while we strive to develop and enrich our social mission alongside the development of financial services.

Backed with a strong methodology that enables us to reach out to a significant number of needy micro entrepreneurs with excellent portfolio quality, we have initiated a certain number of new social mission projects in 2009. The first one was related to the enrolling of our partners (clients) in the National Health Insurance Scheme, which we subsidize on a degressive basis over a 3 year period in a bid to encourage the long term registration of the most deprived communities of Accra (see SNV survey). The second one is the development of our Kick Start loan product, targeting extremely deprived micro entrepreneurs who can barely manage a loan. Such entrepreneurs are given a very small loan at 0% interest, 0% commission and are backed with a lot of training and the close monitoring of our social mission team. We aim to make our services truly inclusive this way, and once they are back on their feet, we link them up with our standard loan products in a time span of 3 to 4 loan cycles maximum.

I hope Natalie that these elements of answer will bring the necessary light on our case. Capturing on paper the work of a dedicated team of more than 40 people is always a difficult task and we wish we could invite you and your colleagues on field to come and meet our partners; but given the time constraint, we shall be look for another time. In the meantime, please feel free to contact me for any further information you may need either by e-mail or through the phone (+233 248 665 993).

Yours Sincerely,



Romain Tevels
Program Manager

Annex 1: Poverty Assessment Tool Charts

Chart 1 - This chart shows the distribution of people entering the credit scheme (i.e. taking their first loan) per level of poverty. The total sample size is 268.

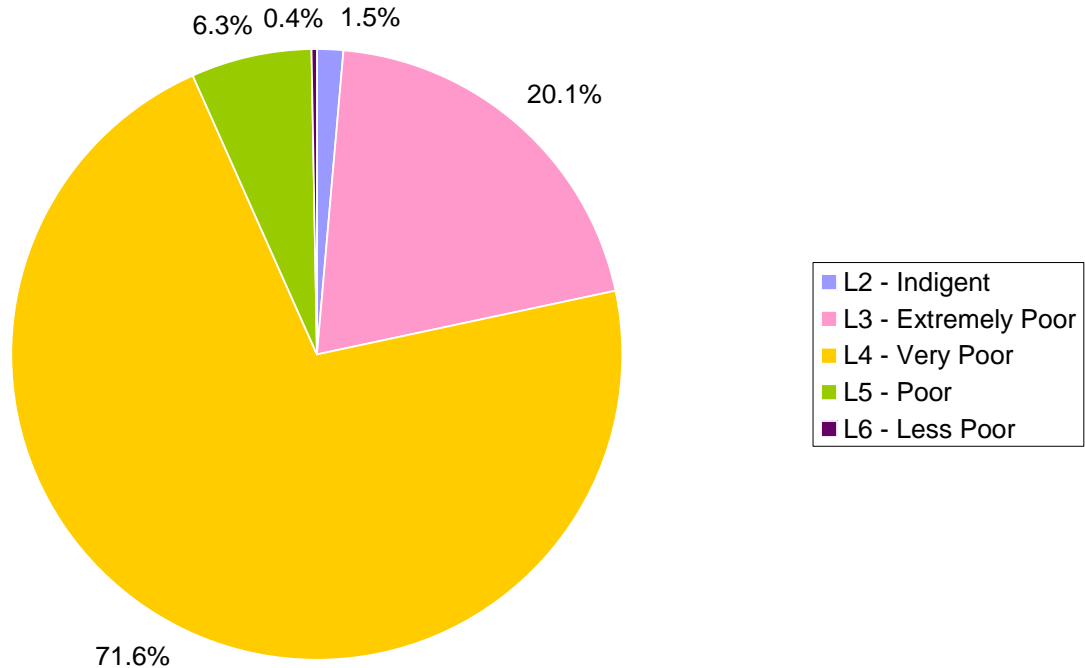
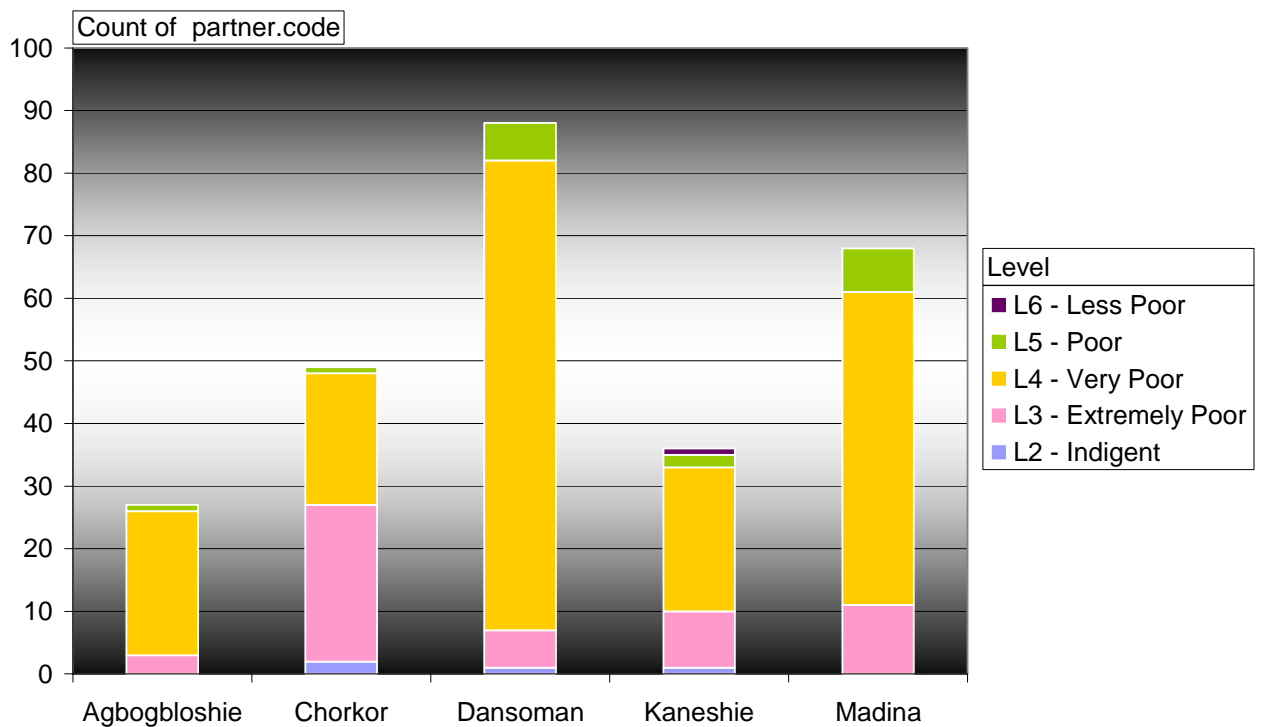


Chart 2 - This chart shows the distribution of people entering the credit scheme (i.e. taking their first loan) per level of poverty and per branch. The total sample size is 268.



Annex 2: A success story



Lardi is 43 years old woman. She is married with three children. Her husband, 48, works with Prudential Bank. She lives in Nima with her family. Her eldest child is 20 and has just completed Senior High School; the second child is 18 and is in Senior High School form 2; the last, 12, is in class 6.

Lardi hails from Kongo in the Upper East Region of Ghana. She migrated to Accra in search of a job. Upon her arrival in Accra she lived with an uncle at 37 Military Hospital until she got a job as a house help. She later left the job because she felt she was made to over work, yet her salary was nothing to write home about. She then started selling ice water, initially in the street, until she met her husband. She later moved from her uncle's house to join her husband at Nima where she has resided since. Even though they changed accommodation a number of times, they have always lived within Nima.

Long after she got married Lardi continued selling ice water until her customers started requesting for minerals. She therefore started saving some money from her profit towards this business venture. After saving for some time, her husband contributed some money to get her start her minerals business. The money however was still not sufficient for her to register with the Coca Cola distributor. It was at that point that she needed a loan to enable her realise her dream.

Fortunately, she got to know about ID-Ghana. She happened to be living in the same compound house with a brother of Sunday Daa Tii, a Credit Officer of ID-Ghana. She came into contact with Sunday, when he went to visit his brother. Through a conversation she got to know he works with a micro finance organization. She immediately told him about her desire to secure a loan. Sunday was helpful in getting her her first loan and he has continued to be helpful and good to her since.



She received her first loan of GH¢ 30 on 20th, August 2007. With her first loan she was able to register with a Coca Cola truck which supplied her with bottled minerals (sodas). With her subsequent loans of GH¢ 60, GH¢ 100, GH¢ 150, GH¢ 200, GH¢ 250 and GH¢ 400 received between March 2005 and November 2008, she was able to diversify by adding canned minerals and biscuits to her business.

Further, her business has expanded, thanks to the support from ID-Ghana. She has also been able to purchase a glass stand where she now sells very comfortably. Before dealing with ID-Ghana, she made sales of about GH¢ 10 a week. Currently, her sales range between GH¢ 100 and GH¢ 150 a week!



On the issue of trainings received from ID-Ghana, she thinks it is very beneficial since it helped her manage her finances better. In addition to her savings of GH¢ 150 with ID-Ghana, she is able to save with a Susu collector (local traditional savings system) and also has an account with Stanbic Bank.

Today, our financial support has helped her greatly in the payment of her children's fees. She has been able to buy a lot of kitchen wares which she did not have before. She is also able to support her husband better now.

Her future plan is to save enough money to help her husband to complete a building project which he has not been able to finish due to financial difficulties.

Annex 3: Pictures of the zones of activity



A snail seller on Agbogbloshie market, central Accra



The plantain market in Agbogbloshie market, central Accra



Fish monger of Chorkor, Accra



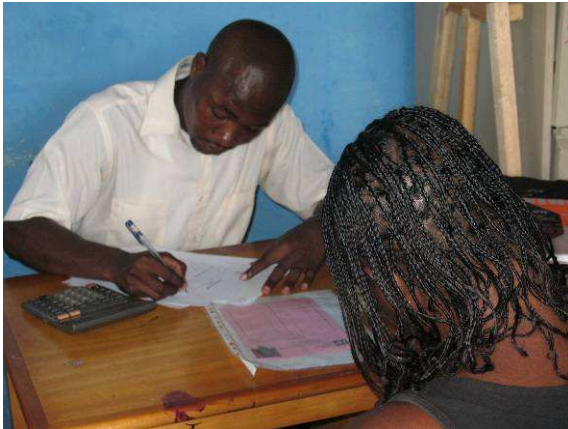
Training session in Chorkor training center by Godknows Kporha, Chorkor, Accra



The fish monger zone in Chorkor, Accra



Briefing of Branch Managers by the Accountant Joseph Doggu (left) in head office, Asylum Down Accra



Glefe Branch Manager, Godfred Kumi, fills a loan application form for a partner in Glefe, Accra



Glefe branch premises, Accra



Credit Officer Michael Koduah is interacting with an Onipa Nua group, Glefe, Accra



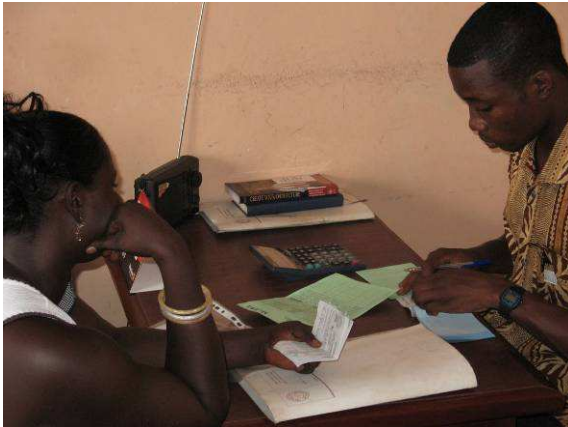
View of Glefe across the lagoon surrounding the zone, Glefe, Accra



Kaneshie branch premises located in the market of the same name, Accra



View of a part of Kaneshie market, Accra



Credit Officer Benjamin Egyir is cashing a repayment from a partner in Madina Market, Madina



Social Worker Francisca Zeng (right) interacts with a partner (center) facing social problems, Madina



Global view of Nima, Mamobi & New Town areas, Accra



Disbursement by Credit Officer Hussein Al Hassan in Nima, Accra



Training Officer Alexander Sackey delivers a training to an Onipa Nua group prior to disbursement in Nima, Accra



View of a street in Nima, with ID-Ghana partner in the forefront, Accra