

Credit Union Foundation of Australia

Credit Union Outreach (CUO) Project

Timor-Leste

Evaluation Report

April 2013

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Executive Summary

CUFA's Credit Union Outreach (CUO) project aims to develop the capacities of credit unions to improve governance and operational practices that foster membership and capital growth, whilst also working with the Federation to build a sustainable credit union movement in Timor-Leste. As a core sub-project of the Building Institutional Capacity program, this project has been implemented by CUFA in Timor-Leste since 2009. Implementation has focused on a model of direct on-site support to individual credit unions across the country. Support is primarily delivered by a program officer employed by CUFA on behalf of the recently reformed Federation Hanai Malu. This evaluation report assesses the impact of on-site support from 2011 to 2013, and contains recommendations for future programming to continue supporting the strengthening of the credit union movement in Timor-Leste.

In Timor-Leste there is a low level of voluntary savings mobilisation in rural areas and limited access to finance, such as appropriate loans. 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. As finance networks are weak, credit unions provide opportunities to increase financial inclusion – particularly outside the capital, Dili. The credit union movement in Timor-Leste has been operating for over two decades however growth has been impeded by conflict and major transformations in society and government in this time. To support the development of the movement in this post-conflict period, CUFA helped re-establish Federation Hanai Malu which is again the peak body for credit unions in Timor-Leste. The Building Institutional Capacity (BIC) program supports the development and strengthening of this Federation. CUO is a project within BIC, in which CUFA is supporting the provision of quality technical assistance to members of Timorese credit unions. Support activities are primarily conducted on-site – in communities – and designed to build skills and capacity in leadership, management and operational capabilities. This operational support is delivered by CUFA on behalf of the Federation.

The findings in this report indicate that on-site and other technical support provided by CUFA on behalf of the Federation is having a significant impact on key indicators of credit union capacity. Good progress has been made in: membership growth and savings mobilisation; loan processes and delinquency rates; leadership skills and institutional quality. Access to financial inclusion has increased significantly, with 4 of 5 sampled credit unions averaging a total membership increase of 97.5% over the period 2011-13. Evaluation respondents consistently reported satisfaction with CUO program activities and attributed a large part of the credit union gains to the provision of on-site support.

This evaluation recommends that CUFA continue the successful model of on-site support to credit unions. Program participants indicated a preference for this, with financial skills and institutional identity being key areas for development. Continued support will be particularly important to maintain gains made to date and ensure CUs have the capacity and confidence required to manage growing membership and capital. CUs perceive support as being delivered directly by CUFA rather than on behalf of the Federation, and scope remains for improvement in communications and coordination. A review of support delivery should consider raising the Federation profile and integrating support services as part of its core business. Any changes should capitalise on trust and confidence CUs already have in CUFA.

Summary of Findings

Progress toward strengthening the capacity of credit unions and increasing access to financial inclusion

- ❖ On-site and other technical support provided by CUFA on behalf of the Federation is having a significant impact on key indicators of credit union capacity:
 - 80% of sampled credit unions achieved significant gains in membership growth and savings mobilisation from 2011-13
 - 80% of sampled credit unions have a low rate of loan delinquency that can be attributed to implementation of an effective loans application process and mechanisms to manage delinquent loans
 - 100% of sampled credit unions have a structure in place conducive to institutional quality, including: regularity of Annual General Meetings; clearly defined roles and responsibilities of committee members
- ❖ Access to financial inclusion increased significantly, with 4 of 5 sampled credit unions averaging a total membership increase of 97.5% over the period 2011-13

Progress toward strengthening the capacity of the Federation to support the development and scale-up of a sustainable credit union movement

- ❖ Activities undertaken on behalf of the Federation are supporting good progress toward the development and scale-up of a sustainable credit union movement
- ❖ There is an overall perception that support activities are provided by CUFA as a separate entity to the Federation, rather than as their representative
- ❖ Program impact is most significant when on-site support visits are more frequent
- ❖ Sustainability and impact is limited where other organisations encourage or enable activities that are inconsistent with credit union principles

Program participant feedback

- ❖ Evaluation respondents consistently reported satisfaction with CUO program activities and attributed credit union gains to the provision of on-site support
- ❖ Committee members commonly expressed a perception that establishing a credit union office is an enabler for further growth in capital and membership as well as being important for developing community trust by creating an institutional identity
- ❖ There is demand for increased support in the development of financial and organisational skills as demands increase with growing membership and savings

Program Quality Ratings Assessment

Relevance: appropriate objectives and program design (**fully satisfactory**)

Efficiency: significant program reach in relation to inputs (**satisfactory overall**)

Effectiveness: high impact of activities upon strengthening credit unions, yet less effectiveness promoting the Federation (**satisfactory overall**)

Sustainability: strong progress toward operational sustainability of credit unions, with scope for improvement in representation of the Federation (**satisfactory overall**)

Summary of Recommendations

Strengthening the capacity of credit unions and increasing financial inclusion

- ❖ Retain the model of regular on-site support to credit unions
- ❖ Increase the frequency of on-site visits to lower and medium performing CUs
- ❖ Support committees to develop strategies for building an office, or alternative mechanisms to create an institutional identity for the CU within the community
- ❖ Focus on the development of financial and organisational skills to enable CUs to manage growing membership and capital, and support the development of confidence to engage with cooperative activities

Strengthening the capacity of the Federation to support the development and scale-up of a sustainable credit union movement

- ❖ Continue a model of funding assistance for support visits conducted by/for the Federation
- ❖ Consider strategies to integrate support visits as a member service forming part of the long-term mandate of the Federation, rather than as an activity run by CUFA
- ❖ Consider organisational or other changes that may increase the Federation's profile and promote a perception of the Federation as the provider of on-site and other member support services

Enabling greater impact

- ❖ Ensure separate but linked CUFA projects are consistent with CUO program objectives, clearly explained to beneficiaries, and consistently reinforced to credit union committees
- ❖ Establish coordination with other NGOs working with credit unions and disseminate education about credit union principles, as possible and appropriate

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 project activities 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 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 where there is currently 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 savings banks 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 savings banks 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.

1.3.2 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.

The 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.

2.0 Methodology

2.1 Evaluation Purpose

This evaluation is intended to provide an assessment of support provided to credit unions in Timor-Leste provided by CUFA on behalf of the Federation. This will inform decision making about how CUFA and the Federation can best continue to support the development of the credit union movement in Timor-Leste. The report constitutes an assessment of program impact and considers options for promoting the sustainability of credit unions in future.

2.2 Evaluation Scope

The focus of this report is an evaluation of on-site and other technical assistance provided to individual savings banks since 2011. Much of this support has been provided by a CUFA-employed staff member representing the Federation.

This evaluation report assesses:

- Progress toward achieving program goal of strengthening the institutional and human capacity of savings banks in areas of:
 - Membership growth and savings mobilisation;
 - Loans and delinquency trends;
 - Leadership skills and institutional quality;
 - Representation of the Federation.
- Program implementation activities:
 - Relevance;
 - Efficiency;
 - Effectiveness;
 - Sustainability.
- Contribution to the cross-cutting issues of gender and disability inclusion.

2.3 Research Team

An evaluator was hired for the purpose of conducting a series of program evaluations for CUFA. The evaluator was accompanied to project sites by a Research Assistant/Translator recruited specifically for the evaluation. The evaluator and research assistant were recruited with the deliberate purpose of ensuring a mix of skills, knowledge and experience in the team. Having an Australian man and Timorese woman in the team helped to ensure that all information could be captured and encouraged the participation of marginalised groups, women in particular.

2.4 Research Tools

The review of program documentation and information included: 1) program design documents – project plans, annual development plan; and 2) program information – monitoring reports completed by the CUO Program Officer: one for each CU support visit.

Key informant group interviews were conducted with savings bank committee members at each sample site. In some instances regular members also participated.

2.5 Sampling

A representative sample of rural savings banks is used to indicate general trends of the characteristics of different groups and the impacts of program implementation activities. The evaluation sample consisted of field visits to 5 credit unions (CUs), undertaken over 4 consecutive days in April 2013. Sampling size was based upon time constraints, particularly given the extensive travel times between programming areas, balanced against the need to find a sample representative of the program as a whole. The selected sample is comprised of credit unions from the central, eastern and southern districts.

The sample was inclusive of three districts where CUFA has provided on-site support. An attempt was made to include a variety of groups: urban and rural; small and large capital base, small and large membership bases, and of varying operational capacities. Monitoring data was reviewed and additional guidance was sought from the CUO program officer and other relevant program staff.

Table I: Evaluation Participants & Coverage

High-level participation numbers			
Number of Districts visited:	3	Number of group interviews:	5
Number of Sites visited:	5	Total participants:	54 (29 F; 25 M)
Group/Site	Interviewees	Date	
Viqueque District			
Hadiaras (Viqueque Villa)	9 committee members (6 women and 3 men)	17 April	
Manatuto District			
Daho (Kakaeuma, Natabora)	16 committee members and regular members (10 women and 6 men)	18 April	
Dominhunhun (Ma'abat)	7 committee members (5 women and 2 men)	19 April	
Baucau District			
IHC (Vemasse)	8 committee members (4 women and 4 men)	18 April	
Fini Naroman (Baucau Villa)	14 committee members (4 women and 10 men)	19 April	

Table II: Sample Group Membership Demographics

Group	Membership	Women	Men	Children
Hadiaras	101	65	36	20 (students)
Daho	82 ¹	42	45	0
IHC	106	47	59	35
Fini Naroman	454	-	-	-
Dominhunhun	187	73	114	45 approx.

¹ Official membership is 87 but that figure includes 5 people from outside the community (Australian Friendship Group Members) who have been excluded from membership data for purposes of this evaluation

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

Practical considerations regarding time parameters on the research resulted in limitations on the ability to focus upon a wholly representative sample. Car problems compounded this.

Credit unions supported through the program are found throughout the east, western and enclave districts. The poor quality of infrastructure means that travel times are significant. During the field research, car problems resulted in major delays and rescheduling of evaluation activities leading to a loss of about 25 per cent of the time allocated to group and individual interviews. This had two impacts upon the evaluation.

Scheduled meetings with credit unions in Dili had to be cancelled. Nonetheless, two of the five sampled groups in this evaluation are located in urban areas – one being remote (Viqueque) and the other relatively central (Baucau, the second city of Timor-Leste).

Research tools in the field had to be restricted to group interviews only, as there was less time to conduct interviews with individual members. This change was mitigated by the large participation in group interviews and the presence of regular members at some of these.

Transportation problems led to a change in planned research methodologies however high attendance at group interviews and a focus on quality participation means that despite these limitations the voices of program participants remain the key informants for this report.

3.0 Findings

Table III: Overall Quality Ratings, Key Indicators

	Best Practice	Fully Satisfactory	Satisfactory Overall	Marginally Satisfactory	Weak
Membership growth		√			
Savings Mobilisation			√		
Loans & delinquency trends			√		
Leadership skills and institutional quality			√		

3.1 Membership Growth

The impact of program activities on membership growth is **fully satisfactory**. All but 1 of the 5 CUs in the evaluation sample made significant progress in membership growth over the last 2 years. Evaluation respondents consistently attributed growth in membership to strategies introduced and/or supported by CUFA. The 1 CU that did not make progress is an exception to this rating due to the particular context rather than this program.

Quantitative data is used to measure performance in membership growth and savings mobilisation, and for identifying impact such as the rate of increase in membership. Qualitative data collected through in-field research informs analysis, using the following key indicators to measure the quality of applicable processes, strategies and regulations, including: joining fees; group demographics; open membership policy. This section clusters research findings and analysis in three parts: high performing groups, medium performing groups and low performing groups.

High Performing Groups

Hadiaras

Table IV: Membership Growth, 2011-13 [Hadiaras]

	2011	2012	2013	Increase %
Hadiaras	34	85	101	197

Hadiaras has experienced the most significant growth in total membership of all sampled CUs. The membership base has tripled since 2011. This high performance can be attributed to regular on-site monitoring and support provided by CUFA – 3 times per year – as well as the facilitation of training and networking opportunities in Dili. Evidence suggests CUFA's focus on developing administrative skills and instructions on how to distribute dividends has

had good impact in practice: evaluation respondents indicated they are confident in group administration, and there is a system in place for distributing interest gains among the group (described further, below). The speedy impacts of CUFA support may also be attributed to the existing capacities of committee members who are all waged professionals or engaged in businesses. Hadiaras has a highly active committee who have engaged in outreach activities in the local area including the use of radio media to promote the benefits of savings and membership. They understand the benefits of increased membership and actively promote growth. Evaluation respondents from Hadiaras identified the lack of an office as a limit to membership growth, explaining that potential members may not be joining due to trust issues linked to community perceptions arising from the conduct of deposit and loan activities in a private home.

The CU has a relatively privileged membership base and regulations related to joining fees have the effects of creating a barrier to membership growth whilst restricting access to the group for poorer members of the community. The demographic characteristics of the committee are reflected in the membership base which is comprised of community members who are relatively financially secure in relation to the rest of the population. The 65 dollar joining fee is beyond the capacity of many community members and this is reflected in the membership base: 64% of members are waged or engaged in business activities, whilst 18% are students and 18% are home workers. Students can join with a 20 dollar fee, and the home workers are likely to have a waged income source within the household evident by their ability to fulfil the 5 dollar compulsory monthly savings (discussed further, below). There is no strategy in place to support people to accumulate the required joining fee, and the committee was unable to articulate how non-waged persons – such as those engaged in agricultural livelihoods – would be able to pay the joining fee. The result of the current joining fee is that despite a significant growth in membership current regulations limit the scope of growth and ultimately this CU does not effectively improve access to finance for the rural poor.

Fini Naroman

Table V: Membership Growth, 2011-13 [Fini Naroman]

	2011	2012	2013	Increase %
Fini Naroman	239	285	454	89

Membership of Fini Naroman has grown significantly, particularly in the last twelve months with 169 new members joining. The majority of members are engaged in agriculture. Committee members are mainly teachers and public servants who understand the importance of membership growth for driving greater savings mobilisation. Membership is open and the committee indicated that many of the new members are children.

Both the committee and CUFA staff attributed the dramatic rise over the past year to an initiative established in March 2012 by CUFA in collaboration with Federation Hanai Malu. The project provides incentives for groups that meet targets for membership growth and

savings mobilisation.² Evaluation respondents expressed that this separately funded by linked project was the core motivation for recent membership growth, particularly the incentive-based award of a motorbike for fulfilling certain targets. There is some confusion and a lack of clarity about targets and rewards presents a risk to the working relationship between all parties and should be address in order to ensure further progress in membership growth. The Fini Naroman committee and CUFA staff have different understandings and expectations about achievements required to merit a reward. The committee believe they are entitled to a motorbike for gains made to date, and whilst they have not fully met the required target their understanding is they have which indicates they may not fully understand the incentive scheme. It will be necessary for this to be clarified with the committee, and in particular it may help to review project documentation then present and explain it again with any ambiguities addressed.

Medium Performing Groups

IHC

Table VI: Membership Growth, 2011-13 [IHC]

	2011	2012	2013	Increase %
IHC	72	81	106	47

IHC has experienced steady growth in membership with an increase of 47% over two years. The committee understand the benefits of increasing the membership base and practice an open membership policy. This CU was initially formed with a joining fee of 100 dollars but this was reduced to 35 dollars, in recognition that the high fee restricted access for many community members and limited group capacity for savings mobilisation. This figure includes an allocation to savings, administration, and investment in cooperative resources which has included the purchase of a safe. As part of an open membership policy, the group includes 35 child members who now represent one third of the total membership. The membership base is primarily comprised of people working in small scale agriculture and fisheries, as is the committee. The committee have received regular monitoring and support from CUFA, although on-sites visits – two per year – have occurred with less frequency than other groups in the evaluation sample. The committee is concerned that management and administration will increase as the membership grows more, and continued support will be required to help develop their capacity to manage increasing membership.

² The Credit Union Federation Member and Savings Mobilisation Project is linked to Credit Union Outreach activities but funded with CUFA core funds. This incentive-based project is designed to motivate credit unions to increase membership through the implementation of incentives for reaching targets. For example, a motorbike will be provided to support activities where a group has reached certain targets of membership level and average member savings. See project document: *CUFA (2012), Timor-Leste Credit Union Federation Member and Savings Mobilisation Project*

Dominhunhun

Table VI: Membership Growth, 2011-13 [Dominhunhun]

	2011	2012	2013	Increase %
Dominhunhun	119	157	187	57

Dominhunhun has had steady membership growth with an increase of 57% since 2011. There is an open membership policy that includes access to the group by children and students. Without exact figures on hand, evaluation respondents indicated the inclusion of youth has been a key driver of membership growth. Agriculture and fisheries are the primary livelihoods in the area and among the membership base. The CU joining fee is 24 dollars including an initial/principle saving, compulsory saving and a proportion for the administrative fund. The committee understand the importance of membership growth, with evaluation respondents indicating that they plan to expand operational reach to neighbouring sub-districts. The committee identified outreach activities as a strategy to realise this plan. Similar activities have been conducted by committee members within the community, including door to door outreach activities to disseminate knowledge about finances and raise the group profile. The loans function is said to have played a strong role in attracting new members. Committee members interviewed for this evaluation attributed the development of membership growth strategies to the on-site support provided by CUFA: three per year to date.

Low Performing Group

Daho

Table VII: Membership Growth, 2011-13 [Daho]

	2011	2012	2013	Increase %
Daho	87	87	87	0

Daho is the poorest performing of CUs in the evaluation sample: membership has remained stagnant for over two years. The CU does have a regulation for joining fees, which is 21.75 of which 5 is deducted for administration with the remainder going to savings. But no new member has entered since 2011. Evaluation respondents explained that they did not want more members in the group because it would increase the time burden, particularly the 'problems' that would require managing by the committee. Whilst these are legitimate concerns in any context, it may be that membership is restricted so as to restrict access to resources provided by another organisation (Australian friendship group) who are operational in this area and have provided external capital. This capital provided to members as loans and administered through the group yet possibly using a different bookkeeping system. It is beyond the scope of this evaluation to conduct further assessment but this anecdotally appears to be a likely scenario. The scenario does highlight the need for CUFA to coordinate with other agencies active in communities to ensure alignment of objectives and programming approaches.

3.2 Savings Mobilisation

Savings mobilisation has been **satisfactory overall**, with 4 of 5 CUs experiencing a significant increase in savings that is linked to membership growth. Average individual savings remain short of program targets but trends indicate further growth will come, and committees reported plans and strategies to further mobilise savings by increasing the level of compulsory deposits and engaging in enterprise activities. Many members are new and in some CUs roughly one third of members are children. So whilst the individual average savings is currently low there are indications this will increase in the medium and long term.

Quantitative data is used to measure performance in savings mobilisation, and for identifying impact: such as the rate of increase and levels of average individual savings. Qualitative data collected through in-field research informs analysis, using the following key indicators to measure the quality of applicable processes, strategies and regulations, including: compulsory savings regulations; regularity of and access to deposits; group demographics; applicable knowledge and capacities of committee members. Again in this section clusters the research findings are clustered in three parts: high performing groups, medium performing groups and low performing groups.

High Performing Groups

Hadiaras

TableIX: Savings Growth, 2011 – 2013 [Hadiaras]

Hadiaras	Dec. 2011	Jul. 2012	Feb/Mar 2013	% increase	Individual average ³
	2,763	7,589	8,415	205	83

As a result of membership growth, Hadiaras has also experienced a significant increase in savings mobilisation: of 205% from 2011 to present. This can be attributed to the relatively high joining fee and the relatively high level of compulsory monthly savings: 5 dollars monthly. Evaluation respondents reported that members do fulfil the compulsory savings requirements, assisted by some flexibility in the deposit plan: they can pay for three months or even one year retrospectively if they fall behind in payments due to a decreased cash flow, which can occur particularly for those with seasonal income. The data of total savings over the last three months verifies that most members are depositing compulsory savings on time. Another reason highlighted by evaluation respondents for late or less frequent deposits is that finances are organised from a private home which people may be reluctant to visit on a regular basis as opposed to if the group had an office.

³ Data collected during evaluation site visits and through a review of reporting. Average individual savings calculated by using the total savings amount last reported to the Federation and dividing the figure by the number of members.

Fini Naroman

Table X: Savings Growth, 2011 – 2013 [Fini Naroman]

	Dec. 2011	Jul. 2012	Feb. 2013	% increase	Individual average
Fini Naroman	16,414	22,041	43,256	166	95

Reported savings by Fini Naroman indicates significant growth, particularly in the past 18 months. In the 7 month period from January to July 2012, savings grew by 5,627 dollars. In the subsequent seven months of August 2012 to February 2013, savings grew by 21,215 dollars. The difference in the savings rate between these two periods is 15,588 dollars. This is a significant achievement which can be directly attributed to the increase in members motivated by the separate but linked incentives project. It is a particularly good achievement considering that the rate of compulsory savings is the relatively low two dollars per month.

Committee members indicated that the CUO representative assisted with the establishment of a scheme to support children to save by motivating them to buy their own safe to keep in the home, which they empty every three months at the savings bank. Exact figures of the number of children now members could not be disaggregated but the evaluation respondents indicated they represented a significant proportion of new members, between 30 and 45 per cent of the total. This case highlights the achievements that can be made when further incentives are provided to committee members and group outreach is extended to children and youth in the community. Another enabler for savings is that one committee member earns an allowance from group profits to manage finances and ensure people can deposit at the office every Monday, Wednesday and Saturday.

Significant gains in membership growth and savings mobilisation have been achieved with the provision of support and motivating incentives from CUFA. The framework of the separate incentive-based project delivers results but should be clarified now and then on an ongoing basis to keep momentum on track whilst importantly maintaining a constructive and sustainable relationship between this strong group with the federation and CUFA.

Medium Performing Groups

IHC

Table XI: Savings Growth, 2011 – 2013 [IHC]

	Aug. 2011	Jul. 2012	Mar. 2013	% increase	Individual average
IHC	3,890	5,293	7,076	82	67

The 47% membership growth rate has been matched by an increase in collective savings: 82% since 2011. With compulsory savings at three dollars per month, the savings of the group and average individuals remains moderate only with a steady increase. The committee recognises that group savings remain low and have put forward a proposal to increase compulsory savings to five dollars monthly. This is to be discussed and decided upon by members at the next AGM. In recognition of membership demographics, there is some flexibility in terms of when members can make deposits. If a member cannot pay in a given month they are able to meet the deficit in the following month or end of quarter. As

general practice the treasurer opens the books to receive deposits for the last three days of each and every month, which coincides with deadlines for loan applications.

Dominhunhun

Table XII: Savings Growth, 2011 – 2013 [Dominhunhun]

Dominhunhun	Dec. 2011	Aug. 2012	Feb/Mar 2013	% increase	Individual average
	14,152	19,200	22,390	58	125

Savings growth has increased at 58% in line with the 57% increase in membership growth since 2011. The monthly compulsory savings of 4 dollars is viewed by the committee as a figure that balances the financial capacity and circumstance of members with the desire to increase group capital and individual savings. Dominhunhun is located in a predominantly agricultural area and this is reflected in the membership base. As with other groups, the monthly compulsory saving is seen as a rate that must be achieved but there is some flexibility in when people actually deposit this. Some pay every quarter or even annually depending on variations in their income throughout the seasons. At present deposits are made at the treasurer's house when she is available to receive members.

Low Performing Group

Daho

Table XIII: Savings Growth, 2011 – 2013 [Daho]

Daho	Dec. 2011	Dec. 2012	Mar. 2013	% increase	Individual average
	5,601	5,601	5,880	5	68

Whilst evaluation respondents reported a two dollar compulsory monthly saving, data indicates that few people are making regular deposits. Stagnant savings is a reflection of the practice of closed membership, and an indication of poor savings habits. The committee indicated there is insufficient capital available in the group to provide loans, but do not appear to have put in place any strategies to increase capital for example by encouraging regular savings and increasing membership. Whilst the introduction of external capital is likely to have impacted upon these poor practices, the support from CUFA has been less frequent than other groups: with monitoring sheets indicating the average frequency of on-site support visits is only once per year.

3.3 Loan and Delinquency Trends

Management of loan delinquency is **satisfactory overall**. Four of the 5 sampled groups demonstrated good practices for reducing and managing loan delinquency. Overall, the evaluation sample indicates that groups have good practices for managing loans and limiting delinquency in line with the support provided by CUFA. The new practice of inter-lending as overseen by the Federation should be monitored to ensure support can be provided if required to manage it appropriately: as in the case of Dominhunhun. Different philosophies about savings and credit groups, particularly the provision of outside capital, can be seen to undermine the social obligation to repay loans and the ability of committees to effectively manage delinquency. This will require monitoring and may necessitate increased communication and coordination with other development actors working in communities with a CUFA presence.

Group performance in the management of loans and delinquency is measured by the loan application process that is in place as well as the way/s in which delinquent loans are managed. Analysis relies upon qualitative data collected from evaluation respondents, as quantitative time-comparative data is limited. The following indicators have been used: use of good loans application process including consideration of credit history; incidence of delinquency; and process for managing delinquent loans.

Box I: Interest System

Credit Unions in Timor-Leste use the model of interest gains mandated by the National Cooperatives Department. This process is used by groups in the evaluation sample, and is best translated as the '3% decreasing' system.

The interest rate is 3% per month, first calculated as a proportion of the total and then reflecting 3% of money to be repaid with each subsequent repayment. For a \$100 loan repaid on schedule over four months, the total interest on the initial loan would be 7.5%. See example table, below.

Table XIV: 3% decreasing system of repayment

Repayment Cycle on a \$100 loan			
	Principle repaid	Interest paid	Loan balance
First month	\$25	\$3	\$75
Second month	\$25	\$2.25	\$50
Third month	\$25	\$1.50	\$25
Final month	\$25	0.75	\$0
<i>Total</i>	<i>\$100</i>	<i>7.50</i>	-

Hadiaras

Hadiaras demonstrate a good loan management process with appropriate penalties for late repayments. The purpose of loans can include: education costs; business and enterprise; basic needs; and cultural festivals (although a loan has not yet been granted for this). Loans are open to all adult members except for younger students, for whom the group is only

open for savings. A loan applicant must complete a form in which they complete information about the size, purpose and repayment plan. The committee decides on the application, and takes into account the applicant's income and credit history. Loan limits may be increased for members who have demonstrated they can make on-time repayments. Sometimes loan repayments are made late, and in these instances additional interest is imposed as a fine. No member has been denied a loan, but when repayments are late applications can be postponed as the group has a high proportion of its capital on loan at any given time.

Fini Naroman

Fini Naroman have a sound process for loan application and managing delinquency. Loans available to members may be for three purposes: productive; consumption/welfare; and emergency. Loan applicants must complete a form that includes the amount requested, purpose and proposed repayment timeframe. In considering the application, the committee takes into account the member's level of savings and their ability to make timely repayment. The committee decides on the issuing of loans whilst the process is overseen by the manager. In cases of late payment, a letter is issued to the member requesting immediate payment. Where required, collectors visit the member in the home, field or garden to chase repayment. All committee members serve as collectors, as do 18 designated members. The committee indicated that whilst late repayment is sometimes an issue, members do eventually repay the loan in full.

IHC

Members of IHC have a three day period at each month end in which they can request a loan by submitting an application with the committee. Loans are most commonly used to support children's education, and are also taken for small enterprise activities such as buying and selling produce. The credit committee decides on the loan details, with consideration given to the applicant's income and the amount of group capital available. Sometimes the amount of the loan is reduced based upon these factors. Emergency loans can be approved and released by the committee at any time yet must be paid back within one month. There is a cash pool set aside to enable this. Committee members indicated the delinquency rate is low, perhaps assisted by a group regulation that imposes a financial penalty in line with the interest rate for each day late.

Dominhunhun

The Dominhunhun committee have an effective process for managing loans and limiting delinquency. Applicants must have an interview with the credit committee after which their application is assessed. Consideration is given to their income, number of children, monthly expenses, the loan purpose and their ability to repay. Education is the main purpose of loan applications, and some members have used this facility to support children studying abroad within the region. Others have used the loans for enterprise activities and home improvements. The loan limit varies depending upon the applicant's income and credit history and loans can be issued for anything between 50 and 2000 dollars. Evaluation respondents from the committee indicated that loan delinquency was low. Where loans are delinquent, a letter is issued requesting prompt payment. One of the committee members is

responsible for collecting delinquent loans and will visit the member with the frequency required to reclaim the money owed – which is said to be an effective mechanism. In November 2012 the group loaned 2000 dollars from the Federation in order to be able to increase the capacity to provide member loans. The committee indicated they will return this to the inter-lending fund in May 2013. As this is the first occasion this has been done, it would be worth monitoring to ensure this process is managed effectively.

Daho

The Daho group experience a high delinquency rate despite reporting to have a good loan application process. There is a credit committee which makes decisions on loans based upon the applicant's savings, ability to pay back the loan and their credit history. Loans are most often used for paying school fees, making home improvements, small enterprise activities and agriculture. Some savings are kept in cash for emergency loans. In the case of delinquent loans, the interest to be repaid increases and committee members go to the home of the member to encourage them to return the loan. Evaluation respondents from the Daho committee indicated that some members – whose loans are delinquent – do not take responsibility for their debt and may not be interested in keeping the trust of others in the group. This may be an indication that there are members that do not feel a social obligation to repay loans. In CUFA's experience this occurs in cases in which outside capital is provided to savings and loans groups, meaning that loans are derived from the money of others rather than individual members. Thus the social obligation to pay back is eroded. Despite good loan processes on paper, Daho's experience of high delinquency likely results from a mix of limited institutional quality and the introduction of operational models and external capital that are inconsistent with cooperative and credit union principles.

3.4 Leadership Skills and Institutional Quality

Progress toward the development of leadership skills and institutional quality is **satisfactory overall**. In most instances credit union committees demonstrated good levels of institutional quality based upon the indicators below. There remains scope for improvement particularly in financial and organisational skills which will be placed under greater pressure as CUs continue to grow in both membership and savings. Some CUs in particular will require ongoing support to ensure they can meet these challenges.

The following indicators were used to measure leadership skills institutional quality: leadership demographics; roles and responsibilities of committee members; regularity and agenda of AGM; distribution of interest gains/dividends; decision making practices; organisational and administrative capacity; and regularity in reporting to the Federation.

Hadiaras

The Hadiaras committee is comprised of teachers, public servants and small business owners who each have different roles and responsibilities in group governance. Decision making is mainly restricted to the eleven members of the committee, who are all voluntary and meet quarterly. Some committee members engage in outreach activities which have included group promotion on local radio. An AGM is held each year and this is the one meeting attended by the wider membership. Information is shared about activities and

membership growth strategies in addition to the status of loans and savings. Dividends are not paid to members although the evaluation respondents reported that interest earned throughout the year was added to member savings. Only one example was given of members participating in decision making, which was the choice to lower the member joining fee for students. Organisation, bookkeeping and administration are well executed and evaluation respondents attributed these competencies to support provided by CUFA. In terms of monthly reporting, the committee indicated they do send regular reports but have not since December 2012 because the responsible committee member has gone abroad. They may not have the capacity or time to continue this task, or it may just be that the responsibility has not been effectively reallocated. The committee raised the lack of an office as a barrier to institutional capacity because they don't have a formal place to work and meet. Overall the institutional capacity of the committee appears reasonably strong and influenced by CUFA support. They do appear to need further encouragement to have an open membership policy and may now require further support for reporting to the Federation.

Fini Naroman

The committee of Fini Naroman is largely comprised of teachers and public servants. They have separately defined roles and responsibilities, and are all voluntary except for a manager who receives an allowance for time invested in overseeing deposits and loans. The committee have quarterly meetings; also conducting ad hoc meetings as required. The committee appears to be the sole mechanism for decision making, for example the decision to pay an allowance to the manager. The AGM is the only meeting attended by regular members, in which the committee reports on the status of finances and plans for the year ahead. Based upon regulations, dividends are paid at the AGM. Evaluation respondents indicated that most members use this to top-up their savings. The group rent an office space from government which is used to receive deposits and loan applications 3 days per week. The committee indicated they report to the Federation every month – with February 2013 being the last report and March 2013 awaiting the President's signature. The committee is dedicated and strong in organisational capacity. An area they identified for further support and improvement is in the area of enterprise and cooperative activities. Cooperative education something the committee reported they would like the group to engage in.

IHC

The IHC committee has women and men with different roles and responsibilities. It is half comprised of waged members with the other half of members engaged in agriculture and fisheries. The entirely voluntary committee meet monthly whilst members meet every quarter and annually at the AGM. The last AGM was in 2011 and the following is scheduled for April 2013 to discuss the 2012 calendar year. A proposal to increase compulsory monthly savings from 3 to 5 dollars will be considered and decided upon by members. Up until now, dividends have not been shared with members and this is on the agenda for discussion at the upcoming AGM. Decisions regarding regulations are made by the membership base with support from the committee. The committee is responsible for deciding the use of administrative and cooperative funds gained from member joining fees. They have used

these for good purposes such as the purchase of a safe in which to hold savings not out on loan. The IHC committee appears strong in terms of leadership skills but there remains scope for improvement of institutional quality which is mainly related to the capacities and confidence to manage finances and cooperative activities.

Evaluation respondents reported that IHC had been approached by the local school to participate in the Government schools feeding program. This would be an opportunity to invest in cooperative enterprise to provide meals to students in the community and earn profit for the group. However the committee indicated that at present they lack the confidence in their ability to manage and invest member resources to engage in cooperative activities. Limited capacities and financial confidence are also challenges the committee faces as membership and savings increase. The group wish to expand into more villages, but lack confidence in their ability to manage a bigger membership base. Further support in financial and organisational administration will be required to strengthen institutional quality and ensure trends in membership and savings growth continue. At present this group is not a member of the Federation.

Dominhunhun

The committee of Dominhunhun appears to be active and committed to institutional quality. They meet every one to three months. All conceptualise their work as volunteerism however they do use 20 per cent of annual interest to compensate for their investment of time. Evaluation respondents reported that most of this small allowance is allocated to the treasurer who invests the most time and work in the group. All key decision making reportedly includes members and takes place at the AGM, which happens every year but can take place a few months after the calendar year end as other activities take precedent (the 2012 AGM took place in April 2013). AGM agendas typically include presentation of a financial report to members, any required discussion regarding composition of the committee, action planning for the year ahead and distribution of dividends. Many members add their dividend toward savings whilst others withdraw the amount for consumption, productive activities or home improvements. Members receive 60% of dividends, whilst 20% goes toward administration including the committee allowance and the remaining 20% is a community development fund that may be used to support vulnerable members, pay for church and social activities, etc. Evaluation respondents indicated they understand the links between member growth and savings mobilisation, and discussed plans to increase the membership and reach of the group through outreach to other villages.

Evaluation respondents on the elected committee indicated that they are thinking about standing down from their roles to create space for other members to occupy positions on the committee. There may be a plan to raise this at the AGM in 2014. Based upon an analysis of interviews it appears there are two concerns here: 1) that committee members are feeling pressure from outside authorities at national level, possibly relevant government departments, because the committee is comprised of public servants and thus not representative of its farmer and fisherfolk constituency; and 2) some committee members are feeling pressure from within the community related to social jealousy and related issues. Addressing either of these issues, whatever the issues, is a challenge. A change in leadership would likely have a significant impact upon the institutional quality of the group

and may undermine its successes to date – in terms of decreased capacity and the loss of important relationships of trust built between the current committee and the member base. Future assistance to this group should look to identify the issues at play and as possible support the committee to design sustainable strategies to address their concerns. One issue in particular that may be related is that the group do not have an office, with deposits and loans being processed in the house of two committee members. This was an issue raised by the committee and there may be scope to give assistance in how to reach their objective of having an office from which to coordinate operations and separate the group from possible perceptions that it is linked to the families of certain leaders rather than the wider community.

Daho

Like its members, the Daho committee is comprised of women and men engaged in agricultural livelihood activities. Member of the committee have different roles and responsibilities and meet fortnightly, with an AGM taking place at the end of each calendar year; most recently on 30 December 2012. Members come together each month to process loans and deposits. Information about finances and activities is shared with members at the AGM. Committee members explained that members have the right to this information, indicating an understanding of institutional transparency. However the evaluation respondents could not give any examples of regular members participating in decision making. They explained this was due to limited knowledge within the membership base. Key decisions such as setting the interest rate appear to be taken by the committee, outside the AGM mechanism. To date dividends have not been distributed and evaluation respondents demonstrated limited understanding of this concept, although they expressed a desire to learn more about how to divide interest gained from loans. They expressed that further support was required in financial administration and bookkeeping, particularly accounting. The last report submitted to the Federation was over one year ago – March 2012 – which indicates, perhaps among other things, that the committee does not have the capacity or motivation to lodge. On-site support visits from CUFA have been limited during this time.

Overall the institutional capacity of Daho is weak. The group does not practice credit union principles of open membership and inclusive decision making, and savings data indicates that members are not depositing the monthly compulsory savings. Evaluation respondents indicated that members save and loan their own money however informal and anecdotal evidence collected outside the formal group interviews suggests this group is low functioning and may be using a separate ledger/book to issue loans to group members using capital donated from an external source. Without this being reported and with no oversight of these activities by CUFA or the Federation it is not possible to determine the way this capital is being distributed and how benefits of this loans facility are being shared within the group or wider community. It may be that this group is close to collapse or has already collapsed in terms of its activities as a credit union.

3.5 Federation Representation

As per the project plan, CUFA support to groups in Timor-Leste is undertaken on behalf of the Federation of credit unions: Hanai Malu. Monitoring data and evaluation respondents indicates this support is producing significant results in most cases and support is considered valuable by Federation members. The impact has been improved savings habits and access to loans for all members of savings groups. Overall impact is greater for groups where on-site support has had the greatest frequency. The relationship between groups and the Federation is weaker when support has been less frequent and organisational capacity is lower.

All 5 sampled groups have representatives who have participated in Federation activities, such as the AGM, workshops, and trainings – all conducted at the Federation office in Dili in coordination with CUFA. Medium and high performing groups (4) all identified benefits of Federation membership, including: facilitation of opportunities to share experiences with other groups, particularly high performing groups; development of solidarity through working together across districts; the presence of a representative body to advocate collective needs to government; and access to increased capital to provide loans to members through the Federation's inter-lending facility.

Of the 4 medium to high performing CUs, 3 have a strong ongoing relationship with the Federation and submit financial reports on a monthly basis: Hاديaras, Fini Naroman and Dominhunhun. These reports are sometimes submitted late due to logistical challenges and responsible committee members travelling or being otherwise busy, however in the case of the 3 aforementioned groups all had submitted a monthly report within the last three months. This indicates that the submission of monthly reports is now within the capacity of medium and high performing groups. Evaluation respondents indicated that CUFA support had been a significant enabler for this through the provision of on-site or telephone support and by logistical assistance – CUFA staff collecting reports whilst passing through their district. There is a link between institutional quality and the regular submission of reports, with 2 of the 3 regularly reporting CUs in a strong position to manage finances and provide small allowances to certain committee members involved in managing financial and reporting activities.

The 2 CUs with weaker capacities and confidence in reporting are currently not providing financial reports to the Federation. IHC is still in the process to become a Federation member and have not yet paid their joining fees. The committee recognises the benefits of having a federation but expressed that they would like to continue 'walking independently'. There appeared to be some hesitations with joining the Federation and it may be that this is connected to the current limitations in the capacities and confidence of the committee to manage increased finances and workload. They did submit a report to the Federation once in 2012 but found it difficult and this may explain the slow progress toward joining the Federation. The case of other CUs indicates that support provided by CUFA has enabled many groups to submit reports on a regular basis. Targeted assistance to the Hاديaras committee in reporting may support the group to gain the capacity and confidence to meet the reporting requirements of Federation membership. In the case of Daho, the last report to the Federation was submitted over 12 months ago and there appear to be few links with

the Federation in Dili. This can be explained by the low institutional quality of the CU, and possibly also the relatively low number of CUFA on-site support visits provided.

In summary regarding reporting difficulties, the monthly reporting could be a barrier to full membership and participation in the Federation when it is poorly understood due to a lack of confidence and capacities among those responsible for its preparation. Where there is already the perception of reporting being a time burden for volunteer committee members, this is only exacerbated when the format is not fully understood – as appears to be the case with IHC. Groups with low institutional capacities will require further support in reporting to enable them to be active Federation members. Evidence suggests monthly reporting can be achieved when CUs have improved capacity and confidence to do so.

As is evident throughout the evaluation findings, overall support provided on behalf of the Federation is valued by CU committees and is having success in developing the capacities, practices and impact of CUs. Although on-site support is provided by CUFA on behalf of the Federation, interviews with evaluation respondents indicate that this model of implementation is poorly understood. The main perception of groups is that on-site support is a function of CUFA that is altogether separate from the Federation mandate and activities. Various factors contribute to this perception, including: historical support provided to groups by CUFA-branded staff; Federation representatives employed by CUFA being active in other CUFA programs such as VE and the Savings Mobilisation project; and changes in the implementation model not being explained or reinforced to group committees. Asked about their satisfaction with the provision of support from different bodies, evaluation respondents consistently reported that 'CUFA' support has been the most valuable and effective of all the relevant agencies – largely due to on-site visits and the availability of the program officer to respond to requests for assistance. Re-branding activities or a restructuring of the way assistance is provided or housed may be required in order to change perceptions of CUs and strengthen the perceived and real mandate of the Federation as a provider of member services.

3.6 Cross-Cutting Participation Issues

3.6.1 Gender

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 monitors all CUFA programs to ensure effective compliance with this principle.

Based upon available data in the evaluation sample group, women's inclusion in savings group activities is **fully satisfactory**. Participation rates represented by member numbers are gender balanced. By taking the attendance of committee members at evaluation group interviews as representative, numbers indicates that women also play important functions as decision makers on savings bank committees.

Table XVII: Gendered Membership Ratio for Sample Groups [percentage]

Group	%			
	Regular Members		Committee Members ⁴	
	Women	Men	Women	Men
Hadiaras	65	35	67	33
Daho	51	49	62	38
IHC	44	56	50	50
Fini Naroman	-	-	29	71
Dominhunhun	44	56	71	29
Total Proportion	48%	52%	54%	46%

3.6.2 Disability

At present, disability inclusion for this program is **marginally satisfactory**. Whilst good progress is been made to incorporate disability inclusion into CUFA's other core program (Credit Union Development) the reach of these activities has not yet extended to the CUO program. CUFA's Disability Inclusion Officer – based in Cambodia – has made two visits to Timor-Leste to socialise these new inclusion strategy with CUFA staff. However key program staff associated with the CUO program did not participate and Federation member staff were not invited. Relevant information has not been disseminated to the Federation nor its member savings banks, and there is not yet disaggregated data to indicate levels of participation for people with disabilities. In future this can be addressed by extending the reach of CUFA's disability inclusion strategy to CUO programming.

⁴ Based upon turnout of committee members for group interviews at evaluation sample sites

3.7 Quality Assessment

Table XV: Program Quality Ratings, Overview

	Best Practice	Fully Satisfactory	Satisfactory Overall	Marginally Satisfactory	Weak
Relevance		√			
Efficiency			√		
Effectiveness			√		
Sustainability			√		

Relevance

Appropriateness of CUO program objectives and activity designs are **fully satisfactory**.

Evaluation respondents verified that credit unions are an important mechanism to increase access to financial inclusion. Increased access to loans was widely cited as a key benefit of credit unions within the evaluation sample. Committee members were able to describe the benefits of lower interest rates and the community development function of increasing group savings, particularly in areas which have a higher MFI presence (Viqueque and Baucau). The facilitation of regular savings was the other core benefit of credit unions as cited by participants in group interviews. Key impacts of credit union membership as cited by program beneficiaries were the ability to support children's schooling, create a savings mechanism to support their child's development, and having access to loans in an emergency which come with a lower rate of interest which then stays in the community.

Support provided by CUFA on behalf of the Federation was consistently referred to by evaluation respondents as valuable, relevant and appropriate. The specific program focus on membership growth and savings mobilisation is validated by significant gains in both areas over the period 2011-13. Technical support on the management of loan applications minimises delinquency trends which are overall low across the evaluation sample. The majority of sampled credit unions demonstrate the key components of institutional quality and they continue to request and receive support with management, particularly relating to finances and reporting. The medium performing groups particularly emphasised the relevance of support provided through the CUO program, as a means to develop the operational sustainability of their credit unions.

Efficiency

The efficiency of project activities is **satisfactory overall**, having been managed in a professional manner and providing value for money. The provision of support has been granted with some flexibility, and there is scope for improvement in terms of increasing the frequency of on-site visits to lower performing credit unions.

Table XVI: Number of CUFA support visits, 2011 – March 2013

Group	2011	2012	2013 (1st quarter)	Total visits	Overall performance
Hadiaras	3	3	-	6	High
Daho	2	1	1	3	Low
IHC	2	2	-	4	Medium
Fini Naroman	3	3	-	6	High
Dominhunhun	3	3	-	6	Medium

Program reach is impressive given the relatively limited input of one full time officer who is responsible for conducting on-site visits across the districts. Committee members interviewed expressed overall satisfaction with the model of support. A number of CUs indicated that they have also telephoned for support when it is required, for example to enquire about a reporting issue. In all instances their requests were reportedly handled in an effective and timely manner. In addition to on-site visits, the ability to call for over-the-phone support was viewed by some committee members as a key function of effective support.

Credit unions received an average of 2 to 3 support visits per year. The evaluation sample does indicate a correlation between the number of support visits and overall CU performance. This could show that more visits leads to higher performance, or it may simply indicate a bias toward providing support to high performing CUs. The efficiency of support activities could be further strengthened by allocating more time to low and medium performing CUs, as appropriate. For example, IHC requires support in a number of areas but have received less on-site visits than most other CUs in the evaluation sample. On the other hand, Hadiaras had 3 visits per year over 2011-13 but have stronger institutional capacity than IHC and mostly limit their membership to waged community members. When prioritising credit unions for support in future, consideration may be given to the needs of committees and the potential for support activities to increase financial inclusion.

2 of the 5 committees raised issues with the evaluation team regarding separate CUFA projects conducted separately but linked to the BIC program: Savings Mobilisation Project; and the Village Entrepreneur Program. In both instances, there seemed to be a lack of clarity about the roles and responsibilities of different CUFA staff members as well as the purpose of each program and its activities. It should be noted that this could be a reflection of communication gaps within the committee rather than any deficiencies on the part of CUFA. Both initiatives mentioned involve the donation of goods or finance to support financial inclusion activities. There appear to be misunderstandings on part of the credit union committees, particularly Fini Naroman, regarding the specifics of these programs. Whilst these issues are outside the scope of this evaluation they may be impacting upon the efficiency of delivering assistance to credit unions as well as the relationship between CUFA and committees. Therefore greater clarity or a reinforcement of project conditions should be considered in order to manage any potential risks to gains made to date through the CUO project.

Effectiveness

Program effectiveness is **satisfactory overall**. The implementation of support activities has contributed to demonstrated results, particularly in terms of membership growth and savings mobilisation. Scope remains to strengthen the Federation profile.

Whilst support provided to credit unions has had varying degrees of success the overall impact is good progress toward stronger CUs. Membership growth and savings mobilisation is significant; loan and delinquency management processes are working effectively; and most CUs have at least the structure conducive to institutional quality even if they require further support with financial management. 4 of the 5 groups indicated significant attribution toward the on-site support for the gains made to date in all these areas.

Whilst support has been effective and valued by credit unions, the approach of CUFA providing support on behalf of the Federation is less well understood by CU committees. These partner organisations are still perceived by CU leaders as distinct entities and the support services provided through the CUO program are understood as coming exclusively from CUFA. To aid further progress toward raising the profile of the Federation as a provider of member services it may be necessary to reconsider the way in which these services are presented in order to accord higher visibility to the Federation and perhaps integrate on-site support as one of their core functions.

Sustainability

The sustainability of CUO activities is **satisfactory overall**, with support to credit unions effectively developing their institutional sustainability and growing the movement through increasing membership numbers, including through inclusion of children and students. Greater promotion of these activities as part of the Federation's mandate may further strengthen sustainability of this peak body and the movement as a whole.

As indicated in the evaluation findings relating to individual CUs, the CUO program is effectively supporting the development of sustainable credit unions. CUs are ensuring their sustainability by opening membership to children, and developing the movement by seeking to reach out toward neighbouring areas. Committees recognise that progress brings with it new challenges. Some key evaluation respondents indicated concerns about their capacity to manage finances and administration as workloads increase in line with growing membership and capital. Support activities will need to continue and adapt to changes if gains made to date are to be sustainable in the medium to long term.

As per CUFA's project approach the services delivered through the CUO program are provided on behalf of the Federation. However as indicated in this evaluation there is a perception among Federation members that current support activities are delivered by CUFA, which is commonly understood as an entity separate to the Federation. The support functions provided on behalf of the Federation are not yet understood as part of its mandate. Thus in terms of CUFA's sustainability plan and program approach in Timor-Leste, it may be pertinent to reassess the framing of support to CUs in order to identify a strategy to better integrate member support services into the core business of the Federation and the way it is perceived by its members.

3.8 Concluding Remarks

The evaluation sample indicates that CUFA's CUO program is having a tangible impact on the development of individual credit unions in Timor-Leste. From 2011 to 2013 significant gains have been made in membership growth and savings mobilisation. CUs will require ongoing support to maintain this momentum and translate growth into higher levels of average individual savings. CUs in the sample have good processes in place for the management of loans and in 4 of the 5 groups these are consistently followed resulting in low loan delinquency rates. The recent inter-lending scheme of Federation Hanai Malu has increased access to credit in some cases and should be monitored through CUO to ensure its effective implementation. All sampled CUs have a governance structure with regular AGMs and clearly defined roles and responsibilities for committee members. Evaluation respondents indicated that ongoing support will be required to develop the capacities and confidence of committee members to effectively manage their CU. Financial and administrative management are priority needs and it will be particularly important that support is targeted to ensure committees have the capacity and confidence to manage growth in membership, savings and cooperative activities. Overall, there has been a significant increase in access to financial services in 80% of the sample areas.

Evaluation respondents consistently reported satisfaction with CUO program activities and attributed credit union gains to the provision of on-site support. Program impact is most significant where on-site support visits are of greater frequency. Future support should be prioritised toward CUs with an active committee and poor constituency – such as IHC – to increase the impact of program activities on improving access to finance among rural poor. Groups that do not practice an open membership policy – such as Hadiaras – should be encouraged to do so. As is possible efforts should be made to coordinate with other NGOs working with CUs to ensure their approach is consistent with growth and sustainability, for example in cases such as the Daho CU. Where CUFA supports other initiatives – such as with the Fini Naroman CU – those activity plans and objectives should be clearly explained and consistently reinforced to ensure CU committees understand the different programs. This will maintain the trust of CUs and support the strengthening of relationships with them.

Many CUs continue to be administered from a private home. Committee members at all sites emphasised the importance of having an office for practical reasons and just as importantly to create an institutional identity separate from its individual leaders. This was consistently said to be important in order to maintain trust among members and develop trust in the community and among potential members. Based upon this feedback it may be appropriate to consider what support – strategic, material or otherwise – may be provided to this ends.

Finally, the findings of this report suggest that CUFA should consider reviewing the delivery of support services to further develop the profile of the Federation and the CU movement in Timor-Leste. Evaluation respondents shared a perception that support services were being provided directly by CUFA as an entity separate to the Federation, rather than on its behalf. Some change will be required to further integrate CUO activities within the Federation so that member support services are perceived by all parties as constituting part of its core business. Any alterations to the mode of support would need to be clearly communicated to CUs and should seek to capitalise upon the trust and confidence they already have in CUFA.

4.0 Appendices

4.1 Appendix 1: Group Interview Questions (Savings Bank Committee)

CUO EVALUATION – GROUP INTERVIEW WITH COMMITTEE MEMBERS	
Group Name, Location & Interview Date:	
Basic Data	
1. In what year was your group formed? 2. How/why was your group formed? 3. Who are members of this group? (eg. this aldeia, subdistrict, people in Dili?) 4. How long have you been a member of _____ federation? 5. When did the group first receive CUFA support?	
Membership Growth, Savings Mobilisation and Lending	
6. Who can become a member of the group? a) Young people? b) Children?	
7. How does someone become a member of the group?	
8. How many members does the group have? a) Do you want more members or not? Why? b) Has your membership grown? Why/how? c) What do you think is the impact of having (more/less/stagnant) membership?	
9. Do all members make savings contributions? a) When can they deposit savings? (eg. weekly, monthly, annually, anytime) b) How? (eg. at meeting, office, collection, committee member's house) c) Are savings important... why? d) Are there any obstacles to increasing savings? (eg. trust, income, loan delinquency) e) Are there any special collections, apart from the regular contributions by members? (eg. savings fund for new year) f) Does your group receive savings contributions or loans from anywhere else? (eg. shared community resources, banks or NGOs)	
10. Do you offer loans to members? a) What do people take loans for? b) Does anyone take loans for business purposes? Is any special process required to take this type of loan? (eg. basic business plan) c) What percentage of your savings pool is in currently on loan? (eg. for every \$100 of group savings, how much is held by the treasurer and how much is on loan) d) Do loans have a benefit for the community?	
Financial Management and Loan Delinquency	
11. How do members apply for a loan? a) Do you have a process? What is it? Is it documented? b) Is this process always followed, or can there be exceptions (eg. emergencies)	

<ul style="list-style-type: none"> c) Who does a person submit their application to? Can some need/receive assistance with the process? d) Is there a loans limit? Is it the same for everyone, or different depending on the person and their application? e) Who reviews the application, and who makes the decision? f) Can committee members take loans? Who reviews their loan application? g) Has a member ever been unsuccessful in requesting a loan? What was the context? 	
<p>12. What is the loan delinquency rate?</p> <ul style="list-style-type: none"> a) How do you know when people are late returning loans? (eg. delinquency register, bookkeeping... what bookkeeping do you have? Register? Passbooks?) b) Why are some people delinquent? What type of people might have difficulty or be slow paying back their loans? c) Has this changed over time? d) What is the process to reclaim the debt? e) If applicable, how could you be supported to decrease delinquency? 	
Governance and Leadership	
<p>13. There are many different names for groups that save money and provide loans... what do you call your group/what do you identify as? (eg. cooperative, credit union, self-help group, savings group)?</p>	
<p>14. Who owns the group? (Eg. committee, whole community, group members)</p>	
<p>15. Who manages the group?</p> <ul style="list-style-type: none"> a) Is there a committee and/or board? b) Who is on the committee/board? c) Has the composition of the committee and board ever changed? How did it change (& why...)? 	
<p>16. How was the committee/board formed?</p> <ul style="list-style-type: none"> a) Why were you motivated to volunteer? (ie. are they a leader or person of eminence; or do they have relevant skills...) 	
<p>17. How often does your committee meet? (eg. weekly, monthly, adhoc, yearly)</p> <ul style="list-style-type: none"> a) Do members ever join meetings? (ie do you have member meetings?) b) Do many members join these meetings? Why do they/don't they? c) What kind of things are discussed? d) Does anyone keep meeting minutes? e) How can members participate in decision-making processes? Any examples? f) Is anyone employed or paid to assist with administration and management of the group? 	

Gender	
<p>18. Do both men and women take loans?</p> <p>a) In a family, do both husband and wife have to agree to take a loan together – or can a husband or wife take a loan independently? (any examples of this?)</p> <p>b) What proportion of loans might be taken by women?</p>	
Support Needs	
<p>19. Have you or members participated in:</p> <p>a) A CUFA training in Dili</p> <p>b) In-field support visits by CUFA staff?</p>	
<p>20. Have you learnt anything from CUFA? What?</p>	
<p>21. Has your federation Hanai Malu provided your group with any support? What? Do they ever visit you or attend meetings (eg. AGM)?</p>	
<p>22. What vision do you have for your group, in the future?</p>	
<p>23. How could CUFA and/or the Federation continue to support your group in future?</p>	