Mrs Veronique Aikoué is happy to have received a little money from a group loan that allowed her to start a small soap-making enterprise.
Benin suffers from high levels of poverty and illiteracy, problems that leave youth and women with few opportunities to become economically active. It was ranked 165th out of 187 countries in the 2015 Human Development Index, but the country is striving to improve its standing through a range of strategies.

One of the key strategies to reduce poverty is the government’s goal of better access to microfinance. The Islamic Development Bank (IsDB) shares and supports this goal, and in 2010 the Integrated Program for Microfinance Support was born, through a partnership between the government and IsDB’s poverty arm, the Islamic Solidarity Fund for Development (ISFD).

This programme develops its products on the principles of participatory Islamic microfinance, which has proven very popular among the beneficiaries. There is strong demand for more such products, and Islamic microfinance can have a major role to play in Benin’s fight against poverty.

The programme’s first phase ended in June 2014, but the revolving fund that was established continues to fund women’s groups and small business ventures. By November 2015, around 150,000 ultra-poor women (those earning less than US$1.25 a day) had benefitted from microfinance, as well as 15,000 men. The programme has yielded many tangible benefits – and valuable experiences to build upon in the future.

Introduction

A group of 16 young artists in Cotonou now have a place to express their talents and earn a living – thanks to a loan taken out by the innovative co-directors of GriffPerso. From printing t-shirts, mugs, badges and other merchandise to offering design services for events, Mr Hospice Acclombessi and Mr Nonvide Serge Padonou, are showing the way forward for the next generation of artists and entrepreneurs. They now take on apprentices who want to learn about ‘applied art’. The benefits of participative microfinance are diverse indeed!
Helping 200,000 people each year

The Integrated Program for Microfinance Support aimed to increase employment opportunities, boost economic activities and reduce poverty for 200,000 people per year by improving their access to sustainable microfinance services, market-oriented training and business opportunities.

The programme was designed and created by the ISFD, which provided US$5 million (29 per cent) of the total cost of US$17.30 million. IsDB contributed a further US$5.45 million (31 per cent), the Government of Benin provided US$5.61 million (32 per cent), and microfinance institutions invested the remaining US$1.24 million (7 per cent).

A lack of access to working capital is a problem in many poor countries, not just Benin. The Integrated Program for Microfinance Support is part of a wider ISFD–IsDB scheme – the Micro-finance Support Program, launched in 2008 to tackle these issues in IsDB member countries the world over. This fights rural poverty by increasing access to financial capital, targeting women, youth, micro- and small-scale enterprises. It has a strong focus on the very poorest – making it the perfect partner for Benin’s Integrated Program for Microfinance Support.

Loans allow farmers to invest in equipment such as irrigation pumps and pipes, buy seeds and other inputs, and offer secure employment for young people.

“Each man, woman and child has the right to a better life”

- Mrs Honorine Atikpa, Minister in Charge of Microfinance
The Integrated Program for Microfinance Support targeted six main groups: (i) micro- and small enterprises, including new start-ups; (ii) female heads of households; (iii) unemployed youth graduates or those with professional diplomas; (iv) skilled labourers, traders and craftspeople; (v) deprived rural families; and (vi) the active handicapped.

Three main components guided the program’s main activities:

1. Revolving microfinance schemes for ultra-poor people and micro- and small enterprises
   This provided two lines of microfinance: small loans for income-generation activities for groups of ultra-poor people, of which at least 70 per cent would be women; and larger loans for micro- and small enterprises, economically active poor people and unemployed youth. Both used Islamic microfinance.

2. Capacity-building for microfinance institutions
   Through specific training and support programmes, national and private institutions were to benefit from tailored training to support the introduction of Islamic microfinance principles, products and practices.

3. Market-oriented vocational training and awareness campaigns for ultra-poor people
   To be undertaken by national partners, this comprised a pro-poor vocational literacy and awareness programme, and practical apprenticeship programmes.

Microfinance loans for agriculture have multiple benefits. There is more food produced and for sale in local markets, and more employment so more cash circulating in the rural economy.
“These loans have helped us a lot,” says Mrs Blandine Dansou of the Maria Gbê women’s group in the Agla quarter of Cotonou. “Before, we had to ask our husbands if we wanted money; now we are independent. Thanks to this programme I can now also read, write and count in Fon [the local language] – so I can calculate what I spend and what I sell, and work out my profit. We look after ourselves better, and money does lots of things … It makes us proud, we can buy things and even have a party sometimes – it brings us joy!”
Islamic microfinance, known as ‘participatory microfinance’ in secular Benin, was little known in the country before the programme began. It took several years to build capacity among microfinance institutions and raise awareness in rural communities before the first loans were disbursed. The institutions were at first reticent. This was a new form of finance, there was little understanding of how it worked, and non-repayment by some clients at the outset didn’t help matters.

However, the first pilot projects demonstrated its advantages and potential, especially the risk-sharing and profit-sharing aspects. The first loans were issued in 2014 and by November 2015, some 2,276 people in 265 micro-enterprises had been supported. Most used mudaraba, a risk- and profit-sharing approach in which the producer retains 60–75 per cent of the profits. Also, more than 300 people in national and private microfinance institutes had received training in Islamic finance.

In time, the institutions and beneficiaries developed a strong willingness to adopt this form of credit. Islamic microfinance will surely play a greater role in Benin in the future, although further education and awareness-raising efforts are needed.

“A big difference with Islamic microfinance is that it finances an activity, not a person”

– Mrs Hugette Assou, Coopérative pour la Promotion de l’Epargne et du Crédit
The programme provided US$17 million for the two revolving lines of finance. Of this, 42 per cent went to agricultural production or processing, 12 per cent to livestock rearing, 4 per cent to handicrafts, and 42 per cent to a wide range of activities including trading and the service sector.

Near Parakou in the north of Benin, many people are taking up farming thanks to capital made available by the programme. Mr Etienne Ovodougnon, aged 31, is one of the beneficiaries and happy with this new type of credit. “This is a ‘togetherness’ loan,” he says. “Sian’son [an NGO and microfinance institution] helped me prepare the proposal, working out costs and expected revenue, and they come often to see how I am doing.”

Others may not be young, but are still new to large-scale farming. Mr Toussant Amousou, 42, could plant 2 ha of maize and buy a de-huller with a loan of 4.5 million CFA (US$9,000). He can easily repay this and is now looking to expand his farm and his family.

Mr Koamivi Djoussou, from Sian’son, who works with the farmers and offers help and advice when needed, explains why participatory microfinance works so well with agricultural enterprises. “Farmers can’t repay every month, but repayments are calculated depending on the cycles of production. A farmer’s problem is our problem. With participatory microfinance, we work with them to find solutions and ensure that their projects are successful. Sian’son now supports 113 individual farmers and four groups.”

New hope for farmers, young and old

Thanks to a loan of 4.5 million CFA (US$9,000), Mr Toussant Amousou from Parakou in the north of Benin planted 2 ha of maize and bought a de-huller. He can easily repay the loan and is now looking to expand.
The initial aim was that at least 70 per cent of the programme beneficiaries should be women. But by 2015, 90 per cent of those who benefitted were women – about 150,000 in total. And the benefits are not just financial; the women describe the pride, unity, independence and happiness that have changed their lives for the better since they were able to access working capital to expand their activities.

One example is the Saint Trinité group. Located in the heart of Cotonou’s poor Yagbé quarter, its 250 members include widows, disabled people and other very poor women. Together, they mainly buy fish, which they then smoke or fry for sale.

The president, Mrs Celestine Kounduho, explains how their lives have changed. “We had never taken any credit before, and started with a 30,000 CFA [US$60] loan. When we repaid this, we were able to borrow more, and now we are working with money from a 100,000 CFA [US$200] loan. The group is growing and we can reach out to others. We work and sell together, and now have the money to buy materials so our children can go to school, and extra monies helps us at home.”

The Groupement Maria Gbê in Agla, Cotonou, has 300 members, who have each developed their own skills and market niches. They meet and work together, making tea, fruit juice, biscuits, pancakes, sweets, woven mats and soap, or buy and sell fruit and vegetables. “Now, I don’t have to run around to scratch a living,” says Mrs Veronique Aikoue, a soap maker. “I have a better life, with money to improve my home, pay school fees and look after myself, keeping enough to buy what I need to make the next batch of soap.”

The group’s president, Mrs Colette Tevi, explains how they had taken out progressively larger loans over the years, and are now hoping to have a request for 200,000 CFA [US$400] accepted, as so many other women want to join. Her family has also benefitted personally: “Thanks to this programme, I have been able to open a small shop and help my children and grandchildren.”

Women benefit more than planned

Mrs Celestine Kounduho, president of the Saint Trinité group explains the many benefits of micro-credit – but wants much more to be made available, as there are so many needy women who are willing to work but lack the means to invest.

Mrs Colette Tevi outside her shop. Little by little, women save and re-invest, making a better life for themselves and their families.
From algae to artists

Although the programme focused on farming and very poor people, the introduction of Islamic microfinance allowed a range of different enterprises to establish and grow. In 2014, one of Africa’s few spiruline farms – a high-protein alga with many nutritional and health benefits – was on the verge of bankruptcy and about to close. But thanks to a loan, it could invest in inputs, repair the ponds and processing equipment, and keep on its 14 staff. This highly innovative business venture is now saved, and looking to expand.

Harvesting spiruline, Mrs Annike Lalehi is one of 14 people whose jobs were saved thanks to a microfinance loan, allowing them to continue with this innovative enterprise.

The Integrated Program for Microfinance Support program in numbers...

- **US$17.30 million** total project cost
- **US$10.45 million** IsDB’s contribution, including US$5 million from ISFD
- **166,440** people have benefitted from microfinance loans for income-generating activities, of which 90% are women
- **256** micro- and very small businesses received Islamic microfinance loans, with 989 direct beneficiaries (43% were cooperative enterprises)
- **1287** new jobs created or consolidated, of which 69% are permanent
- **303** government and microfinance staff trained in different aspects of Islamic microfinance principles and practices
- **848** people attended literacy courses, and 149 received vocational/business training
- **62** literacy teachers and facilitators trained.

* Figures as of December 2015. By the end of the programme in June 2016, the number of financed women’s groups is expected to increase to at least 200, and youth groups to at least 120.
The Integrated Program for Microfinance Support was a significant success in its pilot phase. Among micro- and small enterprises in particular, the demand for Islamic microfinance products is very high and growing – and far above what the resources of the microfinance institutions and the National Fund for Microfinance can meet. Demand for microfinance among the other target groups is also strong, as people were quick to see the advantages and eager to try for themselves. In particular:

- Islamic microfinance proved to be very well adapted to the needs of the ultra-poor, by formally involving the lender as a partner and reducing the risks of being unable to repay.

- The National Fund for Microfinance, which coordinated the project, and its microfinance institution partners were highly motivated to assimilate the principles, products and practices of Islamic microfinance.

Based on the success of the pilot phase, a 10-fold increase in the support has been proposed. For this to be effective, these recommendations should be considered:

- A specific programme management unit should be established within the implementing agency, to enhance effective coordination, monitoring and communication, and with its own dedicated staff and budgets.

- The monitoring and evaluation component must be significant increased and adequately resourced, including decentralized structures in key locations, with defined criteria for evaluation, detailed plans for data collection (including baseline data), analysis, storage and dissemination.

- A greater vocational training and literacy component would better complement the impacts of the microfinance, noting the strong correlation between illiteracy and rural poverty, difficulties in repaying loans especially by the ultra-poor,² and having more public-awareness campaigns.

- A more complex programme requires an effective steering committee involving all relevant ministries and other partners, with supporting communications and clear divisions of responsibility.

- Specifically to Islamic microfinance, IsDB should ensure increased and timely capacity-building of national partners, tailored to their specific needs; and see that this knowledge is transferred to microfinance institutions, including the improved identification of suitable products.

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² The reimbursement rate under the income-generating activities loan scheme was only 70 per cent (well below the 95 per cent standard set by regulations), where 85 per cent of the beneficiaries are illiterate and unable to keep accounts [from DRN, 2015. Process evaluation of ISFD flagship programs: MFSP and VOLIP p61(263)].
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