



MicroLoan Foundation

Annual Review 2012



Introduction

As the charity reaches its tenth year I am proud to be involved as CEO of the MicroLoan Foundation.

Delivering business start-up finance to some of the poorest women in Sub Saharan Africa was at the heart of the charity when it made its first loan in 2002. It continues to be what drives us today.

2012 was a difficult year for the world and especially for the UK charity sector. MicroLoan faced its own challenges with a drop in fundraising income for the first time since we began our work as well as serious economic, political and agricultural challenges in Malawi, our core country.



Nevertheless the team in Africa performed well. Loan volumes were increased, new loan products developed within the agricultural and renewable energy sector and further steps taken towards achieving sustainability in both Malawi and Zambia.

While our mission hasn't changed over the years, what has changed is the way we make sure that we are achieving real impact for our clients. Social Performance Management was introduced into our work three years ago to ensure that we tailor and deliver services which meet the actual needs of all those we help. The key has been to create systems which make it possible for the voices of the poorest women to be heard in such a way that we are able to offer meaningful on-going support.

Since 2002 we have made thousands of loans to women and provided the vital hand up which can create transformational change for some of the poorest people on our planet. The impact is clear and so is the path ahead for MicroLoan. Given the funding, we now have big plans to take our learning further afield in order to ensure that greater access to vital financial services can be provided across southern Africa.

We cannot be more grateful to all our donors, volunteers, partners and staff for the support they have given us to date. We entered 2013 with strong operational and fundraising plans in place and I am quietly confident that MicroLoan will be able to deliver much more in the years ahead.

With best wishes

Peter J Ryan

Founder and CEO

Operational Key Highlights

Highlights of the year

Malawi is one of the poorest countries in the world and operating there can sometimes be difficult.

During 2012 the country's economy was unstable making our operating environment more challenging than usual. The local currency (the kwacha) was devalued by 50%, there were mass fuel shortages for most of the year and inflation at year-end had reached 35%.

Coupled with the unexpected death of the country's President and the political transition that followed as well as Malawi's isolation from UK funding in the first half of year, the wider context proved to be unrelentingly tough.

Nevertheless we managed to survive and even, to an extent, prosper and grow. In particular:

- We supported 24,847 clients in Malawi and 3,228 in Zambia at the end of 2012. The average number of dependants per client was five.
- We employed 79 loan staff – 60 Loan Officers (LOs) and 19 Branch Managers (BMs) – in Malawi, and 11 loan staff (eight LOs and three BMs) in Zambia, at the start of 2013.
- Our Loan Officers travelled on average 2,000km per month, continuing to reach deep into rural communities.

A key focus throughout 2012 was on training, both our staff and of clients. Client training was completed in Malawi's central region and is on course to be completed in the South and North regions in 2013. Staff induction training was improved and MicroLoan staff in the central and southern regions of Malawi have now all received our new client-training modules.

The new training regime is designed to better address the needs of individuals with little or no literacy skills and is an interactive and participatory programme involving role play.



- We opened two new branches in Zambia (Nyimba and Katete, both in the Eastern Province).
- We disbursed MWK 1,287,049,000 (about £2.15 million) in Malawi and ZMK 5,968,670,000 (about £750,000) in Zambia during 2012.
- We became more efficient in order to make a larger proportion of our resources field-based. Individual caseloads (clients per loan officer) rose, the use of fuel fell and the head office headcount was reduced.

The system will be rolled out in the south and north of Malawi by the end of 2013 and will also be deployed in Zambia.

We also developed a new programme of induction training for newly recruited loan officers during 2012. A nine-day course, it includes our organisational history, client training, Social Performance Management and field visits to groups. It was field tested for the first time in March, 2013.

Operational Key Highlights

Other 2012 developments

We piloted a small project involving the direct provision of farming inputs for maize in Mchinji, Malawi. Malawi is the world's leading per capita consumer of maize and this new scheme is designed to support our clients' production of maize for food security and income generation.

Following regulatory changes the Reserve Bank of Malawi granted MicroLoan a license to operate as a Non-Deposit Taking Microfinance Institution and going forward we will be formally regulated by the Reserve Bank.

Staff at five branches were trained ahead of the 2013 roll out of a new loan product, the Chiyambi Loan ("Beginner Loan" starting from around £5) targeted to reach the poorest clients. Client meetings are held with our standard loan clients so that newer clients can gain support from their peers and eventually graduate to higher value standard loans.

Meantime all field staff have now been trained in MicroLoan's Code of Ethics and Rights & Responsibilities document which is linked to the Smart Campaign (a microfinance standard sponsored by USAID and Credit Suisse among others) to ensure clients' interests are protected.

Social Performance Management

Social Performance Management (SPM) has become a central part of our work and is designed to make sure that we are achieving our social mission. The concept is already impacting everything we do and MicroLoan is now seen as a leading SPM organisation in the charity sector: regularly asked to contribute to the International Social Performance Conference and participate in spreading SPM best practice.

Our involvement in SPM dates back to 2009-2010 when we carried out various field tests of the Grameen Foundation's 'Progress out of Poverty Index' (PPI). This is a poverty assessment tool developed to measure poverty outreach using the likelihood of client poverty levels. Whilst the tests indicated that we were reaching a high proportion of the poorest women in Malawi, we wanted to do better. We therefore made further investments in 2012 in SPM, a strategy which has already shown positive results.

Currently, our poverty outreach (based on 6,416 new client assessments) shows that 51.1% fall under the \$1.25/day poverty line while 85.0% are under the \$2.50/day mark. The data also indicates that the longer clients benefit from our support, the greater the positive change to their poverty status.

Clients who take successive loans from us can expect an average improvement of 9.5% after 12-18 months at the \$1.25/day line.

By the end of 2012 our PPI system was operational across the Southern and Central regions of Malawi. This process was completed in the North in March, 2013.



Case study: Ileen

Before Ileen's first loan, she lived in a small mud hut and kept a few chickens. She used her loan to buy more chicks and sold them in the market. Now she rears 70 at a time, and with her savings she is building a new bathroom, kitchen and an electricity supply for her home. She plans to build another house on her land and then rent it out. From a few chicks to burgeoning property developer is quite a journey.

Fundraising Key Highlights

2012 was a challenging time for the MicroLoan Fundraising Team. The continuing economic uncertainty in the UK coupled with a number of key staff changes made the year a difficult one. Our annual income declined for the first time since the charity started. However, even in these challenging times we achieved a number of fundraising successes.

Trusts

Funding from trusts and foundations was crucial to MicroLoan's development in 2012. Highlights included the support of the SDL Foundation which funded our innovative client training programmes in Mchinji and Kasungu branches, and the Ajahma Charitable Trust which has funded the activities of the UK Programmes Team for almost three years.

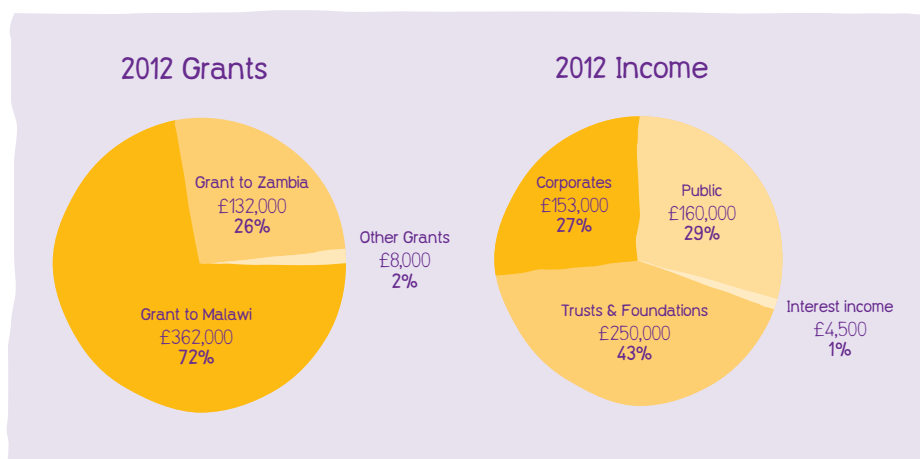
Appeals

Our semi-annual mailing appeals were both very well received by our supporters. Our April Baking Appeal raised more than £11,000 while our December Christmas appeal raised over £14,700 plus Gift Aid.

In addition the Big Give Christmas Appeal 2011/12 raised more than £39,000. This appeal enabled us to have all donations matched during the period of the appeal (6th-11th December 2011). We also had the support of some leading artists who designed printable Christmas decorations that were mailed to supporters encouraging them to donate.

Challenge Events

Six intrepid women undertook the Wild Women Challenge in September, 2012, which involved a five-day trek through Snowdonia. More than £4,000 was raised.



NB. income figures exclude all international donations

We also worked in partnership with Whole Planet Foundation who generously helped to fund our expansion in the South of Malawi, and with the Rowan Charitable Trust who have been at the centre of MicroLoan's long-term development for more than seven years.

Special thanks must go to all other trusts and foundations that donated in 2012. Their support remains pivotal to MicroLoan and ensures that some of the most marginalised women in sub-Saharan Africa are given the chance to find lasting answers to absolute poverty.

Communications

MicroLoan is fortunate to receive pro-bono support from the London-based multi-award winning creative agency DLKW Lowe. In 2012 the agency created our 2012 digital fundraising campaign “Pennies for Life.”

DLKW Lowe also worked with us to create a digital advertising poster which encouraged the public to text in donations. Once a text was received it created pennies which tumbled across a screen to form part of the face of an African woman. Completion of the face signified that her business venture had been fully funded by text donations.



On the 25th and 26th of February we had exclusive use of the digital screen at Westfield Shepherds Bush shopping centre in west London. Members of the public texted in donations, and then saw their gift appear on the screen as coins which eventually formed the face of a MicroLoan client.

The imaginative idea raised a huge amount of awareness of MicroLoan's work, and picked up a Gold Lion Award at Cannes Lions 2012. It has since won numerous other creative awards.



Case study: Catherine

Catherine used her loan to start a business selling fish. With her savings she bought a boat and a set of nets; now she has three boats.

She built her own home which houses eighteen members of her family. She pays for her many grandchildren to go to nursery school, and she has installed a water tap outside her house, which she charges her neighbours to use.

International Affiliate Offices

MicroLoan Foundation USA

2012 saw continued growth for MicroLoan Foundation USA when they welcomed new Board members Debi Leibovitz, Rob Schmults, Kevin Shields and Gunjali Trikha.

The Young Professionals Council took the lead in fundraising events throughout the year, culminating in the 2nd Annual "Taste of Africa," held at the Microsoft Research and Development Centre in Cambridge, MA.

The US website was also launched in the Spring 2012 and provides the ideal platform for online giving and information dissemination to our US audience.

Our partnership with Dsenyo LLC continues to flourish. The array of traditional chitenje products (e.g. bags, garments, toys, hair accessories and table linens) made by MicroLoan clients in our sewing school in Kasungu, Malawi continue to sell well.

MicroLoan Foundation Australia

MicroLoan Australia, run entirely by volunteers, raised A\$17,000 during the year to support our Mulanje branch in Malawi.

The annual major fundraiser with our Australian patron Simon Tedeschi and his jazz playing partner Kevin Hunt was held raising more than \$4,000 on the night and giving guests a fantastic event.

In addition, by partnering with the Rotary Club, MicroLoan Australia have now been able to obtain tax deductibility for donations made from 1st July 2012.

There are exciting plans in place for 2013, including taking on a professional fundraiser for the first time.



Case study: Margaret

Margaret used her loan to start up a business selling second hand clothing, and used a further loan to open a small grocery shop in the rainy season. Using the money from her two enterprises, she started building small houses. She is now surrounded by four rental properties, which bring in monthly income on top of the profits from her other businesses. She now lives in a nicely equipped new house with a TV and metal roof.



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