

Credit Union Foundation of Australia

Credit Union Development (CUD) Project

Timor-Leste

Preliminary Evaluation Report

April 2013

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Executive Summary

This report presents findings from an evaluation of the first 20 months of design and implementation of CUFA's Credit Union Development (CUD) project in Timor-Leste. Commencing in August 2011, CUD is the second core project of CUFA's Building Institutional Capacity (BIC) program which has been implemented in-country since 2009. Evaluation findings show variations in performance to date however overall indicate the project is on track to be effective and sustainable as progress is consolidated and limitations addressed.

In Timor-Leste there is a low level of voluntary savings mobilisation in rural areas. Many rural people do not have access to formal deposit services. The financial sector is underdeveloped, particularly in rural areas where banks are limited to a few MFIs which are largely credit driven. There is now an extensive NGO presence in the country working across sectors, however it has been identified that a gap exists in the provision of sustainable community financial institutions. The core objective of BIC is the extension of appropriate financial services to rural poor in Timor-Leste through the promotion and development of the credit union movement. Whilst the program has had some successes, the sustainability of credit unions aligned to credit union principles remains weak. This is due to a lack of savings and membership growth which is the largely the result of: 1) poor operational practices; and 2) the promotion of unsustainable operational models by a variety of organisations, often not supporting groups beyond time-bound projects. In response to these issues, the CUD project was designed to facilitate the development of model credit unions operating in accordance with true credit union principles. These groups will demonstrate the importance of membership and savings growth for the achievement of financial and operational sustainability. The target area includes 10 sites across 3 sub-Districts: all located outside urban centres and some in very remote rural areas.

The performance of project implementation to date has been mixed. Effective identification of target areas has provided a strong foundation for a successful program. The importance of capital and benefits of group saving are understood by many and can be attributed to the trainings provided by CUFA. Operational issues have caused delays in activities and at these times limited communication with project participants has stalled momentum and in some cases eroded confidence in the process. Turnover of Dili-based staff has been a significant issue however locally-recruited officers have remained in place to assist during turnover periods. Current activities indicate activities are now on track and issues caused by delays are being corrected. The evaluation sample indicates that basic financial literacy cooperative principles are understood by participants. These are new concepts for most. To ensure sufficient retention and further development of knowledge, these education activities should continue as the project develops and attracts more participants. The efficacy of village-based trainings can be improved through increased sensitivity to literacy and language barriers in project design and implementation. Simplifying training materials will increase efficiency, whilst incorporating more systematic monitoring will support CUFA to highlight successes and identify areas for improvement. Translating inclusion policies into practice will require further staff trainings and integration of policies into project design. Effectively managing operational issues will strengthen project sustainability. The consideration of these findings and recommendations will enable CUFA to maintain an effective project and strengthen the sustainability of these model savings groups.

Summary of Findings

Progress toward Project Objective of Developing Model Credit Unions

- ❖ Good identification of appropriate target areas conducive to project effectiveness;
- ❖ The importance and benefits of group savings are widely understood by participants;
- ❖ Evaluation respondents have a basic understanding of financial literacy and cooperative principles – and wish to further develop this knowledge;
- ❖ Membership of newly formed groups is low as many community members adopt a 'wait-and-see' approach to joining CUD trainings and group savings activities;
- ❖ Education activities need to be both reintroduced and reinforced to enable the effectiveness and sustainability of progress made in relation to learning outcomes;
- ❖ Financial inclusion activities implemented by other agencies are a potential spoiler;
- ❖ Operational issues have limited the extent of progress to date.

Performance of Project Implementation Activities

- ❖ Overall performance of implementation activities has been mixed, as project phases range from ratings of marginally to fully satisfactory – yet satisfactory overall;
- ❖ Operational issues have impacted upon implementation activities, particularly changes in project staff and challenges associated with recruitment in Timor-Leste;
- ❖ Reasons for delays and periods of inactivity appear to have been poorly communicated to participants, in some cases eroding confidence in the project;
- ❖ Bringing leaders of different groups together presents an opportunity for developing networks that will provide a good foundation for model CU activities later in the project cycle.

Program Quality Ratings Assessment

| | |
|-----------------|--|
| Relevance: | appropriate objectives and program design (satisfactory overall) |
| Efficiency: | significant program reach in relation to inputs (satisfactory overall) |
| Effectiveness: | limited impact to date but satisfactory foundation to enable results in later phases of the project cycle (marginally satisfactory) |
| Sustainability: | early phases highlight operational and implementation challenges to be addressed; reinforcement of core education activities is required to enable sustainable project outcomes (marginally satisfactory) |

Summary of Recommendations

Strengthening Progress toward Objectives

- ❖ Regularly reinforce core learning concepts by mainstreaming financial literacy and cooperative education into all phases of project implementation:
 - Provide regular and ongoing financial literacy education for all participants;
 - Prioritise specialised training for committee members that focuses on: financial literacy, credit union principles, and organisational skills.
- ❖ Actively promote and facilitate the inclusion of women and persons with disability, low levels of literacy, and those who are not confident learning in Tetun language;
 - Encourage use of the toolkits by keeping them no more than 2 – 3 pages and translate them to Tetun so that CUD Local Field Officers can utilise them;
 - Consider the inclusion of appropriately designed flexible and semi-structured lesson plans with clear objectives, outputs and guidance on activities: this may be included in the body of the toolkit or as an annex;
 - Ensure activities include education priorities, monitoring mechanisms, and the incorporation of CUFA's gender and disability inclusion strategies;
 - Safeguard project effectiveness through a management review of final toolkit drafts to ensure activities, objectives and outputs are clear and appropriate.
- ❖ Simplify project design documents (phase toolkits) to increase their utility, and ensure activities are appropriately aligned to clearly defined objectives and outputs:
 - Consider designing a simple and user-friendly format of spread-sheets where information including monitoring data, outputs and outcomes can be stored centrally making this information easy to access and analyse;
 - Consider delegating CUD project officers to update village-specific information (with separate tabs or columns for each village) on a monthly basis and produce basic quarterly reports that enable readers to view a comparison of site-specific data over a period of time;
 - Consider delegating the CUD coordinator to produce a high-level quarterly report to provide an overview of outputs and progress, for use by the CUD team and CUFA management as a tool to track progress against objectives
- ❖ Create linkages between groups within each sub-district to enable progress toward solidarity and building trust that will lay a foundation for success in later phases of the project cycle (consistent with the model used in Maubisse, discussed below).

Addressing Issues in Implementation

- ❖ Ensure fluctuations and delays in activity plans are appropriately communicated with community leaders and project participants;
- ❖ Consider improving the framework for project tracking, monitoring and evaluation;
- ❖ Identify strategies to effectively and efficiently recruit and retain Project Officers; and develop capacity-building plans for Local Field Officers;
- ❖ Seek to coordinate with other actors in the financial inclusion sector in target areas;
- ❖ Support staff to design, plan and implement activities consistent with cross-cutting inclusion strategies and sensitive to language and literacy.

1.0 Background

1.1 Rural Finance in Timor-Leste

In Timor-Leste there is a low level of voluntary savings mobilisation in rural areas and high levels of people keeping their savings at home. Many rural people do not have access to formal deposit services. The financial sector is underdeveloped, particularly in rural areas where banks are limited to a few MFIs which are largely credit driven. Finance networks are weak. The development of regular commercial lending activities has been constrained in rural areas by the high costs of operations, the inability to verify and enforce property rights, and the low levels of economic activity.

There is now an extensive NGO presence in the country working across sectors, however it has been identified that a gap exists in the provision of sustainable community financial institutions. Many existing NGOs work with savings and loans products, yet many have also offered grants and micro-credit to assist communities replace assets lost in conflict, rebuild enterprises and increase participation in micro-enterprise. In the longer term this approach is unsustainable, and the cooperative model of savings mobilisation offers greater and more sustainable benefits: members benefit from interest earned on savings; community members have access to credit; increased social responsibility increases productivity; and members are empowered to have greater control over their financial decision making.

1.2 Credit Unions in Timor-Leste

The credit union movement in Timor-Leste has been operating for over two decades however growth has been impeded by political events and violence. Established in 1990 by ETADep, CUCO Indonesia and Konrad Adenauer Stiftung (KAS), the initial period was successful with 50 savings and credit groups being developed within communities. In 1994 the National Federation of Credit unions (Hanai Malu) was created to provide support and regulatory assistance to the movement however the institution was unfortunately unable to offer the required resources or technical assistance to support its members. In 1999, 24 of the 50 groups had achieved rapid growth with 5,338 members, amounting to 0.66% of the population with an accumulated savings portfolio of US\$193,301 and loans of US \$418,149. Of these credit unions 18 had formally registered under the cooperative law. The accompanying events of Timor-Leste's independence caused some credit unions to cease operations, others have experienced high loan defaults due to internal displacement of the population and the remaining are functioning without the adequate human resources, strong governance or administrative skills needed to maximise the benefits of their individual organisations.

When the World Council of Credit Union (WOCCU) visited Timor-Leste in September 2010 they supported the importance of growth for the Timorese credit union movement, suggesting a growth target of 60,000 members. As noted in the Strategic Plan for the Timor-Leste Credit Union Movement 2010-2018, the long term vision for the Timorese credit union movement is to increase the membership to reach a further 56,000 Timorese people and ultimately achieve credit union membership of 5% of the population by 2015 (currently only 0.23% of the population are credit union members). In addition to increasing the

number of members the movement would also like to increase the total average member savings. CUFA is assisting the credit union movement to work towards achieving this goal.

Our research has shown that the members are seeking technical assistance to strengthen their operations in management, savings and lending strategies and member promotion to increase the sustainability of their credit unions. The lack of these skills is resulting in the credit union movement's inability to market their products, inefficient growth strategies, and low membership savings levels. The Federation, Hanai Malu needs to be strengthened to provide affordable and reliable services to its member credit unions. This provides a niche opportunity for CUFA to address a significant need by providing training to the staff and boards of credit unions and the Federation to improve their management, member promotion and savings mobilisation strategies.

1.3 The Building Institutional Capacity Program

The CUFA Building Institutional Capacity (BIC) program commenced in 2009 and implementation continues in 2013. The overarching objective of the program is to promote access to appropriate financial services for women and men in Timor-Leste, particularly in rural and geographically isolated areas. This program now includes two separate but complementary projects: Credit Union Outreach (CUO); and the Credit Union Development (CUD) which commenced in 2011. Both projects are implemented with support from AusAID ANCP funding, with additional funds from CUFA resources.

A key part of all CUFA programming in Timor-Leste is its focus on supporting the rebuilding of Federation Hanai Malu as the peak body to represent and service credit unions in Timor-Leste. The following activities have been undertaken through the BIC program to strengthen Federation capacity: CUFA has re-branded the CUFA Timor-Leste office as Federation Hanai Malu with new signage featuring the Federation name and logo; CUFA has provided an office space, internet and office resources for the Federation operations; CUFA field staff deliver support in the field directly to the credit unions on behalf of the Federation; CUFA has worked with a graphic design company to produce a Federation logo; and CUFA attends all Federation meetings and provides secretarial support by taking minutes. In 2010/2011 a move was made to provide all services via the umbrella of the Federation. CUFA staff members continue to be remunerated, supported, and managed by CUFA, but the services that they will provide will be as Federation staff rather than a separate entity.

Core program approaches are:

1. Strengthening the institutional and human capacity of primary grassroots financial organisations and increasing access to financial inclusion;
2. Promoting the profile and sustainability of the credit union movement in Timor-Leste through the development of successful Model Credit Unions that will demonstrate the importance of best practice democratic operating principles;
3. Strengthening the institutional and human capacity of the Federation to support the development and scale-up of a sustainable credit union movement in Timor-Leste.

1.3.1 Credit Union Outreach Project

Through this project, CUFA is supporting the provision of quality technical assistance to members of Timorese credit unions that will build skills and capacity in leadership, management and operational capabilities. CUFA is delivering this operational support through the Federation.

Areas of project activity include:

- Strengthening credit union capacity to enable them to reach more people especially in the rural areas of Timor-Leste;
- Strengthening Federation capacity to enable them to support their membership and respond to the needs of members;
- Scaling up the credit union movement to transform from a volunteer movement to a professional movement with capacity to provide a range of products and services;
- Partnering with the Timor-Leste Government to ensure that the project factors in other initiatives and strategic direction of national cooperatives;
- Incorporation of other capacity building mechanisms into the project such as development education, credit union congresses and conferences.

Relevant project objectives are:

- Strengthening the institutional and human capacity of primary grassroots financial organisations and increasing access to financial inclusion;
- Strengthening the institutional and human capacity of the Federation to support the development and scale-up of a sustainable credit union movement in Timor-Leste.

1.3.2 Credit Union Development Project

Credit Union Development (CUD) is the second core project of the BIC program and is directly aimed at addressing some of the challenges associated with the promotion and development of the credit unions in Timor-Leste. The design and implementation of this project is inspired and informed by learnings from CUFA's experience with the CUO project. The two projects are complementary components of a broader strategy to promote and strengthen the credit union movement in Timor-Leste.

This project is designed to develop model credit unions to demonstrate the importance of membership and savings growth for the achievement of financial and operational sustainability. CUD is implemented across three districts in Timor-Leste, selected on the basis of there being no presence of credit unions and limited penetration by other finance service providers. The project area includes geographically remote sites. This project is targeting a total of 12 sub-villages in 3 sub-districts across 3 districts.

The intention is for these groups to become best practice models of credit unions operating according to credit union principles. Once sustainability has been achieved, the model groups can act as a platform for improving the effectiveness and sustainability of credit unions and federations in other parts of Timor-Leste. It is expected this can provide a catalyst to motivate members of the credit union movement to reform operational models toward pure credit union principles.

Summary of project objectives:

- 1) Increase access to financial services for rural poor living in areas without a credit union;
- 2) Work with communities to develop trust and cohesion and build a credit union from the ground up;
- 3) Demonstrate to existing credit unions that sustainability can be achieved over a period of time using pure credit union philosophy.

Summary of project outcomes:

- 1) Build community trust and awareness in the credit union model as a safe place to save and attract interest to help money keep pace with inflation and potentially borrow money in the future at a low interest rate to establish or expand a micro-enterprise;
- 2) Increase community awareness and knowledge of financial literacy concepts;
- 3) Provide an example of a model credit union operating according to pure international credit union principles to serve as an example of operational best practice for existing credit unions in Timor-Leste.

2.0 Evaluation Methodology

2.1 Evaluation Purpose

At the end of March 2013 the CUD project had been active for 20 months in Timor-Leste. This period has mainly included the design and implementation of initial project activities. The formation of village-level groups began around January.

The objective of this preliminary evaluation is to assess the performance of CUD project implementation to date, evaluate challenges and opportunities, and provide recommendations for future project design and implementation. This is an opportunity to facilitate the incorporation of participant voices into decision-making processes so that project design and implementation can best meet the needs and demands of targeted communities.

2.2 Evaluation Scope

The primary focus of this evaluation is to assess the implementation and performance of project phases 1 to 6 conducted from based upon a data review and in-field verification and research. A secondary focus is the implementation and performance of phase 7, which has been analysed through in-field observation of implementation activities and individual interviews with project participants.

Because the project is still in its formative stages in terms of moving toward objectives, the capacity to measure results is limited. The evaluation thus constitutes an assessment of performance rather than of results. Some attention will be given to results where possible, however this project is in its formative stages and therefore it is premature to draw conclusive assessment. This report serves as a monitoring mechanism to track progress against intended outcomes, make findings and provide appropriate recommendations.

2.3 Research Team

An independent evaluator was hired for the purpose of conducting a series of project evaluations for CUFA. The evaluator was accompanied to project sites by a local consultant who acted as both research assistant and translator. Recruitment for this evaluation was designed to ensure an equal gender balance. The two person team consisted of an Australian lead evaluator (male) and Timorese assistant (female). Both team members were independent of project design and delivery activities. Further assistance was provided by CUD project officers who supported the organisation of Focus Group Discussions (FGD) and individual interviews.

2.4 Research Tools

Evaluation findings are most reliant upon the analysis of qualitative data. A mixed-methods approach was undertaken combining quantitative data and qualitative data, comprising four components: review of project documentation and information; FGDs with project participants; semi-structured individual interviews with project participants (leaders and potential members); and observation of project implementation (group formation workshops).

FGDs and interviews were semi-structured and questions open-ended, with a format for prompts to ensure key information was gathered, but in a way in which conversation could flow to enable information to come out. This approach is accommodating to thought processes so easier for participants to follow as it is more natural: if people started discussing an area which wasn't part of the current questioning but did inform a different section of questioning, this flexibility and adaptability (not a rigid format) meant the interviewee or participant could continue for as long as relevant information was being captured.

The review of project documentation and information included: 1) project design documents – project plans, annual development plan, phase-by-phase implementation toolkits; and 2) project information – quantitative and qualitative project data, monthly reports, phase-by-phase reports. This review has informed assessments of the quality of project design and implementation.

FGDs were conducted with project participants at sampled project sites. At the suggestion of CUD project staff concerned that participants had limited time to engage, FGDs were restricted to 30 minutes in duration and took place prior to CUFA workshops conducted for Project Phase 7: Group Formation. This took advantage of participants coming together and not creating an additional meeting which could have an adverse impact on project activities as the ability to attract participants was identified in project data as being a challenge, partly due to the interest of community members but mainly because of their schedules and labour patterns. A semi-structured approach was taken to enable information, ideas and feedback to take the natural course of discussion. Core questions were devised to prompt discussion and assess 4 areas relevant to CUD phased activities to date: verification of CUFA community scoping and project site selection; participant understanding of financial cooperative principles; participant understanding of basic financial literacy; and cross-cutting themes including gender. Finally, a fifth area of discussion encouraged participants to provide feedback about the project and prioritise their needs.

Observation of CUD phase 7 workshops facilitated by CUFA staff enabled observation of the process, including: group dynamics; facilitation techniques of CUFA staff; and the efficacy of project design materials in implementation.

Individual interviews were conducted with 3 to 4 group members at each site. No specific criteria was used for the selection of interviewees. Considerations included: gender, language, status in the community, status in the group, age, level of participation in FGD, and availability for interview. These considerations were made to maximise time effectiveness and identify key informants whilst constituting a sample representative of the group: a mix of women and men, committee members and regular members, and youth. This targeting enabled inclusion of beneficiary voices from both key informants and persons typically marginalised from development processes. The rationale of individual interviews is to capture the voices of those who may not be comfortable speaking in a group, but for whom it was identified by observation that they had something to say. Individual interviews also provide an example to further examine the capabilities of leaders and their existing roles in the community. It is also useful for measuring trust – something people may be less open about discussing in a group forum. Interviews were semi-structured to enable the

logical flow of thought and natural discussion. There were four key areas of focus, each of which had a number of prompt questions which may or may not have been used, depending on how the discussion proceeded: participation; knowledge of financial cooperatives and financial literacy; trust; and leadership.

2.5 Sampling

The evaluation sample consisted of field visits to 4 villages, undertaken over 4 consecutive days in April 2013 during implementation of activities. Sampling size was based upon time constraints, particularly given the great distances between project areas, balanced against the need to find a sample representative of the project.

This sample includes villages from each of the 3 sub-districts where the CUD project is active: Letefoho in Ermera district; Maubisse in Maubisse district; and Remexio in Aileu district. In each sub-district the project facilitates a number of separate villages to establish credit unions. Due to time constraints, 4 villages only were selected from across the 3 sub-districts. These were selected on the basis of implementation schedules of the CUD team – as the evaluation visits were aligned with program workshops.

Table I: Evaluation Participants & Coverage

| High-level participation numbers | | | |
|---|---|----------------------------------|---------------|
| Number of Districts visited: | 3 | Number of FGD: | 4 |
| Number of Villages visited: | 4 | Number of individual interviews: | 13 |
| Number of Workshops Observed: | 2 | Total participants: | 58 |
| Interviewees | | Type | Date |
| Letefoho Sub-District, Ermera District | | | |
| 1. | Aldeia Rotutu, Suco Dukari | | |
| | • 18 community members (10 women and 8 men) | FGD | 9 April 2013 |
| | • 3 community members (2 women and 1 man) | Individual interview | 9 April 2013 |
| 2. | Aldeia Riatoni, Suco Haupu | | |
| | • 8 community members (4 women and 4 men) | FGD | 9 April 2013 |
| | • 3 community members (1 woman and 2 men) | Individual interview | 9 April 2013 |
| Maubisse Sub-District, Maubisse District | | | |
| 3. | Aldeia Teletuco | | |
| | • 22 community members (4 women and 18 men) | FGD | 10 April 2013 |
| | • 3 community members (3 women) | Individual interview | 10 April 2013 |
| Remexio Sub-District, Aileu District | | | |
| 4. | Aldeia Fatumenaro, Suco Acumau | | |
| | • 10 community members (2 women and 8 men) | FGD | 11 April 2013 |
| | • 4 community members (1 woman and 3 men) | Individual interview | 11 April 2013 |

2.6 Evaluation Frameworks

This evaluation integrates AusAID frameworks for measuring program quality relating to implementation and achievements:

AusAID's NGO Quality Assessment Framework (QAF)

A framework to assess the quality of NGO project implementation employed by AusAID's Quality Assurance Group for:

- **Relevance:** the extent to which activity objectives and designs are appropriate;
- **Efficiency:** the extent to which activities have been managed in a professional manner;
- **Effectiveness:** evidence that the activity is likely to achieve the desired results;
- **Sustainability:** evidence that the activity is likely to foster sustainable outcomes.

AusAID's NGO Quality Ratings Guide

A framework developed to report on the achievement of project objectives as required in AusAID's Annual Development Plan Performance Report as:

- **Best Practice:** represents a situation where something over and above normal good aid practice has occurred, particularly something innovative.
- **Fully Satisfactory:** there are only a few minor weaknesses in the program as a whole.
- **Satisfactory Overall:** there are weaknesses as well as strengths but that the weaknesses are not severe enough to threaten the program.
- **Marginally Satisfactory:** there are serious weaknesses which require early action if the program is to continue to progress.
- **Weak:** the program is seriously deficient. Problems are widespread throughout the project/program and that immediate and decisive action is needed to address them.

2.7 Limitations

There were some limitations related to the parameters of time allocated to prepare, conduct and present this evaluation. These limitations were compounded by the long periods of time to travel between sites, and therefore only 4 sites were sampled for in-field research. An attempt was made to offset this by utilising project data covering a wider area in order to make general assessments about wider project performance. Due to data integrity issues with monitoring reports in Remexio, analysis of monitoring data is restricted to reporting from two of the three sub-Districts: Letefoho and Maubisse.

Time allocated to FGDs was limited to half an hour for each. CUD project staff had expressed concern that communities would only join consultations for a limited amount of time, due to various other obligations including livelihood obligations and family responsibilities. These concerns were integrated into the evaluation approach and are reflected in its methodology. FGDs were complemented by observation and individual interviews.

3.0 Findings

The primary focus of this section is a performance assessment of implementation activities conducted in line with the first six phases of the CUD project. Each of the six phases is assessed separately, with a preliminary assessment being made of phase seven – which was being implemented at the time of evaluation research. A secondary focus of this section is measuring results; although scope to do this is limited given the evaluation assesses the initial foundation stages of the CUD project.

The assessment of phased activities is followed by a section addressing relevant implementation issues that have impacted or have the potential to impact performance. Finally, there is an assessment of cross-cutting issues related to gender and disability.

Table II: Overall Quality Ratings, Project Phases 1 – 6

| | Best Practice | Fully Satisfactory | Satisfactory Overall | Marginally Satisfactory | Weak |
|---------|---------------|--------------------|----------------------|-------------------------|------|
| Phase 1 | | √ | | | |
| Phase 2 | | √ | | | |
| Phase 3 | | | | √ | |
| Phase 4 | | | | √ | |
| Phase 5 | | | √ | | |
| Phase 6 | | | √ | | |

3.1 Overview of Phased Implementation Model

The phased implementation model is an incremental project approach designed to identify appropriate target areas, gather baseline data, and lay the foundations required for the formation and development of model credit unions (hereafter referred to as groups). Whilst each phase has had different objectives there are some common themes linking them, primarily: building trust and basic financial literacy.

Twelve phases were developed in the initial project design:

- 1) Community Networking and Research;
- 2) Community Scoping;
- 3) Community Consultation and Individual Community Research;
- 4) Community Development;
- 5) Financial Cooperative Education;
- 6) Financial Literacy Education;
- 7) Group Formation & Initial Savings Product Development;
- 8) Formalising Initial Institutional and Operational Practices;
- 9) Development of Initial Loan Products;
- 10) Savings Mobilisation;
- 11) Product Development;
- 12) Product Implementation and Member Mobilisation.

3.2 Phase 1: Community Networking and Research; & Phase 2: Community Scoping

Project data and the evaluation sample indicate the selection and targeting of communes for the project is **fully satisfactory**. Whilst phases one and two constitute different steps of the target selection process, they are closely linked and therefore appraised together for the purpose of this evaluation report.

Activities involved the collation of socio-economic data and consultations with community organisations in potential target areas: long-list then short-listing of communes during phase one; followed by scoping and consultation with shortlisted communes during phase two. Research and scoping activities were focused in the 4 districts where there is little or no credit union presence: Ainaro, Aileu, Ermera and Covalima. Data and analysis was assessed using two categories of criteria for the selection of communes appropriate for targeting: essential and considerations (see table IV, below). These criteria included both poverty indicators and consideration of the extent to which conditions would be compatible with the overarching project objective of facilitating the establishment of best-practice model groups.

Table III: Selection Criteria for Target Communes

| | |
|--|-------------------|
| Commune population of over 3000 people (except for indigenous areas) | Essential (E) |
| No Credit Unions present in the commune | (E) |
| Geographically accessible for CUFA staff | (E) |
| Incidence of poverty above 30% of the population | (E) |
| No serious security issues (eg. volatile land disputes) | (E) |
| Less than 20% rate of migration (eg. for seasonal work outside commune) | (E) |
| Incidence of social issues (eg. domestic violence; issues of trust) | Consideration (C) |
| Levels of political engagement | (C) |
| Status of women | (C) |
| Physical infrastructure, including schools | (C) |
| Presence of existing networks (eg. NGOs; religious groups; self-help groups) | (C) |
| Cultural activities/obligations | (C) |
| History of engagement with credit unions | (C) |
| Dominant decision making processes in the commune | (C) |

Given the overarching project objective of developing 'model' groups, the selection process required a balancing act between the needs-based responsibility to target poor communities and practical considerations of identifying project sites where conditions would be most conducive to success. A review of research and scoping data collected in phase one and two, including sub-district scoping reports, indicates this balance was effectively managed. The evaluation sample verifies that targeted communes were selected consistent with appropriate criteria.

Table IV: Participant Numbers in Community Scoping Consultations

| District | Sub-District | Number of Consultations | Total Participants |
|----------|--------------|-------------------------|--------------------|
| Ainaro | Maubisse | 3 | 74 |
| Aileu | Remexio | 3 | 38 |
| Ermera | Letefoho | 2 | 75 |
| TOTALS | | 8 | 187 |

Target selection criteria included a number of selection biases appropriate to ensure that conditions in program areas would be most conducive to success given the overarching objective or creating a model for duplication elsewhere. Considerations taken into account also included the need for community buy-in and the absence of other actors such as NGOs implementing finance-related activities that could undermine the promotion of groups operating according to credit union principles. Selection biases were appropriate. There was a preference toward communities determined the least patriarchal, on the basis that it was important to identify conditions most suited to women's participation. Incidence of conflict within the community was also a consideration. An MFI presence demonstrated that there was a need for access to alternative and more appropriate ways to access financial services: evaluation respondents in 2 of the 3 sample districts indicated that negative experiences with MFIs were a key motivator for engagement with the CUD program. Overall, the evaluation sample indicates that selection biases were appropriately considered and incorporated into the target selection process.

Table V: Project Quality Ratings, Phases 1 & 2

| Phases 1 & 2 | | | | | |
|----------------|---------------|--------------------|----------------------|-------------------------|------|
| | Best Practice | Fully Satisfactory | Satisfactory Overall | Marginally Satisfactory | Weak |
| Relevance | | √ | | | |
| Efficiency | | √ | | | |
| Effectiveness | | √ | | | |
| Sustainability | | √ | | | |

Relevance has been demonstrated by appropriate activity objectives and design, as discussed above. A newly recruited team demonstrated a high level of efficiency by professionally managing the significant undertaking of project design, selection of project areas, and establishing links with communities – all within a period of only 4 months for a 5-7 year project: project design, August 2011; phases one and two, September – November 2011. The evaluation sample indicates effectiveness in achieving the desired results of phase one and two, at the same time establishing an essential underpinning for project sustainability.

3.3 Phase 3: Community Asset Mapping and Baseline Data Collection

Implementation of this phase is **marginally satisfactory**. Baseline data was collected however the presentation of information makes it difficult to use for program tracking, monitoring and evaluation purposes. Clarifying and specifying the objectives and methods of

data collection would enable improved information collation in future, and phased toolkits would be an appropriate mechanism for integrating this into project design. The collection and use of data will be an area for improvement as the project develops further complexity and monitoring becomes increasingly important for tracking village-specific and overall progress.

The core activity for phase three was a small group consultation in each village to identify community assets through group discussion and a process of mapping social, physical and topographical data. Data was collected through the use of questionnaires and mapping exercises. Data gathered in the questionnaire included information about community assets, including: human, material, financial, entrepreneurial and other resources. Participatory mapping exercises were undertaken to identify the location of these assets and help the CUD team to understand community characteristics and boundaries. Through these processes, information was gathered about localised livelihoods strategies and human resources in each target village. Key high-level quantitative information about community demographics was amalgamated into a table.

Information gathered largely constitutes a satisfactory set of baseline data for understanding localised particularities. However the information collected has not been amalgamated or stored centrally. Data from village questionnaires and information from mapping have not been migrated into a centralised location/s. There is scope for improvement in making data baseline and information both usable and useful for program monitoring, tracking and evaluation purposes. The guiding 'toolkit' document for phase three was sparse in relation to materials developed for other phases. This could be a mechanism to define specific outputs in future. By ensuring future information gathering has clear objectives and parameters, as well as a simple and useful template for collating quantitative and qualitative data. A simple table for each province, with separate tabs for each village, would provide a centralised place to store and analyse information, track targets, manage risk, and monitor progress. Data already collected could be migrated into this table. The addition of a centralised information system with clear guidelines for its use could assist improvements in monitoring and lay a stronger foundation for evaluation.

Table VI: Project Quality Ratings, Phase 3

| Phase 3: marginally satisfactory | | | | | |
|---|----------------------|---------------------------|-----------------------------|--------------------------------|-------------|
| | Best Practice | Fully Satisfactory | Satisfactory Overall | Marginally Satisfactory | Weak |
| Relevance | | | √ | | |
| Efficiency | | | √ | | |
| Effectiveness | | | | √ | |
| Sustainability | | | | √ | |

Overall implementation of this phase is marginally satisfactory and primarily due to weaknesses in the presentation of data and the limited relevance of some activities. Community mapping was a key component of the approach to data collection but information gathered was not integrated into reports and the activity was not appropriately aligned with the overarching objective of collecting relevant information. In contrast, the consultation studies produced valuable baseline information about livelihoods and human

resources for individual villages. The information was collected efficiently given the number of villages surveyed and the limited inputs of time and staff resources into the process. However in the absence of a collated baseline data report or reports, at present the information is not practical for ongoing monitoring and is difficult to use for evaluation purposes. Improvements in the collection and collation of data would serve as enablers for greater sustainability of the project, particularly as years progress and monitoring becomes more important.

3.4 Phase 4: Community Development Skills Audit

The performance of phase four is considered **marginally satisfactory**. Qualitative data collected through evaluation research indicates some progress related to the phase four activities of developing leadership skills and building trust among participants. However a skills audit was not produced and there were divergences from project design – the phase four toolkit – that limited the efficiency and effectiveness of implementation activities.

Regarding the community skills audit, it appears the understanding of the term ‘audit’ by the CUD team was different to that which had been included in the project plan. The process and output of the audit is not clearly specified in the project plan, and was perhaps interpreted differently to its original intended meaning. The understanding of the CUD project team was that this was a module aimed at showing communities how to go through a process of self-audit, rather than a process that would produce a documented account of community skills. This could partly be attributed to working across different languages and cultures with people who have different experiences regarding usage of this term.

Leadership workshops conducted throughout this phase look to have impacted upon people’s understandings of required skills to lead groups. Interviews with project participants indicate a general understanding of some of the core principles associated with good leadership. As expressed by respondents, important leadership characteristics include: literacy skills; volunteerism; good community relationships; and an understanding or ability to develop skills in financial management. Participants indicated they could trust leaders where these indicators were present in the individual. It should be noted that the attribution of these results to phase four training activities is difficult; as leadership skills were also an important component of CUD activities in phase five: financial cooperative education. In any case, phase four activities can be assessed as contributing to the development of common understanding and good practices related to group leadership.

Phase four activities also included workshops facilitated to support the development of trust between members and within the wider community. All evaluation participants who responded to questions about this reported that trust levels were strong among workshop participants and group members. There was evidently a sense of solidarity in this endeavour in line with a communal approach to ‘working together’. A number of respondents said that some community members do not yet trust the concept of collective saving, and so are waiting to see how the group develops before joining. If groups are formed and can prove effectiveness and sustainability, other community members will then trust the group and seek to join. This was the theme arising from FGDs and individual interviews. Most respondents had participated in a number of trainings, indicating that they have had some

effect in supporting the development of group trust and commitment to participate in the group formation process.

Inclusion of monitoring tools to track progress against objectives and assess the impact of trainings was a project design strength for this phase. However in practice the mechanism of pre- and post- training questionnaires did not gather the data as expected. Lessons learned are that for monitoring to be appropriate and effective its format should not be time intensive, and data collation needs to be specified as an output. This leaves some room for improvement in future program design to ensure monitoring activities are appropriate.

Although activities and outputs somewhat diverged from the project plan, there were some gains in terms of supporting the development of trust within the community and promoting leadership skills. Greater specification of outputs in the project plan and implementation toolkits would help to ensure these are in consistent alignment with activities.

Table VII: Project Quality Ratings, Phase 4

| Phase 4: marginally satisfactory | | | | | |
|---|----------------------|---------------------------|-----------------------------|--------------------------------|-------------|
| | Best Practice | Fully Satisfactory | Satisfactory Overall | Marginally Satisfactory | Weak |
| Relevance | | | | √ | |
| Efficiency | | | | √ | |
| Effectiveness | | | | √ | |
| Sustainability | | | √ | | |

A rating of marginally satisfactory gives consideration to some divergence of activities from the original intent of project planning and design. Leadership and trust-related activities implemented during phase four were generally beneficial but not wholly relevant to the overarching objective of producing a community skills audit as set out in the project plan. Efficiency is weaker than other phases, and can be considered only marginally satisfactory given the extended implementation time of up to four months. The measurement of overall effectiveness is considered marginally satisfactory when taking into consideration the limited progress toward the overarching phase objective of producing an audit. Despite some shortcomings, it can be recognised that progress toward promoting good leadership skills and developing trust among participants can be partly attributed to phase three activities –in turn supporting overall sustainability of the project.

3.5 Phase 5: Financial Cooperative Education

Progress toward learning objectives of phase five was **satisfactory overall**. Focus Group Discussions conducted at evaluation sample sites found a demonstrated knowledge of key cooperative principles among project participants. Together with individual interviews, research for this evaluation showed that many people had a basic understanding of a range of principles related to financial cooperatives. However monitoring data indicates low participation during this phase, and many current participants joined groups following the conclusion of these trainings. Contractual obligations for participation have been achieved across the board however inputs for cooperative education have been limited. Given the demonstrated effectiveness of trainings but its lack of reach, going forward CUFA should consider the reintroduction and reinforcement of key financial cooperative principles.

Training focused on supporting participants to develop an understanding of the international credit union principles – including member services and democratic values – and strategies for group sustainability. The CUD team delivered 1 training on financial cooperatives in each of the 10 target villages in Letefoho (July – October) and Maubisse (September), 2012. Findings from qualitative research indicate key learnings were the principle of open membership and a reinforcement of social solidarity as a driver for group formation.

In all sampled villages the principle of open membership is generally understood and supported as an important mechanism for capital growth and group sustainability. Group members identified that coming together to help each other was a good strategy for promoting community development. The commonly expressed priority for participants is to first develop the group within their own community. Some respondents expressed reservations about extending membership outside the villages, where social connections are limited resulting in less trust. Others indicated that merging with other groups could be something for consideration at a later date, when groups were established and functioning. There are already some positive instances of different communities working together informally. Two sub-villages in Letefoho with strong social connections decided to join together to create the one group, whilst in Maubisse CUD facilitators are developing informal links between the 3 target villages through combined workshops (see Box 3, below).

Principles of democratic process and transparency in management appear to be at least moderately understood. Observations during phase 7 implementation in Maubisse demonstrated that members understand the concept of electing leaders, despite some confusion about the process (see below, section 3.7). FGD participants in Rotutu, Letefoho indicated that democratic decision making principles were also being applied to the process of making group regulations, offering the example of an interest rate having been decided collectively. One community leader, in Maubisse, advised that further educational opportunities would be required to ensure transparency within the group.

Overall, evaluation respondents indicated a general understanding of the principles of democratic decision making and transparency. Due to overlaps between phases, it is likely that at least some of this progress can be attributed to activities conducted in prior and subsequent phases. In part this demonstrates the effectiveness of ongoing training and reinforcement of key principles. Many current group members did not participate in phase five activities therefore it will be important for key learnings to be continually reinforced in future implementation phases.

Table VIII: Project Quality Ratings, Phase 5

| Phase 5: satisfactory overall | | | | | |
|--------------------------------------|----------------------|---------------------------|-----------------------------|--------------------------------|-------------|
| | Best Practice | Fully Satisfactory | Satisfactory Overall | Marginally Satisfactory | Weak |
| Relevance | | √ | | | |
| Efficiency | | √ | | | |
| Effectiveness | | | √ | | |
| Sustainability | | | | √ | |

Education activities were fully relevant for the development of effective groups, and evaluation findings indicate learning outcomes were achieved. The effectiveness of activities was moderate and primarily due the low number of inputs into this phase in a context where concepts must be reinforced in order to ensure sustainable learning outcomes. Program impact is satisfactory overall, particularly given the ratio of inputs to learning outcomes. Now that cooperative concepts have been introduced their reinforcement should be integrated into each future phase of the program. This will be essential to ensure the sustainability of this phase, particularly in the initial development years of the CUD project.

3.6 Phase 6: Financial Literacy Education

General progress of CUD toward the objective of increased financial literacy is **satisfactory overall**. Feedback from respondents indicates good progress has been made toward developing basic financial literacy skills in target villages. Most respondents in sampled villages indicated they have an improved understanding of financial literacy, in particular the importance of savings and improved access to appropriate loan products. Yet they are not yet confident in their knowledge and competencies beyond very basic financial concepts. There is strong demand for further ongoing financial literacy education, which should be incorporated into future project design in order to be responsive to beneficiary needs and safeguard project sustainability.

The CUD team provided a total of 27 trainings on financial literacy in 2 of the 3 districts; from August to October in Letefoho, and October to January in Maubisse. Additional trainings were conducted in Remexio. Most target villages received two or three trainings in this phase. Basic financial concepts had already been introduced informally in earlier phases. The average participation rate at financial literacy education sessions was 27 people. The total accumulative number of participants in both districts was over 505 (see tables IX and X, below).

CUD scoping indicates that most project participants have low financial literacy and little to no experience of savings. This was verified in evaluation FGDs and by interview respondents, many of whom said the concept of savings was little understood before the CUD project. In sampled communities, general knowledge of financial literacy is minimal whilst the barriers to learning are many. Lack of formal education opportunities and high illiteracy rates means the learning process is challenging and the pace is slow. In each of the targeted communities there is a proportion of participants who may not be comfortable learning in Tetun, preferring to engage by using their mother tongue: for example, the Mumbai language in Maubisse (see Box 3, below). Given this challenging context, an assessment can be made that 2 trainings in each village was not sufficient to fully achieve project objectives and thus further financial literacy education will be required.

Table IX: Participation Figures, Financial Literacy Education [Letefoho]

| | Aug. | Sept. | Oct. | Total |
|---------------------------|---------|-------|------|-----------|
| Trainings | 8 | 4 | 2 | 14 |
| Women % | no data | 47 | 29 | 29% (130) |
| Men % | | 53 | 71 | 71% |
| Average attendance | | 60 | 30 | 50+ |
| Accumulative Total | | 242 | 59 | 301+ |

Table X: Participation Figures, Financial Literacy Education [Maubisse]

| | Oct. | Nov. | Dec. | Jan. | Total |
|---------------------------|------|------|------|------|-----------|
| Trainings | 2 | 5 | 3 | 3 | 13 |
| Women % | 63 | 55 | 73 | 36 | 55% (113) |
| Men % | 37 | 45 | 27 | 44 | 45 |
| Average attendance | 24 | 14 | 11 | 17 | 16.5 |
| Accumulative Total | 49 | 71 | 34 | 50 | 204 |

Qualitative data collected through FGDs and interviews suggests participants of financial literacy trainings now give greater thought to financial planning and are motivated to save formally with the group. This also appears to have had the effect of spreading the word about saving beyond training participants, so that family members and other people in the community are at least more aware of saving. Respondents consistently indicated that few if any community members were saving before establishment of the group. Where people have saved previously it was usually within the home and not seen as 'safe' because it could easily be accessed for consumption or cultural festivals.

Following trainings, individual interview respondents could articulate their motivations for saving. Some demonstrated evidence of financial planning, explaining their plans and aspirations for utilising money in the future. The most common financial goals were, in order: supporting children's educational opportunities; investing in small enterprise; and better managing seasonal income. In the coffee-plantation area of Letefoho, all interview respondents in Riatoni said that through saving they hoped to have increased access to cash during the 9 months of the year when their primary income source generated no income. Overall, saving collectively was commonly understood by participants as being important to ensure the safe keeping of money and enabling access to appropriate loans.

Table XI: Most Important Purpose of Savings and Improved Access to Loans

| Children's education | Small enterprise | Seasonal livelihood fluctuations | Cultural ceremonies (eg. funerals) | Home improvements & repairs | Emergencies (eg. illness, basic needs) |
|----------------------|------------------|----------------------------------|------------------------------------|-----------------------------|--|
| 5 | 3 | 3 | 1 | 1 | 1 |

All respondents could give an example of what they believed to be the most important function of the loans facility for them (see table XI, above). FGDs and individual interviews consistently indicated that for many participants their primary financial purpose for engaging in savings and loans was to support their children's education. Many of the examples given

are essential expenses for which without access to community credit, people would either not be able to fulfil their cultural or material needs, or would need to seek loans from elsewhere such as MFIs – as respondents confirmed has been a practice in some communities. Most of the examples given were of welfare loans, with only 3 of 13 individual respondents indicating an intention to take a productive loan for small enterprise activities such as buying and selling vegetables. This indicates that at later stages of the project it may be appropriate to provide training and support to encourage an increase in the proportion of productive loans. Overall evaluation respondents demonstrated a commitment to use loans for an effective purpose.

Experience with MFIs was commonly highlighted as a motivating factor for participating in CUD trainings and joining groups established with facilitation support through the project. MFIs were reported to have an active or past presence in three of the four villages sampled for this evaluation. At each of these sites participants could articulate why the credit union model was preferable to accessing loans through MFIs. The common theme arising from discussions about MFIs was that there was a general understanding that whilst access to loans are important, this is best facilitated through the establishment of a community-owned mechanism with appropriate interest rates that can be utilised to accumulate community capital. Many evaluation respondents have already developed an understanding of financial literacy through engagement with MFIs; sometimes as a result of having problems paying back loans. It is evident that CUD trainings have now introduced a financial cooperative model through which interested community members can increase their access to better loans whilst also gaining the benefits of having a local formal savings mechanism.

Project design for phase six was somewhat overambitious in setting learning targets. This may have been due to assumptions about participant's existing financial literacy, or an overestimation of their capacity to quickly understand new concepts. The CUD financial literacy toolkit is a comprehensive document consisting of five learning modules, covering: planning, savings mobilisation, loans, budgeting, and business operations. All modules are relevant to developing financial literacy. However it appears that the investment of time was insufficient to enable participants to gain a basic understanding of all these concepts. There was a lot of material to cover in a limited amount of time in places where there are many barriers to learning. One respondent explained that many participants still do not have a sufficient understanding of how their money will be managed, and it will be important to address this to enable the maintenance and development of trust within groups as they grow in membership and capital. This response reflects the assessment of the evaluation team. Ultimately it will be levels of basic financial literacy skills that may have the greatest impact upon people's ability to engage in democratic and transparent group governance. More training would provide a stronger foundation.

Table XII: Project Quality Ratings, Phase 6

| Phase 6: satisfactory overall | | | | | |
|-------------------------------|---------------|--------------------|----------------------|-------------------------|------|
| | Best Practice | Fully Satisfactory | Satisfactory Overall | Marginally Satisfactory | Weak |
| Relevance | | √ | | | |
| Efficiency | | | √ | | |
| Effectiveness | | | | √ | |
| Sustainability | | | | √ | |

Overall, there is evidence that good progress has been made in the area of financial literacy. Most participants can grasp key financial concepts related to savings and loans – yet these understandings are generally very basic. Project activities were relevant however only effectiveness was limited in the context of learning barriers the inputs were insufficient to fully accomplish expected outcomes of this phase. Given the low prior knowledge base and significant barriers to learning, it was somewhat ambitious to expect strong progress toward achieving sufficient levels of financial literacy in the community during the implementation period of phase six alone. Sampled communities clearly articulated a demand for further support in this area. In future project phases, the integration of inputs focusing on financial literacy education will be crucial to safeguard the sustainability of progress made to date.

3.7 Phase 7: Group Formation

A preliminary assessment of progress toward group formation finds mixed results. This is based upon the observation of implementation activities and individual interviews with participants. Operational issues and deviations from the phased project design have adversely impacted upon results. However there is evidence to indicate these issues are being corrected or have been already.

Table XIII: Membership Figures, Evaluation Sample Sites

| Location | Total Members |
|---------------------|------------------|
| Rotutu, Letefoho | 60 (52 children) |
| Riatoni, Letefoho | 17 |
| Teletucu, Maubisse | 13? |
| Fatumenaro, Remexio | (not yet formed) |

Data collected for this evaluation indicates low group membership. Within the evaluation sample, groups had been formed in 3 of the 4 sites. Informal membership ranges from 12 to 17 individuals – a modest figure considering the coverage of trainings and participation figures. Three separate but interlinked factors explain this.

First, during the course of phased implementation a number of project sites have been penetrated by other organisations promoting financial inclusion activities. This has impacted adversely on participation in CUD activities, as shown in the case of Rotutu in Letefoho (see

case study in Box 2, below). Secondly, the chronology of activities has seen deviations from project design at some sites. In some cases participants were apparently encouraged to commence saving prior to the process of formal group formation to be undertaken during phase seven. In other cases, participants appear to have commenced collective saving of their own volition –prior to relevant CUD trainings on group formation. In each instance the commencement of group savings is likely to have been premature. Institutional infrastructure such as individual passbooks had and have still not been developed and distributed. Communities started saving before they were ready and operational issues meant that qualified CUD staff were not available to provide support. As a result groups who had commenced saving subsequently ceased saving and meeting together for that purpose. Finally, the participation figures represented by low group membership was found to be a consequence of dwindling interest and/or eroded trust among community members. This is linked to the stop and start process of group formation already experienced in many of the target sites. A number of evaluation respondents, including group and community leaders, reported that a number of participants had lost trust in the CUD project due to unexplained delays in activities. Whilst continued participation including of leaders demonstrates interest in continued project engagement, many community members seem to be waiting on the margins; assessing CUFA's commitment and monitoring viability of the group. Evaluation respondents indicated that more community members would join activities once their local group had demonstrated viability and success with ongoing support from CUFA.

At the time of writing the CUD team were implementing phase seven to support all groups to develop institutional structures and processes so they could begin or recommence saving together – with a view to establishing a capital base to enable access to loans. Two phase seven workshops were observed by the evaluation team, where participants indicated satisfaction with having the opportunity to engage in structured trainings and workshops to support the formalisation of group governance and its structure. A workshop in Maubisse included attendance and participation by representatives from other groups forming within the sub-District; offering an opportunity for communities to share experiences and develop networks (see Box 1, above). At the time of writing, phase seven workshops and trainings look to be performed consistently across project sites to consolidate those activities conducted to date, and establish the institutional structures and processes for the formation of sustainable groups.

[Box 1] Case Study: Developing Inter-Village Networks in Maubisse

In Maubisse, the evaluation team observed a group formation workshop in which representatives of neighbouring village-based groups were invited to attend and participate.

Community leaders and project participants from two other project sites gathered in Maubisse to join a group formation workshop of the third group. They did not participate in decision-making activities but did make strong contributions to group discussions. Workshop participants shared experiences from their respective communities, and explained the success of different activities including trust building and problem-solving. Individual evaluation respondents interviewed after the workshop expressed their satisfaction with having the opportunity to share experiences and build solidarity between the different groups who are working independently but toward the common purpose of community development. Visitors from other sites suggested that the practice of coming together continue, every now and then, so the different groups can support and learn from each other.

A representative from a local NGO was invited to participate in this same workshop. He shared facilitation responsibilities with the CUD Project Officer and made valuable contributions to discussion. This is a good example of CUFA working together in cooperation and collaboration with other organisations at community level.

It would be worth considering how these networking and experience sharing opportunities can be continued and extended to other project sites in future. This could be done through formalisation of the approach in reviews of project design. There are logistical challenges to consider, as well as the need to not create additional time-intensive activities for project participants – particularly leaders. With this in mind, creating a forum for leaders of different to come together on a quarterly or biannual could be a great learning opportunity. This would also serve as a networking and solidarity building mechanism to develop trust between communities so that they can get to know each other. This would likely increase the likelihood of leaders supporting moves toward developing a credit union through mergers between groups in future, as is envisaged in CUD project design. Participant feedback indicates support for this in Maubisse, and it should be possible for these activities to be duplicated in Remexio and Letefoho.

3.8 Issues in Implementation

3.8.1 Implementation Process

Fluctuations in the delivery of project activities impacted upon the rate and frequency of community participation. Many participants active at the time of group formation had attended few if any prior CUD trainings or workshops. Of the 13 individual interview respondents, 9 had participated in prior training – the frequency of attendance ranged from twice to ten times. Evidently participation rates were higher in some sub-Districts (Maubisse) than others (Lete-Foho). These figures suggest a correlation of higher participation rates with the presence of ongoing support and communications from project staff throughout the phased implementation process.

Table XIV: Attendance at CUFA prior trainings, Individual Interview Respondents

| Location | Respondent # | | | |
|--|--------------|---------|--------|---|
| | 1 | 2 | 3 | 4 |
| Rotutu, Letefoho | √ (x?) | X | √ (x?) | - |
| Riatoni, Letefoho | √ (x2) | √ (x2) | X | - |
| Teletucu, Hatufahe & Leketei, Maubisse | √ (x7) | √ (x10) | √ (x2) | - |
| Fatumenaro, Remexio | √ (x6) | √ (?) | ? | X |

There was considerable overlap between phases and implementation of the phased project model did not always occur sequentially as designed. In some instances this was due to the decision-making of communities who wanted to accelerate progress toward group formation and savings. Project officers appear to have allowed some flexibility given this changing situational context – which should be commended. However ultimately the intensive assistance required to support this was not available: in 2 of the 3 sub-Districts much of the momentum for savings was lost as a result of the fluctuations in project delivery related to operational issues. Reporting and monitoring data indicates activities were not always delineated; with elements of different phases occurring concurrently at the same sites. Program quality was affected in some instances where the timing of implementation activities deviated from the sequential phasing of project design. Tetun translations of phase-specific toolkits were produced but not timely, with translated documents produced up to six months after the conclusion of related activities. Improved reporting to inform program tracking may be worth considering to enable monitoring that can ensure alignment of activities with the logical processes in project design. Future evaluations would be better informed by project reporting clearly linking activities to a specific phase with its particular objectives, outputs and indicators.

3.8.2 Operational Issues

Progress toward objectives has been somewhat limited by operational issues, particularly staff turnover which has delayed implementation activities. Whilst Local Field Officers have remained a constant; each sub-district has had one or more rotations of the Project Officer position. Protracted recruitment processes for the replacement of Project Officers resulted in extended periods in which CUD activities were not implemented in some districts. This largely explains the different stages of development of groups in Letefoho and Remexio compared to that of Maubisse.

Feedback gathered for this evaluation indicates that delays in implementation have adversely affected the degree of trust invested in CUFA by project participants. Evaluation respondents including community leaders in Letefoho and Remexio reported that activities ceased for 3 to 4 months at a time. In Letefoho, the sampled group had already commenced saving but subsequently ceased this practice in the absence of guidance from a Project Officer. In Remexio, the local chief suggested that neither community members nor himself

received any information about staffing changes or why activities were not occurring. At both sites there was reportedly an assumption among community members that CUFA had ceased activities all together. Whilst participation in current activities demonstrates continued interest in the program, attendance is down and it may take some time to regain this trust. A number of evaluation respondents put forth that community members not participating in activities were refraining only for the time being whilst they assess the evolution of the group as well as CUFA's commitment to the project. Where there have been project delays due to operational issues, it appears that LFOs have not played an effective role in communicating changes in activity plans to participating communities. This could be due to LFOs lacking the support they evidently require, in the absence of the Project Officer. In any case, communications with community leaders and project participants were not wholly effective – leaving rumours and hearsay to develop that reportedly led to a shared perception that the project had been abandoned.

Staff turnover and operational issues occur in all organisations and will inevitably be experienced again during the course of CUFA's 5-7 year commitment to this project. In Timor-Leste, historically it has often been challenging for NGOs to attract and retain national staff with strong competencies – particularly when the position involves a lot of travel outside the capital. With this in mind it would be appropriate to consider the ways in which these delays are managed and communicated. Given its impact on the program it may be suitable to give consideration to retention strategies, and methods to attract strong applicants when positions do become vacant. Importantly, when positions are made vacant this information must be shared with community leaders and project participants at project sites. They should be kept informed of developments as they progress; and LFOs should have confidence and commitment to do this as active representatives of CUFA. Observations taken through this evaluation indicate that LFOs have a limited role in the delivery of key activities including workshops and trainings. Having been recruited from communities, these locally-based staff are more likely to retain their positions throughout the project cycle than their professional and mobile peers based in the capital. Given this it would be appropriate to consider mentoring and professional development plans to support LFOs to further develop their professional capacity and confidence. More effective community engagement and communication by LFOs could mitigate against potential operational issues in future. Consideration to applying these processes in future could lessen the potential for staffing changes to have an adverse impact on the CUD project in future.

3.8.3 External Influences

Financial inclusion activities implemented by other organisations and agencies have adversely impacted upon project results at three different sites. One of these sites forms part of the evaluation sample – details are explained below (see Box 2, below). CUD staff reported two additional instances – one in each of the other sub-Districts – in which a local NGO and an International NGO established financial inclusion activities that came into competition with the CUD project. In the cases of Maubisse and Remexio the CUD team appear to have effectively managed the issue and withdrawn from those project sites at an early stage. The case study of Rotutu in Letefoho indicates that specific project activities and discussions will be required to encourage group members to correct the issue – necessary if the site is to eventually form part of a model credit union. This issue has not impacted on

overall project performance to date. However it remains a potential spoiler that requires monitoring, particularly now that the CUD project has progressed and significant investments have been made in taking steps toward forming viable and sustainable groups. If similar circumstances arise in future, it will be appropriate to consider a response that is consistent with principles of cooperation and coordination with other development actors.

[Box 2] Case Study: The Two Groups of Rotutu, Letefoho

There are now two groups for savings and loans in Rotutu. Group 1 was established by a UN agency around March 2012 when the CUD project was in its initial development phases. Community members were provided with bookkeeping materials and training that guided them in regulations, including placing a cap of 20 on its membership – which has been filled. Group 2 is the term used to refer to that supported by CUFA. It has 60 members of which 52 are children; many being sons and daughters of parents in Group 1.

Money and bookkeeping are kept separate, and evaluation respondents indicated approval of this status quo. The local chief sees himself as a member of both groups, because he saves in Group 2 via his children. He said that if both groups develop successfully it may be possible to merge them. However the likelihood of this occurring diminishes as savings grow and finances become more complex. The intervention by another development agency has so far limited the effectiveness of the CUD project in this area. It would seem that governance responsibilities are not fully delineated between the two groups, and there are risks in terms of financial management and the viability of both groups.

The somewhat confusing scenario described has also played out in different ways in other areas: with a local NGO in Maubisse; and an INGO in Remexio. Coordination and alignment between agencies remain challenges to be considered. It will be difficult to establish conditions for the development of model credit unions in contexts where organisations are operating with similar programs promoting different operating models and financial principles.

It would be appropriate to monitor the activities of other organisations in CUD target areas, and for CUFA to engage in dialogue and coordination where required and as is possible.

3.9 Cross-Cutting Participation Issues

3.9.1 Gender

Women's participation in CUD activities is **marginally satisfactory**. Overall data presents an appropriate gender balance however participation data collected for this evaluation indicates that women's participation is lower at sample sites. There are significant imbalances at village level which will need to be addressed. Context-specific strategies will be required to enable greater female attendance and a higher quality of participation.

Table XV: Gender Disaggregated Participation Data, Activities January – March 2013

| Sub-District | Women | Men | W | M | W | M | W | M |
|--------------|---------|-----|----------|----|-------|----|---------------|------|
| | January | | February | | March | | Total ratio % | |
| Maubisse | 20 | 34 | 41 | 27 | 51 | 53 | 49.5 | 50.5 |
| Remexio | 27 | 28 | 30 | 18 | 11 | 9 | 55.3 | 44.7 |
| Letefoho | - | - | 32 | 44 | - | - | 42.1 | 57.9 |
| | | | | | | | 49.9 | 50.1 |

Most whole-of-project data indicates that women represent about 50% of participants (see Table XV, above). However the appearance of a levelled balance disguises a significant imbalance in participation at village level. When calculating participation figures for the total sample group, the female/male ratio drops to 35: 65 (see table XVI, below). Upon examining individual villages this ratio becomes even more disproportionate. The table shows that women's participation is as low as 18 to 20 percent at some sites: Teletuco in Maubisse and Fatumenaro in Remexio, respectively.

Table XVI: Gender Disaggregated Participation Data, Evaluation Sample April 2013

| Sample Site | Women | Men | W | M |
|---------------------|-------|-----|---------------|----|
| | | | Total ratio % | |
| Teletuco, Maubisse | 4 | 18 | 18 | 82 |
| Fatumenaro, Remexio | 2 | 8 | 20 | 80 |
| Rotutu, Letefoho | 10 | 8 | 55 | 45 |
| Riatoni, Letefoho | 4 | 4 | 50 | 50 |
| | | | 35 | 65 |

The figures presented are indications of attendance at meetings and do not represent detail about the quality of participation by women. Observations in FGDs suggest that men dominate the discussion and direction of meetings. A workshop observed at Fatumenaro, Remexio was conducted in the small living room of a home; with 3 or 4 women sitting in an adjoining but partitioned room (the kitchen). These women had no way to participate however it appears project staff believed they were participants. This may explain variations between gendered participation ratios in the tables above. An individual interview respondent – an elderly woman – reported that women wanted to participate in trainings and workshops but were afraid of answering questions incorrectly. This example indicates: 1) CUD project staff require greater gender awareness; 2) gender sensitive approaches to education are required to help women feel comfortable participating; and 3) the identification of meeting spaces must be enabling environments for women's participation – i.e. having ample space so they do not withdraw to another room.

CUFA has policies in place to support women's participation. CUFA follows the Operating Principles of the international credit union movement, one of which is non-discrimination on the grounds of gender. A Gender and Disability Inclusion Officer, recruited in 2012, monitors all CUFA programs to ensure compliance with this principle. In September 2012 this Officer facilitated in-country training for CUD project staff on gender awareness, and in January 2013 socialised the gender inclusion strategy with staff and undertook visits to project sites. In the second visit, staff agreed to develop action plans to promote gender inclusion in the CUD project.

In summary, policies do not appear to have been integrated into the implementation of project activities. A number of gender awareness trainings have taken place and an action plan for women's inclusion was developed in January 2013. However many of the current staff have only received one or two trainings, if any, and evaluation observations indicate this remains an area requiring increased staff capacity-building activities. In addition to the need for further training in this area, gender inclusion action plans should be revisited and project activities need to be gender-sensitive. These actions would improve the sustainability of CUFA's investments to date in the development of policies to promote greater rates and quality of women's participation.

[Box 3] Case Study: Language as a Dynamic in Participation and Inclusion

In a workshop observed in Maubisse, attendance was high however active participation was restricted to a few key community members, all of whom contributed using Tetun – lingua franca of Timor-Leste and the language used by CUD facilitators.

Throughout the course of this workshop, the CUD Project Officer encouraged greater participation by those who had spoken little or nothing. Women in particular were invited to take part in discussions, yet few took up the opportunity.

At a late stage in proceedings the facilitator sought to engage an elderly woman. Eventually sensing that she may be more confident in the local linguistics, he switched to the local Mumbai language and invited her to respond. This lady, who had sat silent for so long, immediately began speaking to the assembled group in her mother tongue – confidently and articulately. Others who had not yet spoken joined in this discussion.

Many people in rural areas are not fully comfortable in Tetun. For some, they can understand Tetun when spoken but they difficulty using the language to communicate themselves. The instance described here highlights how the choice of language for communications can exclude or enable people's participation.

This case study from Maubisse demonstrates that the quality of participation can be improved by engaging people in their mother tongue. The CUD program targets poor rural areas where many people, especially particular social groups, do not have education and are not confident in the lingua franca. In future it would be appropriate consider the choice of language used in project activities. This also applies to the use of written materials and the pedagogical style of training delivery, where levels of literacy are low. Language and literacy factors should be considered in future project design and implementation to ensure that activities align with promoting social inclusion.

3.9.2 Disability

At this stage of project implementation it is deemed too early to make an appropriate rating assessment of progress toward the inclusion of people with disability. However based upon available data it can be said the participation of people with disabilities in the CUD project appears low and there is much room for improvement in data collection. People with disability are underrepresented in the most recent available dataset (see table XVII, below). Given the participation data is accumulative, the total number of individual people with a disability participating activities in the first quarter of 2013 was 4 at best, 3 at worse.

Table XVII: People with Disabilities Participation Data, Activities January – March 2013

| Sub-District | Jan | Feb | March |
|---------------------|------------|------------|--------------|
| Maubisse | 1 | 0 | 0 |
| Remexio | 1 | 1 | 0 |
| Letefoho | n/a | 1 | n/a |
| | 2 | 2 | 0 |

A disability inclusion strategy was finalised following workshops with project coordinators in late 2012. The strategy is currently being integrated into CUD project implementation: the responsible staff member facilitated a socialisation workshop with project staff in January 2013 and undertook visits to project sites. This evaluation finds that priority should be given to participation and data collection. In line with the inclusion strategy it would be appropriate to include awareness training for CUD staff, management oversight to ensure collection of appropriate data, and in-home outreach in communities.

3.10 Concluding Remarks

The performance of implementation activities and progress toward results to date has been mixed, primarily due to operational issues. Reasons for delays in implementation and periods of inactivity were not effectively communicated to beneficiaries, in some cases contributing to an erosion of confidence in the project itself. Going forward it will be crucial to effectively manage change and delays in order to maintain the renewed enthusiasm for the CUD project that was evident among evaluation respondents. This report recommends CUFA consider strategies to mitigate against any adverse impacts caused by future staff changes, including increased investment in developing the capacity of Local Field Officers. Despite these challenges the preliminary phases of this project are satisfactory overall. The outcome of community scoping activities is a set of target areas that lay a good foundation for project success. Participants generally have a basic understanding of financial literacy and financial cooperative concepts. These will require reinforcement for all and reintroduction for those participants with no prior learning. Improved collection and use of data would better enable managers to track progress in different areas across the variety of groups now forming. Networking opportunities such as that observed in Maubisse have potential to increase project impact and should be formalised in project design documentation.

Finally, the CUD project in Timor-Leste now appears to be on track following the resolution of operational issues. Challenges experienced to date may be mitigated against in future with the consideration of evaluation findings and adoption of appropriate responses to recommendations of this report. The two priorities should be: 1) reinforcing core financial literacy concepts throughout implementation activities; and 2) preparing for and minimising the adverse impacts of operational issues. A focus on these areas will enable CUFA to capitalise on the stability of implementation activities at present and enable significant improvements in the effectiveness and sustainability of the project.

4.0 Appendices

4.1 Appendix A: CUD Target Villages

| District | Sub-District | Village | Sub-Village/s |
|----------|--------------|-------------|--------------------|
| Ermera | Letefoho | Ducurai | Rotuto |
| | | Hauptu | Riamori |
| | | | Riatoni & Renomata |
| | | Ctraí-Leten | Lumutou |
| Aileu | Remexio | Acumau | Aimerahun |
| | | | Fatumenaro |
| | | Tulataqueu | Samalete |
| Ainaro | Maubisse | Maubisse | Liquitei |
| | | | Teletucu |
| | | | Hatu-Fae |

4.2 Appendix B: Research Framework for Focus Group Discussions

| | Core Questions | Follow-up Questions |
|----|---|--|
| 1 | Community Scoping | |
| a) | Why did you decide to attend this meeting today? | - Why are you interested in saving together? |
| b) | Does your family already save money? | - (If yes), What do you do with the savings? Do you spend it or keep it? |
| c) | Does your family save money together, with other people in the village? | - (If yes,) why did you decide to collect savings together? - (If yes), is there someone responsible for collecting the money? |
| 2 | Understanding of financial cooperative principles | |
| a) | Today you will decide who the leaders of your group are, is that correct? | - How do you feel about this? Are you happy with the democratic process? Why? - What kind of skills does a good leader have? - How can members and leaders ensure the group is well managed? - How can leaders ensure members trust the CU, and want to save with the CU? |
| b) | In the future, would you like your group to have more members? | - Why is membership growth a good thing? - One strategy to increase membership is to join together with other villages.. 1) How do you feel about this? 2) Is this something you are comfortable with? |
| c) | Why is participation important? | |
| d) | What services do you want your group to provide? | |
| 3 | Understanding of basic financial literacy | |

| | | |
|----|---|--|
| a) | Why are savings important? | - What is the benefit of saving as a group? - Are there problems if people don't save? |
| b) | Do you plan to take loans? | - What would you do with the loan? - How would you pay back the loan? |
| 4 | Cross-cutting: participation of women, youth and PWD | |
| a) | Can everyone becomes a member? | - What about PWD? - What about young people and children? |
| b) | What makes it difficult for some people to participate as a member? | - Do women face any challenges? Are they too busy? - Are young people interested in saving? - Is it important to include young people? - Can PWD be members? |
| 5 | Community feedback and suggestions | |
| a) | Have the CUFA trainings benefited you? | - What have you learnt from CUFA trainings? - Have you been available for many meetings? What do you think about the length of trainings? - What would you like to have more information about? What would you like to learn more about? |
| b) | What do you hope the community can do with a CU? | - What changes would you like to see in your community when you have a credit union? |
| c) | What are the challenges in forming a CU? | - How can CUFA continue to support the group? |

4.3 Appendix C: Research Framework for Individual Interviews

| | |
|--------------------------------|---|
| Community & Date: | |
| Respondent: | |
| Gender: | |
| Approximate age: | |
| Status (leader/member): | |
| Core Questions | Follow-up Questions |
| 1 | Participation |
| a) | Have you attended some of the trainings conducted by CUFA? - Did you find the training useful? - What information did you learn about? - Where trainings in the morning or afternoon? - Was it easy or difficult for you to attend? - (If applicable) were you able to bring your children to the training? - (If applicable) do you feel comfortable participating? How have you participated? |
| 2 | Knowledge of Financial Cooperatives |
| a) | Do you plan to save money with the group? - Why do you – want to/not want to – save money with the group? - Are savings important? Why? |
| b) | Do you think you will take a loan, if they are available? - Have you taken a loan before? - What might you use a loan for? - How might you pay the loan back to the group? |

| | | |
|----|---|--|
| c) | Do you think your community can benefit from having a credit union? | - What might the benefits be for you and your family? - Will your community benefit from having a group? How? |
| 3 | Trust | |
| a) | Do you feel comfortable with you savings being managed in a group? | |
| a) | Other people in the community might want to join the group. Do you think it is ok to have more members? | - What about members from other villages? |
| b) | (If applicable) Today the group elected leaders, what do you think are their strengths? | |
| c) | Do you think there is trust among members? | - (If applicable) How can leaders and members maintain trust? |
| 4 | (For Leaders only) | |
| a) | Why did you decide to volunteer to support this group? | |
| b) | What do you think are some of the benefits of forming this group? | |
| c) | What do you think is different about a Credit Union, rather than a savings group or MFI? | |
| d) | Do you think members are comfortable saving together | |
| e) | Do you think more people will want to become members? | - Is this a good thing? |
| f) | Do you think people have the trust to save in a group? | - |
| g) | Is it important to include women and PWD? | - How might women and PWD be supported to join the group? |
| h) | How can CUFA support you as a leader? | |
| 5 | Other | |
| a) | Outstanding follow-ups questions or clarifications... | |
| b) | Is there anything else you would like to say? | |