

# **Wezesh Project Evaluation: Assessing the Impact of Microcredit on Poverty in Eastern Democratic Republic of Congo**

**by**

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### **Abstract**

The following document is an evaluation to assess the impact of Wezesha Project at alleviating poverty in the lives of its beneficiaries. Wezesha Project is a poverty focused microcredit program operating in the conflict/post-conflict setting of eastern Democratic Republic of Congo. Since 2011, in the provinces of North and South Kivu, DRC, Wezesha Project has been providing loans to groups of women, as business investments in order to generate more income and better support their families. The evaluation outline the context of eastern DRC, provides an overview of the Wezesha Project model, and conducts a literature review examining key material by practitioners and researchers in the field of microfinance. Using data collected from 1346 standardized surveys from a geographically stratified random sample of Wezesha Project beneficiaries between 2012 and 2015 to evaluate project impact. Standardized survey findings are combined with beneficiary focus group discussions to provide the foundation for the evaluation. The overall results make a convincing case that Wezesha Project is indeed alleviating poverty in key areas of income, savings, education, food spending and gender norms. Finally, topics from the literature review are combined with actual project results to provide recommendations on how Wezesha Project can improve on poverty alleviation in the lives of its beneficiaries.

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### **Introduction – Note About the Author**

As the author of this report, the impetus for conducting the study is my personal connection to Wezesha Project. Wezesha Project was originally designed in Uganda, by myself and two other interns working for a Canadian non-governmental organization (NGO) called Ainembabazi Children's Project in 2008. I continued to develop the project on my own and later began established a partnership with a Canadian non-governmental organization (NGO) called Emergency Relief and Development Overseas (ERDO). This partnership resulted in the selection of the Democratic Republic of Congo (DRC) as the target country, more specifically the Eastern provinces of North and South Kivu. From September 2010 to November 2016, I spent more than six years based in the eastern city of Bukavu. It was in Bukavu that Wezesha Project was launched, and subsequently expanded throughout the region including; Bukavu, Kiliba and Uvira in South Kivu (SK) and Goma, Sake and Minova in North Kivu (NK). As mentioned, I served as the designed and overall coordinator for the project with Emergency Relief and Development Overseas (ERDO), a post held from September 2010 to March 2015. During the fall of 2014 Wezesha Project established a funding partnership with Norwegian Church Aid (NCA). This partnership led me to apply for the position of Head of Programs with NCA, a role that I held from March 2015 to November 2016. At this point I no longer provided direct oversight to Wezesha Project, but general oversight to the project as 1 of 16 national partners under NCA's gender-based violence (GBV) program. Since November 2016 I have taken on several new roles unrelated to Wezesha Project.

All this information provides a history of my personal connection to Wezesha Project and Eastern Democratic Republic of Congo. My experience places me in the unique position of having both a deep understanding of the regional context, as well as a making me a key knowledge expert on Wezesha Project. These circumstances have afforded special privileges

such as being able to influence the design of the evaluation system for Wezesha with the long-term goal of conducting an evaluation such as this study. Further, it provides a unique window into the historical thinking of the project, from its inception until early 2015.

Understandably, my previous personal connection to Wezesha Project and DRC provides some challenges to do with potential bias, ethics and proximity to the topic. As the primary step to mitigating these risks, this evaluation has gone through the standard ethics review at the University of Victoria and received all necessary approvals. Every effort has been made to ensure that my proximity to the topic, did not impact the collection and interpretation of any data used to assess the overall impact of Wezesha Project.

## **Background**

Since its independence in 1960, the diverse and resource-rich Democratic Republic of Congo has faced severe challenges. From staggeringly kleptocratic leadership and related endemic corruption, complex international influence of neighbouring governments and two major conflicts on Congolese soil involving the armed forces of nine African countries, the DRC now ranks 176 out of 188 countries measured by the UNDP Human Development Index (UNDP, 2018).

The First Congo War between 1996 and 1997 saw a rebellion backed by the neighbouring governments of Rwanda and Uganda overthrow President Mobutu Sese Seko and leave a fragile peace in place, which reignited into conflict a mere twelve months later. The Second Congo War, from 1998 to 2002, officially ended with the signing of Pretoria Accord between DRC and Rwanda (United Nations Peacemaker, 2002), uniting the Congolese government with the withdrawal of all foreign troops, but failed to address the numerous social and political drivers of conflict at community and national level. Overall, both these conflicts are estimated to be responsible for the deaths of 5.4 million people (Oxfam, 2012, p. 2) and widespread internal displacement. Despite political commitments to peace, and presidential elections in 2006 year deemed credible by the United Nations Security Council, few tangible peace dividends have been realised since. Indeed, fighting actually escalated in the Kivus, with North Kivu becoming the epicentre for the conflict and violence (Stearns, 2012, pp. 6-9).

To date, while there is ongoing fighting in most provinces, Eastern DRC and specifically the provinces of North and South Kivu withstand the worst of the violence. In these two farming, mining and trading centres, there is an active presence of over 132 armed groups, following a steady trend of steep increase from 41 armed groups in 2013 and 69 armed groups in 2015 (Suluhu, 2018). While many armed groups operate in relative isolation,

or even as *autodefence* groups (local militias for the protection of their villages or communities), others with deep community roots and powerful financial and political supporters have the capacity to control large swathes of territory and extort the civilian population.

Of these more significant groups, one with special relevance to this research is the March 23 Movement (M23), a reincarnation of the former National Congress for the Defence of the People (CNDP) with the proclaimed political purpose implementing the stalled March 23<sup>rd</sup> Agreement, which called for the integration of CNDP into the Congolese army (Stearns, 2012b, p. 44). In November 2012, the M23 seized Goma, the provincial capital of North Kivu province and its military leader Colonel Sultani Makenga was accused of various human rights violations including killing, maiming, sexual violence, abduction, and forced displacement (Stearns, 2012a, p. 1). The M23 occupation of Goma took place during Wezesha Project's planned expansion to Goma, and whilst operations were 200km south in Bukavu, South Kivu, Wezesha Project activities were halted temporarily until security risks diminished.

Conflict in eastern DRC is inextricably linked to the distribution of power and economic resources, and the ways in which the country's social and political structure operate. The prevalence of armed groups is insufficiently challenged by state security services, including the *Forces Armées de la République Démocratique du Congo* (FARDC) and *Police Nationale Congolaise* (PNC) who are frequently reported as being responsible for over half the human right violations committed nationwide. The presence of the largest peacekeeping mission in the world has struggled to fulfil its mandate in the light of a political regime reluctant to change status quo whose war economy proves financially lucrative for many government members.

While weak governance and political instability create the landscape for the ongoing conflict, conflict minerals fund it. Natural deposits of gold, tin, tantalum, and tungsten provide high value opportunities for armed groups that can be easily monetized through smuggling and illegal cross-border trade. The UN Group of Experts states that gold is the most lucrative and largest financier of armed groups (UN Security Council, 2016). There have been attempts by a host of international actors, both private, multilateral and INGOs, to restrict and control the flow of conflict minerals, as well as some efforts from the Congolese government, including a state imposed temporary ban on all artisanal mining from September 2010 to March 2011 (De Koning, 2011, p. v). However, these efforts to date have done little to stem the flow of minerals being traded and the related forced displacement of vulnerable populations in eastern Congo.

There are currently an estimated 4.1 million people internally displaced in DRC, with more than half of those, 2.2 million, displaced in North and South Kivu alone (OCHA, 2018). Displacement is a daily occurrence, with host-communities receiving new internally displaced people (IDP) or informal IDP camps being established in both Kivu provinces. The living conditions in these areas are some of the most challenging in the country. Displaced families typically have severely limited ability to meet their basic needs in terms of water, sanitation, food, shelter and health services. Populations are caught between various armed actors as ongoing fighting means the control of towns can change hands frequently, and therefore often chose a more difficult living situation in a larger more secure town than remaining in their isolated places of origin where the risk of violence is higher (Oxfam, 2014). Persistent gender inequality and the prominence of gender-based violence further exacerbates the challenges faced by women in both isolated rural and urban areas. Sexual violence is pervasive with women being the primary but not exclusive target, with studies showing 57 percent of women

in DRC have experienced physical or sexual violence at some point in their lives (USAID, 2018).

When people are forcefully displaced, particularly due to conflict, it often happens rapidly. People are forced to leave almost everything behind, except what is easily transportable on their backs. Often walking long distances, they arrive in an informal camp or host community, with no place to stay, no supplies, and no source of income. In the Kivus this is compounded by the reality of multiple displacements as it is not uncommon for the population to have fled their homes upwards of three times. The outcome is a widespread phenomenon of, family separations leading to female and child-headed households with no way to provide the necessities for their families. Whilst an overburdened international humanitarian response nationwide is able to provide some relief for urgent needs for IDPs, the lack of income generating opportunities often keeps the displaced population dependent on the relief provided by humanitarian actors and unable to make any progress towards their own return. It is in this context that microcredit and the sustainable support it can provide represents a significant opportunity to the extreme poor of eastern Democratic Republic of Congo.

## **Wezesha Project Design and Development**

### **Project Development and Launch**

The development of Wezesha Project began in 2008 in Mbarara, Southwest Uganda, as a proposed project for Ainembabazi Children's Project (ACP), a Canadian NGO. The project was based on the Grameen Bank solidarity-lending model. Wezesha was however, not implemented in 2008 due to funding constraints for ACP. Nevertheless, this phase of design was contextualized from the Grameen model to the Sub-Saharan Africa, and the concept retained by both its designers and ACP.

In December 2009, the Wezesha concept was proposed to another Canadian organization, Emergency Relief and Development Overseas. After reviewing the project proposal, it was decided that ERDO would attempt a one-year pilot project to be implemented in Bukavu, eastern Democratic Republic of Congo. The project was to be implemented in partnership with 8<sup>eme</sup> CEPAC Bethsaida, a community-focused local church in Bukavu, who also working in development and poverty alleviation throughout North and South Kivu.

In September 2009, Wezesha Project began its activities in eastern DRC. The first three months were a preparation phase as the project was adapted more specifically to the Congolese context. All relevant forms, documents and operations manuals were written, and the first three part time project staff were recruited. Given the grassroots nature of the project, and that the target beneficiaries were unlikely to have received formal education in French, it was decided that all project documents should be written or translated into Kiswahili, being least likely to create barriers for participants. In January 2011, Wezesha Project provided its first 30 loans to 30 women, for 50 USD each.

### **Wezesha Project Model**

The following section will explore some fundamental principles of Wezesha Project. Outlining the model is key in assessing whether the project has and continues to achieve its goals, and will aid in its comparison to other microfinance models.

The core of Wezesha Project is based on the Grameen Bank model created by Muhammed Yunus in Jobra, Bangladesh, 1976 (Yunus & Jolis, 2003). For this work, Yunus won a Nobel Peace Prize in 2006 in poverty alleviation and microcredit (The Nobel Peace Prize, 2006). The underlying theme of the Grameen Model, which was foundational in the development of Wezesha Project, is the belief that the extreme poor not only have the capacity to borrow and repay loans, but they also have the skills necessary to lift themselves out of poverty if provided access to the means to do so (Yunus & Jolis, 2003). Furthermore,

Wezesha Project is a poverty-focused microfinance programme, meaning it operates akin to a non-profit or social enterprise, whereas banks and other commercial microcredit entities tend to focus on profits.

### **Community-based approach**

Wezesha Project utilizes a community-based approach, with one of two staff members at every lending post being a community facilitator. These staff are recruited locally from the community and the key link between project and beneficiary. When not collecting payments or conducting pre-loan trainings, the community facilitator is visiting beneficiaries at their homes or businesses. The goal is to help build trust between the Wezesha Project and the beneficiaries, and also to strengthen accountability by a closer ability to check in on borrowers. Unlike banks and more formalized microfinance institutions, Wezesha Project tries to position itself as part of the community rather than an external entity.

Prior to the launch of any lending site, Wezesha Project holds a community meeting. The community meeting usually takes place in a local gathering point, usually a church. The initial community meeting is attended by around 100 women from the community, hoping to receive loans. The purpose of the meeting is to inform women in the area about the potential opportunity to receive microloans for income generating purposes, and to explain the criteria for programme participation.

### **Criteria for Borrowing**

Wezesha Project has five main criteria for participation. First, potential participants must be female in order to borrow from the programme. Second, they part of a lending group. Third, potential participants need to demonstrate a high level of poverty. Fourth, they must have a pre-existing business. Finally, potential participants need to live or work within a reasonable proximity to a lending post where loans are disbursed and repayments collected (Wezesha Project, 2013a, p. 12).

The rationale behind lending exclusively women is as follows. The United Nations Development Programme's (UNDP) Human Development Index (HDI), Congo ranks 186 out of 187 ranked countries on the Gender Inequality Index (UNDP, 2018). Given the pervasive gender imbalance that exists in DRC, this results in women being the poorest of the poor in DRC with many facing the further challenge of heading households on their own following displacement as a result of violence. Their economic needs are therefore dire. In this sense, lending to women is a clear means to target the most vulnerable and promote gender equality. Furthermore, in terms of the likelihood of successful involvement of participants achieving the project's intended goal in mind, evidence from studies conducted over a period of roughly the last fifteen years has shown that women are more likely to repay loans than men, as well as more likely to use them for income generating purposes (Hulme, 2008, p. 4).

The second criteria of group solidarity, or the lending group model under Wezesha Project terminology, is seen as equally important to the success of the programme. Studies have proposed that in group type microlending, social capital becomes as important, if not more important than economic capacity, particularly in the early stages of borrowing (Woodworth, 2008, p. 39). In the DRC context, where societal links are not limited to close family ties but rather across a spectrum of wider family and tribal connections, this relational approach proves particularly relevant. Prospective borrowers self-form groups of five in order to be eligible to receive loans. Each member of the group receives their own loan, which start at 50 USD, but their ability to continue in the program is critically linked to all members of the group. If all members repay their loans in full and on time, the group is eligible for another loan 50 USD larger than the previous loan. However, if even one member defaults on their loans or is frequently late on repayment, the entire group is ineligible for new loans. In this way, repayment is incentivized, and the lending group acts as both peer accountability and pressure to ensure that all loans are repaid.

As Wezesha Project targets those facing extreme poverty, the third criteria for borrowing is demonstrated need. This is a broad criteria and particularly challenging to quantify, as the median level of poverty in Eastern DRC is exceptionally high. Gross National Income (GNI) in Congo has grown significantly since 2000, but still sits at only 460 USD per annum. GNI in DRC ranks DRC 179 out of 182 countries measured in 2016 (World Bank, 2018a). Discerning who had the greatest level of need is supported by two internal mechanisms of Wezesha Project. First, small initial loan sizes and a comprehensive pre-loan training process means that prospective beneficiaries who have slightly more means than the poorest, often opt out before training begins. This serves a self-filtering mechanism and is based on the principle by Muhammad Yunus states, that when the poor and non-poor are mixed in a program, the non-poor will always push out the poor (1998, p. 48). The less poor have more time, energy and resources to ensure their participation, however the initial loan sizes are not worth the effort. Therefore the less poor often opt-out. Second, programme staff conduct home and business visits for each potential to verify their living standards.

The fourth criteria for participation is that women must have a pre-existing business in order to borrow. Businesses can be extremely small and informal, but prospective borrowers must be engaged in some prior type of income generating activities using their own capital. This can be as simple as selling small amounts of charcoal outside of the home worth only a few dollars. This activity is generally seen as one of the lowest forms of income-generating activities (IGA), but if it is done regularly is considered a business and therefore meets criteria. This effort shows both initiative and an entrepreneurial spirit, which are necessary to succeed in Wezesha Project.

The final criteria for participation in Wezesha is living or working within a reasonable proximity of a lending post. This is for the benefit of both beneficiaries and staff. Loan repayments are made on a weekly basis, and borrowers travel by foot. If borrowers live or

work too far from a lending post, making repayments weekly risks interrupting IGA and becomes counterproductive. Program staff also visit borrowers at their home or business regularly as part of the community-based relational model. If borrowers come from a great distance, it is not possible to monitor project activities effectively.

### **Pre-Loan Training**

Once community meetings have occurred, women start self-forming their lending groups and submit an application to participate in the program. If selected, they start the process of pre-loan training. Pre-loan training is six sessions of approximately two hours each, spread over a two-week period. The topics of the trainings are Understanding Microfinance; Lending; Understanding Your Loan; Loan and Repayment; Savings and Graduation; and Building a Strong Business (Wezesha Project, 2013b). Pre-loan training is borrower-centred, focusing on ensuring that beneficiaries understand how to succeed and what their responsibilities are as participants of Wezesha Project.

During the 2 weeks of training, Wezesha Project staff conduct home and business visits of each prospective borrower. The purpose of these visits is to verify the third and fourth criteria for participation, the level of need and validation of a pre-existing business. Once home and business visits are conducted and training is completed, lending groups go a verbal assessment, to ensure that all beneficiaries have understood their rights and responsibilities within their lending groups and Wezesha Project. Following successful completion of the test, lending group members receive their first loans.

### **Loans and Repayments**

Loans and repayments are at the core of Wezesha Project operations. Loans are the modality of support for beneficiaries, loan repayments ensure that there is capital for the project to relend and the interest paid on loans ensures the sustainability of the programme. This is the project cycle of Wezesha Project.

## **Loans**

Loans are provided with a particular purpose, in that they are specifically for income generating activities only. They are not to be used for consumption, school fees, medical bills, or even agriculture, which make repayment difficult within the loan repayment term. This means loans are generally used for *petit commerce*, small roadside business that either resell everyday items or provide a skilled service. Once an initial loan is repaid, borrowers are eligible to receive another loan, up to 50 USD larger than the previous loan. The process continues in this fashion until borrowers reach the project maximum of 400 USD per person (Wezesha Project, 2013a, p. 20). This process is contingent on the fact that each member of the lending group repays their loan in full and on time. If any borrower in the group fails to repay their loan, all members of the group become ineligible for the next round of loans.

## **Terms and Repayments**

Wezesha project provides loans of varying lengths depending on the size of loan, the capacity of the borrower, and the approval of the lending group. Borrowers can select loan terms of 16 weeks, 32 weeks, or 52 weeks. Loans are paid in weekly instalments at each lending post. Weekly instalments were chosen in order to keep payments small and manageable, and help borrowers resist the temptation to use funds for other purposes. In an unstable context such as eastern DRC, there are a multitude of justifiable reasons to use funds meant for reimbursement for personal or family emergencies. Keeping payments small means that sums are rarely large enough to solve personal crisis (Wezesha Project, 2013b, p. 20). Weekly payments also help project staff regularly track the progress of beneficiaries and their business, and provide rapid support in an instance of a borrower struggling to make payments.

**Interest**

Wezesha Project charges interest on loans in order to operate sustainably. Interest is used to cover the overhead costs of the project such as staff salaries, rent and office materials. The interest ensures that loan capital is preserved for continued lending.

The interest charged on loans is a 30 per cent nominal interest rate. This means that on a 50 USD loan repaid over one year, the total repaid would be 65 USD, or 15 USD in interest. A typical first loan of 50 USD is repaid over 16 weeks, and the borrower reimburses 55USD, or 50 USD in principle and 5 USD in interest. Both are examples of a 30 per cent nominal interest rate (Wezesha Project, 2013a, p. 22). This is lower than the global average interest rate for microcredit institutions at approximately 35 per cent (Knieding & Rosenberg, 2008, p. 1). In Africa, rates range between 20 to 53 per cent, and throughout Asia, rates range from 30 to 70 percent (Fernando, 2006, p. 1).

**Wezesha Project Growth**

Wezesha Project provided its first loans in January 2011, providing loans to 30 women. By mid 2015, Wezesha Project had provided over 2.5 million USD in loans to 3120 active borrowers at 14 lending sites throughout North and South Kivu (Wezesha Project, 2015). The project was transitioning from a grassroots privately funded pilot project, to a full development programme making a significant impact on livelihoods in the region. As such, Wezesha Project also transitioned from being funded exclusively through private donations in Canada to three international donors: ERDO; Norwegian Church Aid and Kiva as well as working to secure funds from World Bank. A map of the expansion showing the location of lending sites and their donors is attached as Appendix A. The early indicators of success were substantial, with repayments rates over 99 percent, and demonstrable economic improvement changes in the lives of beneficiaries and their families. In 2015, ERDO handed over Wezesha Project to the national implementing partner 8eme CEPAC Bethsaida and is still fully

operational in 2018. It currently has more than 4000 active borrowers and multiple international donors.

### **Literature review**

In the international development sector, microcredit is a relatively new concept that gained rapid popularity in the late 1990s and early 2000s. It was seen as a powerful tool for both alleviating extreme poverty by providing the poor access to credit and simultaneously empowering women. Researchers and practitioners such as Anu Muhammed, Katshushi Imai, Shafiul Azam and Muhammed Yunus praised the microcredit as the ultimate solution to poverty, especially for the extreme poor. Yet, as the sector formalized and evaluations became more stringent, practitioners and researchers started to question whether microcredit lived up to its hype (Dichter, 2006). In the same way that excitement initially swelled for microcredit, a counter wave of criticism emerged in the late 2000s. Current literature has raised important questions about the initial claims of microcredit including whether it is indeed helping the poor or the non-poor, whether high interest rates are acceptable, if it is creating a surplus of microenterprise, and does it stifle real development and economic growth (Daley-Harris, Fetter, Pollin, Bateman, Change, de la Torre, Giné, Vishwathe).

In the early days of microcredit, the terms microfinance and microcredit were used interchangeably. As the field of microcredit evolved, it grew to include not just microcredit, but microsavings, microinsurance and other financial services. These broader financial services are now defined as microfinance. Microcredit is one of the facets of microfinance (Bateman & Change, 2012, p. 13). This distinction is important when researching microcredit and for the purpose of this paper. It must be understood what each author refers to when discussing microcredit and/or microfinance. Comparing the effect of microcredit alone implies different criteria than assessing microfinance, which includes a variety of services.

For the purposes of this paper, the evaluation of Wezesha Project is concerned mostly with microcredit.

When reviewing literature on evaluating microcredit, it is equally important to clarify what types of microcredit are being referred to. For example, rural agricultural loans perform far differently than urban loans for microbusinesses. Similarly, the overall development level in a country greatly impacts how information should be interpreted (Chowdhury, 2009, p. 8). This is why studies focusing on macro-level change are forced to reduce their analysis to common indicators of impact such as gross loan portfolios of microfinance institutions (MFI) or the availability of loans (Imai, Gaiha, Thapa, & Annim, 2012). The complexity of the microfinance industry makes it difficult to provide a broader analysis, as the number of variables mean that comparisons between different MFIs are not always entirely relevant, if they are not accompanied by similar services in a similar context.

This literature review focuses on studies on Sub-Saharan Africa and lending to the extreme poor. Muhammad Yunus the founder of Grameen Bank, splits MFIs into two categories, poverty-focused or profit-maximizing (Yunus, 2007). Profit-maximizing MFIs look more like traditional financial institutions, but use the microcredit models to provide loans on a for profit basis. Poverty-focused microfinance is more of a social enterprise, focusing on the social benefit of borrowers (Safiuddin, 2011, pp. 138-139). While the focus of this literature review is poverty-focused microcredit in Sub-Saharan Africa, there of course exists much research outside of these parameters that provides key insights to the body on work on microcredit evaluation. These sources have also been included, and every effort has been made to ensure the core messages and tone of each author are preserved and represented accurately.

Initially, to governments and development organizations, “the promise of microcredit was irresistible” (Dichter, 2006, p. 1), so much so that the United Nations declared 2005,

“The Year of Microcredit” (United Nations, 2004). However, roughly 30 years after its conception, there is conflicting evidence as to whether or not microcredit helps the poor, or reduces their vulnerability to further economic shocks (Hashim & Dodo, 2015, p. 2). Much of early research that was conducted is seen as limited or superficial (Chowdhury, 2009, p. 1), and frequently research focuses on the metrics of MFIs, i.e. repayment rates, loan portfolios and interest rates, rather than impact on poverty. Dichter, an sceptic, claims that microcredit tends to help the poor bridge cashflow gaps and make them more resilient to shocks, rather than actually alleviate poverty in the long term (2006, p. 9).

Outside of the debate on whether or not microcredit alleviates poverty or leads to long-term development, there are some widely agreed upon benefits and innovations. First, microcredit in all its forms provides access to financial services for those who are excluded from the traditional systems (Hashim & Dodo, 2015, p. 59). Inclusion into formal financial systems is inherently positive. Several studies have demonstrated that one of the key reasons that the poor fail to climb the ladder of development is because they lack access to financial services (Safiuddin, 2011, p. 139). Access to credit through a formalized system not only provides an opportunity, but crucially a safe opportunity. Where the poor would have previously had to rely on informal moneylenders who charge exorbitant interest rates, or go without means of generating income, access to microcredit enables them to participate in a regulated system. “Microfinance, thus, gives the unemployed and the poor some opportunities, hope and self-esteem. Being employed (whether self-employed or by an employer) gives a person a significant boost to his/her sense of self-respect and dignity (Chowdhury, 2009, p. 9). Furthermore, with the development of the group lending model in microfinance, Chowdhury states that the peer accountability and monitoring that comes through ‘solidarity groups’, removes the barriers that blocked the poorest from financial

system (2009, p. 9) as most of the world's poorest own neither homes, land, nor anything that is considered acceptable collateral.

The second area that practitioners and researchers agree microcredit is succeeding, is the empowerment and inclusion of women. Hope, self-esteem and dignity can be seen strongly in women-focused microcredit programmes. Globally women represent the poorest of the poor, and beyond that, in many countries they are legally barred from owning property and homes. Therefore, borrowing from a traditional financial system has often not been a consideration for many women. The microcredit innovation has made financial services a possibility for women, and even microfinance sceptics agree, that this inclusion gives women confidence (Dichter, 2006, p. 5), according to Daley-Harris, Pollin and Fetter,

Empowerment or a boost of confidence cannot be written off as a trivial side effect of microfinance. Empowerment is at the center of human progress. The Hunger Project makes the distinction between failed development that is top-down service delivery without empowerment and development where the empowerment of people, especially women, is at the center.' (2007, p. 3)

Microcredit therefore, can be seen as empowering the poor in two ways that provide the necessary conditions for long-term development, access and empowerment. These are some of the building blocks researchers believe necessary to achieve development. However, these building blocks, while necessary, are not sufficient for development, as critics are quick to point out.

While microfinance critics have become more outspoken in the late 2000s, it was Hulme and Mosley that launched the critical movement in 1996. They proposed that microfinance in fact, did nothing to improve the lives of the poor in the long-term. They proposed it was the non-poor who were able to achieve any significant change (Hulme &

Mosley, 1996). This was particularly challenging, because most MFIs pride themselves on targeting the poor. Dichter echoes this, proposing that microcredit tends to go to beneficiaries who do not have the capacity to use it effectively, namely the extreme poor in the dysfunctional developing country economies. He proposes that microcredit may be focusing on the wrong target group in lend to the poor. If MFIs want to create real economic change, they must target those with access to the necessary preconditions to achieve development, the less poor or non-poor. This is not to say that the poor are not capable, but particularly those in developing countries face circumstances that stop them from properly leveraging the opportunity microfinance can provide for long-term change.

Much of microcredit use in sub-Saharan Africa fits the old saying 'all dressed up and no place to go.' Much of Africa offers an infertile context for borrowing as the only customers available to the poorest are other very poor people. In such infertile economic contexts, the people at the bottom are by definition the ones who 'need' credit the most, but can do the least with it (Dichter, 2006, p. 2).

Critics of microcredit call into question targeting the most poor and its potential benefits. Further, they seek to temper the narrative that microcredit is alleviating poverty and promoting long term development in the lives of the extreme poor, purporting that this narrative is at best sensationalized, and at worst false.

Another critique brought states that microcredit is ignoring the principles of supply and demand. Bateman suggests "it is assumed that no matter how many informal microenterprises might be helped into life thanks to microfinance, sufficient local demand will always automatically arise to absorb the resulting additional local supply of simple items and services (2012, p. 1388)." He proposes that microcredit assumes that increased supply will inevitably generate a proportional increased demand. It is worth noting these statements are made in the context of India, a region of the world with the highest microcredit saturation on the planet

and with a history of such optimistic outlooks as Yunus himself stating “Grameen-type credit program opens up the door for limitless self-employment” (Yunus, 1989, p. 156). . It requires thoughtful attention as to the capacity of any local economy, particularly in developing nations, to the supply of microenterprise and demand of consumers in a given area. If ignored, supporting new initiatives risks displacing existing businesses, as new microenterprises can only survive by eating into the local demand, that up to then was supporting incumbent and already struggling microenterprises (Bateman & Change, 2012, pp. 22-23).

It is not just other microenterprises that some literature is concerned the expansion of microcredit risks damaging, but also small and medium sized enterprises. Building upon the idea that oversupply of microloans is upsetting supply and demand, Chowdhury states that “microfinance produces an over-supply of inefficient micro-enterprises that undermines the development of more efficient small and medium enterprises (SMEs) (2009, p. 3).” In fact, this is a common thread among critics. Bateman and Change believe that excessive lending from microcredit institutions may drive strong entrepreneurs who might have the capacity to scale up their businesses to the level where they create wage-earning employment, to remain on the microscale. Further, it may distract from investment in small and medium size enterprises (2012, pp. 19-20). In a sense, microcredit may be providing some impact, but that impact is limited to the micro level, when the original hope for microfinance was that it would be the key to largescale development starting from the bottom up. Practitioners and researches also make a causal link between shortages of employment-creating businesses, with the prominence of neoliberalism globally. As neoliberal economics took over, the development state model largely disappeared, and along with it the development banks that provided inexpensive domestic business loans. As microcredit fits well with neoliberalist emphasis on the privatization and capitalism, it “may in fact limit the emphasis on wage earning jobs (Pollin & Feffer, 2007, pp. 2-3).’ In this way, the links between stifled small and medium

sized enterprises could have some links to the popularity of microcredit. However, it seems more likely the causality may lie with neoliberalism and its overall effects on developing nations.

When microcredit went mainstream in the early 2000's, it was lauded by many as being the solution to global poverty. Governments, NGOs and the international community welcomed it with high expectations. However, this enthusiasm has done microcredit a disservice, because as Sam Daley-Harris states:

Microfinance is not the solution to global poverty, but neither is health, or education, or economic growth. There is no one single solution to global poverty. The solution must include a broad array of empowering interventions and microfinance, when targeted to the very poor and effectively run, is one powerful tool. (2007, p. 1)

A one-stop solution to global poverty simply does not exist, but that does not mean that microcredit should be dismissed as a contributor to development. Daley Harris goes on to say that financial institutions should be encouraged to give SMEs loans, but not at the expense of the poor. The ideas are not mutually exclusive, and to stop providing the poor access to credit is “to sentence the poorest to a cruel life of waiting: waiting for the wage employment and economic growth that may never come or the charity that may bring momentary relief, but without dignity or empowerment (Daley-Harris, Pollin, & Fetter, 2007, p. 3).”

It can also be said of providing microloans at the expense of SMEs. It is worth bearing in mind that not all people are meant to be entrepreneurs or will thrive with a microenterprise. In most developed nations, the labour force is 90 percent employees, even with strong public systems (Chowdhury, 2009, p. 2). While the percentage of entrepreneurs is likely much higher in developing nations, due to the high rates of unemployment, it would be an overreach to assume that microcredit could altogether solve unemployment and poverty. It has been

suggested that a simple solution would be to bring commercial banks and microfinance institutions together, having government subsidize loan rates to encourage lending and borrowing (Pollin & Feffer, 2007, pp. 3-4). While these policies could lead to overall development, there is a risk of having the poor left behind once again. The great innovation of microcredit is the solidarity model, and linking it with the commercial sector means profit would likely be the focus. Smaller loans require more administration and effort to manage than small to mid-sized loans. Further, working with the extreme poor requires extra social support to remove barriers like illiteracy and collateral in order to lend. This calls into question the long-term perspective for linking microfinance and commercial banks. At the same time, a total separation of commercial and microfinance institutions also brings its own risk. Linking MFIs with the commercial banking sector would subject MFIs to standards that are more rigorous. This would help protect the poor from dangerous profit-maximizing MFIs who charge exorbitant interest rates or encourage beneficiaries to borrow more than their capacity to repay.

Due to the fervour that surrounded microcredit in the early 2000's, there was a tendency to take a model that was working in one context such as Bangladesh and apply it somewhere else like sub-Saharan Africa and expect the same results. This is familiar territory in the development industry. A concept that can produce positive change and resilience in the lives of the poor, and works well "in some circumstances, is carried off by hype and urgency, offered as much more than it really is, and applied everywhere (Dichter, 2006, p. 8)." MFIs that have proven successful are the ones that take into account the nuances of applying a model in a new context. These successful MFIs may add something to the package being offered, to ensure that all the preconditions for success are present. Some add skills training, simple business education, savings components, micro-insurance or even literacy and

numeracy. Additions are particularly necessary in contexts where state social systems are weak and microcredit is able to offer a safety net to beneficiaries (Chowdhury, 2009, p. 2).

What remains most important is that microcredit cannot accomplish everything. What microcredit can do is provide access to financial services and resilience through an improved safety net for the extreme poor in developing countries. When contextualized and applied properly in a setting where all the necessary conditions exist for a strong poverty-focused microcredit program, there are benefits to the poor. These benefits are most pronounced when part of a multisectoral package of humanitarian and development support. The remainder of this paper looks at the case of Wezesha Project in eastern DRC, to evaluate its ability to alleviate poverty.

### **Methodology and Research Methods**

With a clear understanding of both the design of Wezesha Project and key concepts in current microcredit literature, the remainder of this paper is dedicated to evaluating what impact, if any, Wezesha Project has made on alleviating poverty in the lives of its beneficiaries.

The research methodology used for the Wezesha Project evaluation is a longitudinal study that surveys beneficiaries as they progressed through the program over a four-year period from 2012 to 2015. Thirty percent of beneficiaries were selected through a geographically stratified random sample method, spread evenly throughout all existing 13 Wezesha Project lending posts throughout North and South Kivu, DRC. Random selection was done by giving beneficiaries a number on a small slip of paper on the day they received their new loan, or first loan if they were new to the project. An identical number was then randomly drawn out of a box, until thirty percent of beneficiaries were selected to participate in the study.

The sample group answered a standardized 27 multiple choice, multi-select, or fill-in the blank survey discussing questions on income, business, household nutrition, health,

education, gender and culture. The standardized survey is attached as Appendix B. The survey is administered by a project staff member using android based tablets and Magpi digital data collection software. Staff were trained on the use of the platform and conducted surveys at lending posts, one on one with beneficiaries to ensure good quality data, confidentiality, and that all barriers for beneficiaries such as literacy and technical abilities were removed. Beneficiaries were given the option to opt out of the survey process if they felt uncomfortable with the process for any reason.

After being selected and agreeing to participate, beneficiaries complete a survey when they received a new loan, and each subsequent loan thereafter. Typical loan durations are 16 weeks, therefore in many cases beneficiaries were tracked every 16 weeks. Surveys are collected by programme staff at lending posts. Due to the complex nature of the operating context in eastern Congo, data quality is as high as hoped for, with frequent gaps and incomplete surveys being collected. Nevertheless, it is possible to draw conclusions about program results.

Undertaking a longitudinal study of this nature has allowed for potential impact to be tracked overtime, assessing the effect over the entire project cycle. In total 1346 surveys were collected. During initial data analysis 27 surveys, approximately two percent, were excluded from the study because they were either corrupted in transfer or provided severely incomplete data. Further, some data variables were removed in order to ensure statistically relevant results. Loan values serve as the key variable, determining if data should be included in the study or not. In the end, only 800 entries ended up being used. The following table outlines the data.

Table 1.

*Average weekly income data breakdown by loan size and respondents*

<b>Loan Size</b>	<b>Avg. Income (Weekly)</b>	<b>Min Income</b>	<b>Max Income</b>	<b># Respondents</b>
Baseline	\$ 76	\$ -	\$ 300	95
\$ 50	\$ 67	\$ 1	\$ 500	161
\$ 75	\$ 60	\$ 2	\$ 1,500	22
\$ 100	\$ 74	\$ 7	\$ 250	215
\$ 150	\$ 102	\$ 5	\$ 360	66
\$ 175	\$ 22	\$ 10	\$ 40	3
\$ 200	\$ 106	\$ 6	\$ 420	134
\$ 250	\$ 135	\$ -	\$ 570	16
\$ 300	\$ 280	\$ 210	\$ 350	2
\$ 400	\$ 150	\$ -	\$ 600	86

Of those 800 surveys used, any loan variable that had less than 50 occurrences, was excluded as being small a sample to draw conclusions about the beneficiary group as a whole. Raw data included baselines, 50, 75, 100, 150, 175, 200, 250, 300 and 400 USD loan values. However, when data was more closely analysed, loan values of 75, 175, 250 and 300 were excluded as they only included between 2 and 22 responses each. Data from these loan values is not a large enough sample to generalize about the whole group of beneficiaries. It should be noted, that while Wezesha Project policy is based upon potential maximum loan value, borrowers have the right to borrow less than the maximum allowable amount if it is more suitable for their personal context.

In early 2013, preliminary analysis of survey data was done to see what impact Wezesha Project was on poverty alleviation in the lives of its beneficiaries. The October 2013 'Wezesha Project Impact Report' showed

- 127% increase in beneficiary weekly income
- 128% increase in beneficiary savings
- 17% increase in school attendance for beneficiary children
- 45% increase in weekly food spending for beneficiary households

The findings of the October 2013 report (attached as Appendix C), were presented to 5 focus groups of Wezesha Project beneficiaries in 2016 in order to compare the early results of reports with the overall experience of beneficiaries. Focus groups were comprised of between 8-20 volunteer participants who were active participants in Wezesha Project. The focus group discussion template is attached as Appendix D. During focus group discussions notes were taken by the interviewer and audio recordings made in order to strengthen ensure accuracy of notes taken during discussions. This qualitative data from focus groups has been combined with the quantitative standardized survey data resulting in a mixed-method research design that triangulates findings, strengthening the validity of the study. The following section will analyse research data and present the findings.

## **Data Analysis and Findings**

### **Profile of Businesses/Borrowers**

The business profile of Wezesha Project beneficiaries provide an important basis for interpreting survey results. Beneficiary income generating activities are overwhelmingly focused on micro-business, or *petit-commerce*. 90.2 percent of women engage in *petit commerce* their primary income generating activity. At first glance this seems disproportionately high considering agriculture represents 30% of the economy in DCR, while

wholesale and small trade make up 24% (World Bank, 2010b). This is explained by several fundamental Wezesha Project policies, namely investing loans in agriculture is forbidden by the program. Returns on agricultural investment are generally have returns of six months or more. Weekly repayments combined short loan terms make agricultural loans impossible.

With that said, many microbusinesses sell agricultural products and are therefore connected to the agricultural sector. While *petit commerce* is the primary IGA of beneficiaries, they often have multiple streams of income, which include subsistence, or in rural areas, larger scale agricultural activities. For the poor, this is a simple way to protect themselves from economic shocks, diversifying their microincome sources. Beyond *petit commerce* 1.67% of beneficiaries engage in food/restaurant activities, 2.27% in labour, 0.15% in agriculture, 0.08% in cleaning/house help, and 5.3% in other income generating activities.

### **Overall Findings**

The standardized survey consists 36 questions, these questions relate to five main topics: income, savings, education, household nutrition, and cultural perception. Each topic will be discussed individually, and collectively the results will present evidence as to whether Wezesha Project is contributing to alleviating poverty in the lives of its beneficiaries.

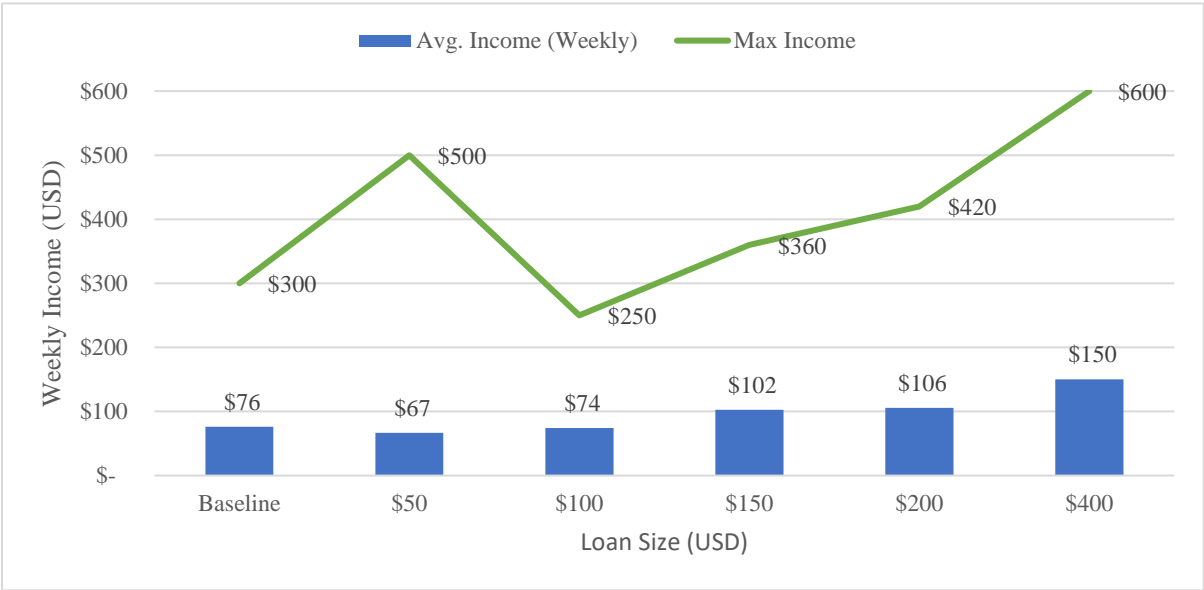
#### **Income**

Increased ability to generate income is perhaps the primary function of Wezesha Project. Project policy teaches that loans should be invested only in IGAs. With profits from businesses, beneficiaries repay their loans first, and second use their profits to reinvest in their businesses and support the needs of their families. Income in surveys is calculated on a weekly basis. As levels of education among beneficiaries is often very low, and income often hand to mouth, weekly income was thought to be the most accurate unit of measure for income. Monthly income could lead to mathematical errors for beneficiaries, while daily income is too unstable and subject to large fluctuations day to day.

From baseline to maximum loan size of 400 USD, beneficiary weekly income increased by 98 percent. Weekly income at the baseline was 76 USD, while at the 400 USD loan it was 150 USD, almost double. The following chart shows a detailed breakdown of beneficiary weekly income.

Chart 1.

*Breakdown of average weekly income by loan size*



There are several points to note about the trends in weekly income. The first is that between the baseline and first loan, weekly income actually decreases. Income does not start to increase until it reaches the 150USD loan level. However, during focus group discussions, beneficiaries described a significant and immediate change after receiving their first loans. If baseline weekly income level is removed as an outlier, there is a trend of incremental increase in average weekly income throughout the loan process. The baseline figure of 76USD can be reasonably explained by inadequate explanation during the initial survey. There is potential for confusion between what constitutes business capital, income and profit as new beneficiaries may not yet be comfortable with the concept of with differentiating income from

expenses. As beneficiaries become more knowledgeable on profit and capital, figures stabilize and settle into a more predictable pattern.

Beneficiaries were also asked how they perceived their income to have changed since receiving their last loan. 71% of woman stated that they believed their income had increased or greatly increase, 14% believed that their income had stayed the same, while 15% felt that their income had decreased or greatly decreased. These figures are in line with both focus group findings and survey data. They also support the idea of the baseline income figures being inaccurate.

Chart 1 also presents the maximum weekly income level achieved by borrowers. Maximum weekly income shows that significant progress can be made in a very short time. Some beneficiaries were able to make returns of ten times their initial loan value, on a weekly basis. This experience of rapid growth by some beneficiaries confirms the assertions of Chowdhury, who states that natural entrepreneurs have great capacity to thrive with access to even small amounts of credit, while others will make only minimal gains (2009, p. 9).

The findings of the survey show a 31 percent increase in weekly income. Minimum weekly income is reported as 0 USD, while the maximum is reported 600USD. While these findings do not support the figures of the October 2013 'Wezesha Project Impact Report', they do represent an overall increase in income. If the baseline average income was adjusted to a more modest figure of 67USD, the same average income as the first loan, average weekly income increases to 49% project wide. Regardless, as a result of Wezesha Project activities, beneficiaries have increased their weekly income.

### **Savings**

The ability to create savings has a clear link to progressing beyond the 'hand to mouth' subsistence style of living. Savings provide a safety net for beneficiaries in terms of loan

repayments and the ability to withstand shocks in life, such as unplanned school fees, illness, or even unexpected emergencies that are all too common in eastern DRC.

Savings, while encouraged on personal, was not a part of Wezesha Project programming until 2015. Nevertheless, tracking beneficiary private savings as they progressed through the program, provides insight into the economic situation and poverty levels. Table 3 presents average beneficiary savings.

Chart 2.

*Average total beneficiary breakdown by loan size*



Beneficiaries at the baseline survey had an average of 0 USD in savings. Surveys showed significant increase in savings after the first loan, followed by a steady increase after each subsequent loan. On average beneficiaries were able to save 55 percent of their overall loan value. Focus group discussion affirmed this survey evidence, as all beneficiaries agreed that savings increased after receiving their first loans. The presence of savings, though not sufficient to alleviate poverty, demonstrates an increased economic power and a departure from subsistence living standards and a clear contribution towards poverty alleviation at the household level.

**School**

Beyond direct links to income and savings, education is among the highest priority for households in DRC. The public education system is not functional, and private institutions have stepped in to fill the gap. Private institutions require fees be paid every semester from primary school to graduation. As such, the ability to educate ones children becomes an indicator of household poverty. On average for beneficiaries, from baseline to first loan there was an immediate 20 percent increase school attendance for children age 5 to 18. This increase remains steady throughout borrowing cycle with the average increase in school attendance remaining between 18 to 22 percent higher than at baseline levels. Total number of children attending school, as well as gender disaggregated trends are shown in the chart below.

Chart 3.

*Gender disaggregated percentage increase in school attendance*

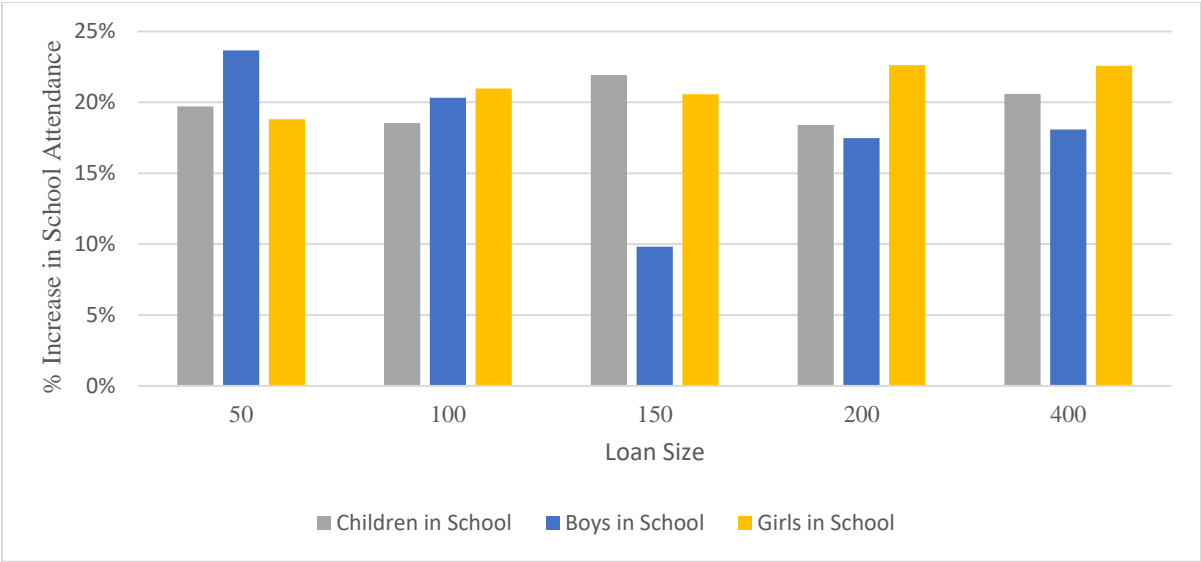


Chart 3 shows the total percentage change of children in school, and the figures disaggregated by gender. It is possible to see from the data that the ability to send children to school is among the most important values for beneficiary households. This explains the immediate

increase after the first loan, which then remains at the same level throughout the remainder of borrowing process. School attendance figures are slightly higher than the 17 percent that was stated in the October 2013 report at 20 percent. These figures are in line with the feedback of focus groups, who expressed satisfaction that they were generally able to educate all their school age children. An interesting, albeit minor trend, shows that girl’s attendance in school increased slightly as the beneficiaries progressed to larger loan sizes. This could be attributed an improved perception of women and girls due to the improved economic contribution of women through Wezesha Project, or an increased sense of self-worth and dignity that women felt participating in the program. While the data does not detailed enough to draw any causal links, it is worth noting.

**Food Spending**

Household food spending was tracked among beneficiaries on a weekly basis. From baseline to maximum loan level, surveys showed a 14.5 percent increase in weekly food spending, and a nominal increase from 24USD to 28USD. Overall, project wide food spending saw only a two percent increase.

Table 2.

*Food spending breakdown by loan size*

Loan Size	Food Spending	% Change
	Weekly (USD)	from Baseline
Baseline	24	
50	25	2%
100	22	-8%
150	23	-5%
200	26	6%

400	28	15%
<b>Average</b>	<b>25</b>	<b>2%</b>

Survey data with an average increase of only two percent overall, is not in line with the 45 percent increase in weekly food spending proposed by the ‘Wezesha Project Impact Report’, or beneficiary statements recorded during focus-group discussions. Focus group discussions on food spending and nutrition seemed more positive than survey data suggests. Beneficiaries regularly stated that they no longer faced the same pressure to find money to buy adequate food on a daily basis. They also concluded that the quality of the diet in their household had improved.

There are several potential explanations for the limited growth in food spending. First, while certain areas like education are the first to see change with increased household income, conversely, food spending is the last areas of household economics to be reduced. Households are far more likely to cut savings or education for their children before the stop spending on basic food needs. Thus, families may have been providing comparatively adequate nutrition prior to entering Wezesha Project. Second, there is the potential for some mathematical error in weekly food spending reporting. Due to lack of refrigeration, limited income and cultural practices, food in DRC is normally purchased on a daily basis. In order to calculate weekly food spending, daily spending is multiplied by seven days. Both variance in daily spending and limited levels of education, could have made reporting on this indicator more challenging.

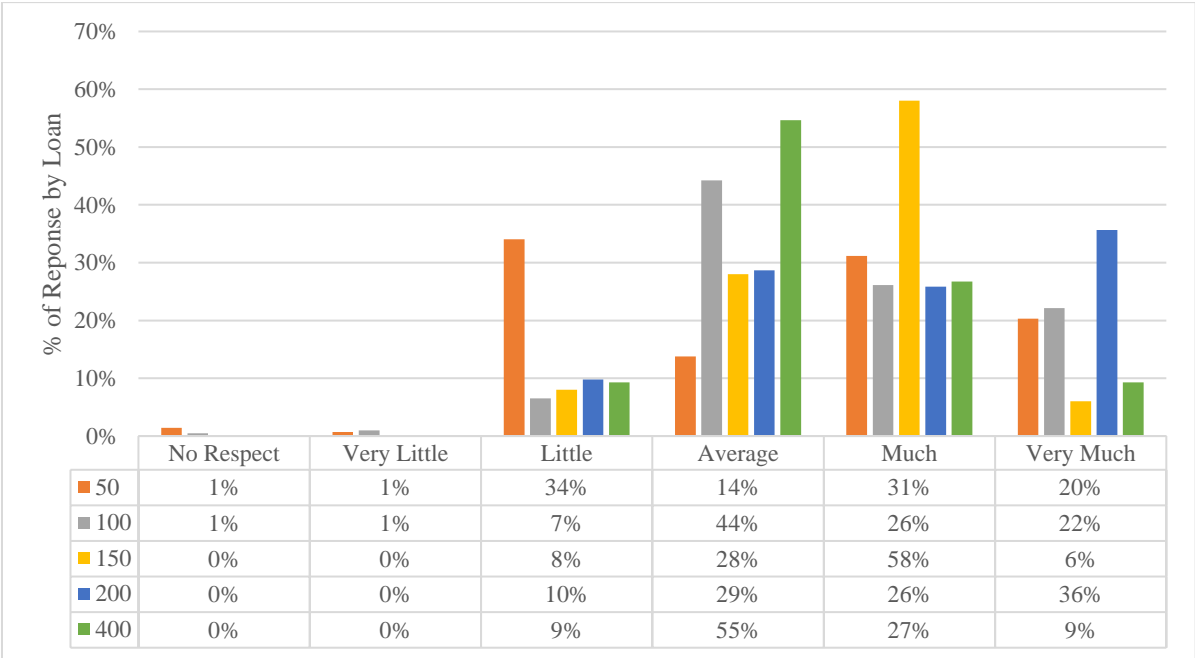
**Gender**

While the main objective of Wezesha Project is not changing gender norms, a conscious by-product of poverty-focused microcredit is elevating the status of women in society by empowering women to increase their economic impact and visibility at the household and community levels. Employment is said to contribute to a sense of self-worth, and inclusion in

the financial sector from is said to build confidence (Dichter, 2006, p. 5). Yet in the Democratic Republic of Congo there is a high prevalence of gender-based violence (GBV). While GBV is most often associated with armed conflict in DRC, however, this GBV and sexual gender-based violence (SGBV) are even more likely to happen in the home, with more than 60 percent of women in DRC have experienced gender-based violence from an intimate partner (United Nations Statistics Division, 2015, p. 151). Given the context in which Wezesha Project operates, the standardized survey sought to understand how beneficiaries perceived themselves being viewed by their husbands or other important male figures in their lives, and track how this perception changed as they progressed through the program. Women were asked to rate how the level of respect they received from their husband or other men in the community choosing; No respect, very little, little, average, much, and very much.

Chart 4.

*Borrower perception of level of respect they receive from their husband and other men.*



Discerning trends of change in beneficiary perception of respect from their husbands or other men was challenging. Standardized survey data shows that women seemed to express the

highest perception of respect during the middle of the loan cycle, at the 150USD and 200USD loan levels. Overall, there is a general trend of beneficiaries moving away from feeling respected little, towards more positive perceptions. Focus group discussions yielded much stronger opinions, with almost all participants stating that due to their contribution to household income, they were respected more by their husbands. Further, beneficiaries felt that because of this new respect, they had more of a strengthened voice in household decision-making. A likely explanation for the disconnect in standardized survey findings and focus group discussions is that the gender questions in the survey need to be reformulated, and surveyors need to be sensitized on gender topics and the purpose of gender questions in the survey. What remains clear is that participation in Wezesha Project, in no way decreases the respect that they perceive from men.

### **Summary of Results**

The mixed methodology of the evaluation research used both standardized surveys (qualitative) and focus group discussions (quantitative) to ascertain what impact, if any, Wezesha Project had on alleviating poverty in the lives of its beneficiaries. The goal this research structure was to draw conclusions about all program participants through a sample group completing standardized surveys. Preliminary survey findings were then presented to beneficiary focus groups in order to compare their experiences with survey findings.

Following the analysis of all research data, on average Wezesha Project beneficiaries have

- Increased weekly household income by 31% to 49%
- Saved 55% of the total value of their current loan
- Increased school attendance by 20% for children 5 to 18 years old
- Increased household weekly food spending by 14.5%
- Improved respect for women at the household level

Based on the conclusions drawn from research data, it is possible to confidently state that Wezesha Project has successfully contributed to the alleviation of poverty in the lives of its beneficiaries in eastern Democratic Republic of Congo.

### **Recommendations**

Wezesha Project continues to operate and currently serves more than 4000 beneficiaries. For this reason, the final section of this paper makes recommendations on areas that could improve overall the projects overall impact on poverty. These recommendations are based on the main sections of the paper: DRC context, Wezesha Project design, literature review, and evaluation data analysis. The following are six key recommendations based on the evaluation findings.

#### **Recommendation One**

A contributing factor to the success of Wezesha Project is the small size of each lending post. By growing post to only 240 borrowers, it avoids saturating local markets and flooding them with microbusinesses that have similar products or services. It also mitigates the risk of displacing existing businesses that has been identified as a common problem in key literature. In certain smaller markets, particularly rural contexts, it is recommended to limit lending to less than 240 beneficiaries if the local market is not sufficient to sustain the influx of microbusinesses.

#### **Recommendation Two**

Best practice identified in the literature review confirms that Wezesha Projects focus on lending exclusively to women is indeed a valid approach to ensure higher repayment rates and likelihood to alleviate poverty at the household level. This is primarily because women are more likely to use profit to support their families than men. Literature also demonstrates that not every individual is likely to be a strong entrepreneur. Working with beneficiaries who

have pre-existing businesses means that beneficiaries are more likely to have a predisposition towards entrepreneurship. Continuing to focus on these two criteria is crucial for continued and increasing poverty alleviation.

### **Recommendation Three**

Based on standardized survey results, returns to scale with regards to the loan size – income ratio come at loans sizes of 100, 150, and 200 USD. For this reason, most beneficiaries should not be permitted to move beyond the 200 USD loan size in the current economic climate of eastern Democratic Republic of Congo. Only those extremely talented entrepreneurs should be permitted to reach the maximum loan size of 400 USD. This is both for beneficiary protection against over lending and to maximize poverty alleviation.

### **Recommendation Four**

In order to strengthen future evaluations, questions on the standardized survey should be revised. These revisions include, but are not limited to, data collection methods surrounding calculating weekly income as well as gender and cultural norms. Challenges, even with the current data collection, would also greatly benefit from more thorough training for data collectors. This training should not simply include data collection tools and platforms, but communication, beneficiary engagement, and the overall goals of program evaluation.

### **Recommendation Five**

In the context of eastern DRC where security risk are high, Wezesha Project should consider any way possible to limit the movement of actual cash. Given the cellular network infrastructure in most project target areas, Wezesha Project can feasibly use mobile money transfer as a means of receiving loans and payments. Knowledge and experience among microcredit organizations exists in various countries in the region who are currently using this technology. Both Vodacom and Airtel provide mobile money transfer options in eastern DRC.

**Recommendation Six**

Given the demonstrated results of this report, Wezesha Project should increase its visibility in the region. Proven success for humanitarian and development programmes backed by evidence is rare in the region. Increase visibility may provide opportunities for expansion and donor development.

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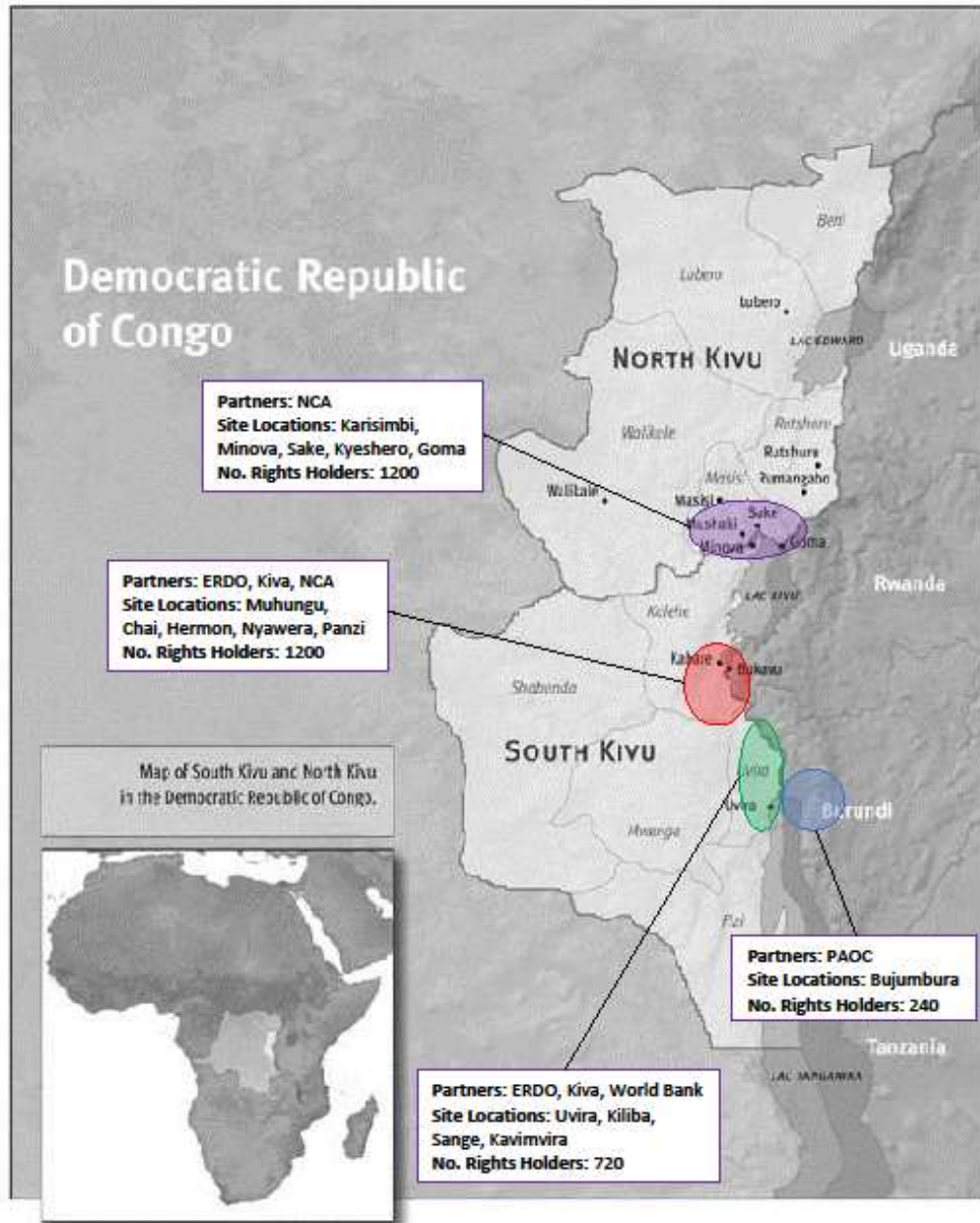
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Appendix A



LEGEND

	Bukavu Region Sites (5)		Burundi Sites (1)
	Goma Region Sites (5)		Uvira Region Sites (4)

**Appendix B**  
**PRAS (Poverty Reduction Assessment Survey) v1.1**

Date of Interview \_\_\_\_\_ Interviewer Name \_\_\_\_\_

Lending Post \_\_\_\_\_ Beneficiary Name \_\_\_\_\_

Group Name \_\_\_\_\_

**Business:**

1) What was the amount and length of your last loan? \_\_\_\_\_ \$ \_\_\_\_\_  
months

2) After you finished your last loan, how much money did you remain with? (savings)  
\_\_\_\_\_ \$

3) What are your main business activities?  
\_\_\_\_\_

4) How many hours a week do you work in an income generating (entrepreneurial) activity?  
(Circle best answer)

a. 1-5 hours    b. 6-10 hours    b. 11-15 hours    c. 16-20 hours    d. 20-25 hours    e.  
26+ hours

5) Approximately how much do you earn from your business in an average week?  
\_\_\_\_\_

6) In the past year, have you done the following?	Yes	No	Not Sure
Increased the number of products that you sell			
Improved the quality of your products			
Begun a new income generating activity			
Sold in new markets or locations			

**Household:**

7) How many people currently live in your house? \_\_\_\_\_

8) How many children between the ages of 5 and 18 live in your house?

\_\_\_\_\_ Boys \_\_\_\_\_ Girls

9) Of those children, how many attend school? \_\_\_\_\_ Boys \_\_\_\_\_ Girls

10) Do you... (circle the best answer) a. Rent your House b. Own your House

11) What material is the roof constructed from? \_\_\_\_\_

12) In heavy rain, I would describe my home by the following... (circle the best answer)

a. No Leaks b. Minor Leaks c. Heavy Leaks d. Damaging Leaks

13) The floor in my house is made of... (circle best answer)

a. dirt b. brick c. concrete d. tile e. other \_\_\_\_\_

14) In the last 24 hours, describe what have you eaten?

---

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15) Approximately how much does your household spend on food per week?

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16) What is the main food staple in your household?

---

17) On average, how many meals per week include protein?

Beans \_\_\_\_\_ Fish \_\_\_\_\_ Other Meat \_\_\_\_\_

18) In the past year how many household members left to live/work in another place?

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**Finances:**

19) Compared to this month last year, your household income has: (Circle the best answer)

Greatly Decreased    Decreased    Stayed the same    Increased    Greatly increased

20) What was you household income last week: \_\_\_\_\_ \$

21) How much savings do you have right now? \_\_\_\_\_ \$

22) Where do you keep your savings? (Circle ALL that apply)

- a. I don't have savings Bank/Co-Op      b. At home      c. invested in animals or sellable goods      d.  
 e. Other \_\_\_\_\_

### Medical

- 23)** Approximately how many days in the past month have you been ill? \_\_\_\_\_
- a. Did you receive medical treatment for your illness? \_\_\_\_\_
- b. Where? (Circle best answer)    a. Traditional Medicine    b. Pharmacy    c. Clinic  
 d. Hospital
- 24)** Approximately how many days in the past month have members of your household been ill? \_\_\_\_\_
- a. Did they receive medical treatment for your illness? \_\_\_\_\_
- b. Where? (Circle best answer)    a. Traditional Medicine    b. Pharmacy    c. Clinic  
 d. Hospital
- 25)** Approximately how many cases of diarrhoea have there been in your house in the past month? \_\_\_\_\_

### Personal/Cultural

- 26)** In learning, I am... (Circle the best answer)
- Very slow      Slow      Normal      Smart      Very Smart
- 27)** My future will be... (Circle the best answer)
- Much worse      Worse      Same      Better      Much Better
- 28)** My husband and men respect me... (Circle the best answer)
- No Respect    Very Little    Little    Normal    Well    Very well



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Date: October 4, 2013

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## **Appendix C**

**Wezesha Project Impact Report**  
South Kivu, Democratic Republic of Congo

**Report Prepared by:** Mike Boomer

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**Date:** October 4, 2013

### **Executive Summary**

The purpose of this document is to briefly explore the impact of Wezesha Project microfinance program in South Kivu, Eastern Democratic Republic of Congo, created in partnership between ERDO (Canada charitable registration number 87591 2701 RR0001) and 8eme CEPAC Bethsaida (DRC renewal number 707/CAB/MIN/J/2004). This will include three areas of evaluation:

1. *Operational Success* includes project statistics such as the number of members, loans dispensed, and repayments;
2. *Measurable Member Impact* summarizes the analyzed data collected from members on topics such as income, education, and nutrition;

Finally *Change Stories*, which are member narratives and personal impressions of life change and the potential benefit from participating in Wezesha Project.

## Section 1. Operational Success

### Methods

The operational success of ERDO/CEPAC's Wezesha Project can be demonstrated through project activity metrics such as loan dispersal, repayment, and operational sustainability.

### Results

The operational success of Wezesha Project is strong. As of September 30, 2013 the project has accomplished the following:

- **1,340 women** actively borrowing
- **9,380 direct beneficiaries**
- **4,175 loans** dispersed since January 2011
- **\$632,000USD** gross loan total
- **99.9% repayment rate**
  - o **1 default** to date
- **7 lending sites** throughout South Kivu
- **17 full-time jobs** created for local staff
- **1,050 hours** of pre-loan training conducted

Finally, Wezesha Project has reached its initial point of **operational sustainability**. This means that the interest collected equals that of the local operating expenses in DRC. This is a constantly shifting target as Wezesha Project continues to expand.

## Section 2. Measurable Member Impact

### Methods

Currently, Wezesha Project surveys thirty percent of its members to attempt to quantify the impact of program participation. Members are surveyed before they enter the project to create a baseline. Further surveys are conducted with the same beneficiaries at the completion of each loan cycle to track the progress and potential impact on each member.

However, it should be noted that Wezesha Project started as a pilot project and in the early days was focused on operational success. The Project didn't begin to track loan impact until mid-2012, approximately one and a half years into operations. The current surveys contain more questions than appear in the table below. Due to irregularities in the data collection process, they have been excluded because the data is inconclusive. The process of evaluating poverty reduction in the lives of project members is under revision in order to improve data quality, however the data in the below table should be considered *very indicative outcomes* of Wezesha Project activities to date.

### Results

Region & Lending Post	Loan Cycle & Loan Size	% Children Attending School	Money (USD) spent on Food per Week	Previous Week Income (USD)	Current Week Income (USD)	Current Savings (USD)
<b>BUKAVU REGION</b> <b>Muhungu Post</b>	Cycle 3 @ \$200	76%	\$20.57	\$5.05	\$5.79	\$3.28
	Cycle 4 @ \$200	91%	\$5.32	\$5.83	\$21.94	\$48.81
	<b>% Change</b>	<b>15%</b>	<b>19%</b>	<b>39%</b>	<b>38%</b>	<b>37%</b>
<b>Chai Post</b>	Cycle 1 @ \$50	76%	\$2.01	\$8.50	\$3.36	\$0.75
	Cycle 2 @ \$100	75%	\$0.97	\$3.83	\$9.84	\$2.34
	Cycle 3 @ \$200	80%	\$4.50	\$21.92	\$7.22	\$9.63
<b>% Change</b>		<b>4%</b>	<b>51%</b>	<b>68%</b>	<b>76%</b>	<b>77%</b>
<b>Hermon Post</b>	Baseline	65%	\$1.97	\$8.76	\$23.89	\$5.35
	Cycle 1 @ \$50	84%	\$1.35	\$2.19	\$24.05	\$9.65
	Cycle 2 @ \$100	86%	\$3.46	\$1.41	\$27.11	\$6.97
<b>% Change</b>		<b>21%</b>	<b>6%</b>	<b>-34%</b>	<b>3%</b>	<b>2%</b>
<b>UVIRA REGION</b> <b>Kiliba Post*</b>	Cycle 1 @ \$50	58%	-	-	-	\$9.11
	Cycle 2 @ \$100	64%	-	-	-	\$0.73
	<b>% Change</b>	<b>6%</b>	-	-	-	<b>54%</b>
<b>Project Total</b>		<b>12%</b>	<b>25%</b>	<b>25%</b>	<b>39%</b>	<b>43%</b>

\*Kiliba Village Post used conflicting survey questions that provided inconclusive data

### **Section 3. Change Stories**

#### **Methods**

Change stories are voluntarily provided by project members. Members were asked how receiving loans and participating in Wezesha Project has impacted their lives. The following are a few of these voluntary stories.

#### **Change Story 1: Muhungu Lending Post, Bukavu – South Kivu**

Francine is a mother of 7 from Bukavu DRC. She also has a husband who is unemployed. Francine rents a small space in Kadutu Market, Bukavu's largest market. There she sells hardware, like door handles, nails, and screws. The things that Francine sells, she gets from a larger business owner. She goes in the morning to borrow goods from him, sells them at her space in the market, and returns the unsold goods at the end of the day. She hasn't been able to buy them outright from him, so at the end of the day he requires her to give him everything she has made. In return he gives her between 500 to 1000 Congolese Francs (roughly \$0.50-\$1.00) for her work. From this she tries to support her entire family, and finds herself unable to pay for the essentials.

Mama Francine joined Wezesha Project in February 2011 with a first loan of \$50 USD. The impact for her was immediate because of the loan sharking that was happening prior to her loan. Her first loan immediately allowed her to build her own stock so that she could stop borrowing. She bought her own goods and on her 1st day in business for herself, made eight times what she would have before her loan. She paid back her first loan and received her second \$100USD. She paid back her second loan received her third loan. This process continued and she is now on her 5<sup>th</sup> loan, \$400USD. She can now pay rent at the market, rent at her house, feed her family nutritious meals, and send her children to school. This is the empowerment of Wezesha Project.

#### **Change Story 2: Kiliba Village Lending Post, Uvira – South Kivu**

Mama Kayonge comes from our Village Lending Post in Kiliba. She is full of hope these days as she is currently working through her third loan at \$200USD. A few years ago she had been quite successful and with her husband developed a savings of \$700USD. However, living in the village, insecurity can be an issue and one-night thieves came in and stole their savings. This left them in trouble, without enough money to cover to pay for food or send their children to school. However, since joining Wezesha Project she was able to send her children to school.

Kayonge joined Wezesha Project in August 2011 and started with a \$50USD loan. By the time she finished paying her first loan back she had turned it into \$300USD and after her second loan she had replaced their entire savings that was stolen. She turned a \$150USD worth of loans into \$700USD of savings. She has also gained financial literacy and is learning to securely work with her savings. Some members of Wezesha Project improve their lives slowly over time, but others like Kayonge are born entrepreneurs who not only succeed, but also excel.

#### **Change Story 3: Hermon Lending Post, Bukavu – South Kivu**

Mama Mbalingambi is a member of the Hermon Lending Post in Bukavu, DRC. She is at minimum the second generation in her family to struggle with poverty. As a girl growing up, she was the least likely in her family to go to school. The result is that she never had the opportunity to complete school. Fast-forward the years and she has a family of her own, not enough money to feed everyone, let alone send them to school. This is the cycle of poverty that generations are often destined to repeat in Eastern Congo.

In September 2012 Mbalingambi received her first loan of \$50USD from Wezesha Project. After her training she knew to invest this money into her business. At the end of January 2013, she finished repaying that loan. At the end of that loan she told us that since getting her first loan she was able to fill her families stomachs daily, send her kids to school, and develop a savings of \$30USD. As if that weren't a big enough change over a 4-month period, she is also doing something else. Mbalingambi has gone back to school herself, to work towards her diploma. This illustrates just how determined the women of DRC are to change the lives of themselves and their families. She is an incredible woman who is making the most of her opportunity through Wezesha Project. Since this time she has received and repaid her second loan and is currently repaying her 3<sup>rd</sup> loan, \$200USD.

### **Final Remarks**

The impact of Wezesha Project is apparent. Much time has been spent creating policy that is well suited to the cultural context, which is a major contributing factor to the ongoing success. With that said the program is in a current state of growth and expansion. Further, in the dynamically shifting context of Eastern Democratic Republic of Congo project policy, expansion, and impact are under constant review so as to ensure that maximum impact and benefit is provided to program participants while still maintaining the value of sustainability.



	/	Oui / Non	
	/	Oui / Non	

## Section 2: Preliminary Survey Analysis Information

1. Income: Weekly income has increased after receiving loans. (127% increase)
  - a. To what extent do you find this to be true?
  - b. What changes did you notice in your business?
  - c. When did you notice the biggest changes? (after which loan)
  - d. Were there times when loans made making income challenging?
  
2. Savings: After receiving loans your savings increased compared to before loans?
  - a. To what extent do you find this to be true?
  - b. Was there a time when savings was easier than other times? Why do you think that was?
  
3. Nutrition: The amount of household spending increased after you started receiving loans from Wezesha Project.
  - a. To what extent do you find this to be true?
  - b. What would you say of your ability to provide food for your family and the quality of that food before and after Wezesha Project?
  
4. Education: Overall you were able to send more children, or more easily send your children to school.
  - a. To what extent do you find this to be true?
  - b. Could you describe anything about the quality of the schools, improved/declined)
  
5. Gender: Through the process of borrowing and growing your business, borrowers feel that men treat them with more respect.
  - a. To what extent do you find this to be true?
  - b. With your husband?
  - c. With other men in the community?

## Section 3: Exit Question

1. Would you like to provide any other feedback regarding Wezesha Project?