

V. Micro-Credit Capital Assistance

1. Overview

Micro-credit is provided to the poor, particularly women, who are excluded from financing by private banks because they have no means of securing their loans. These limited amounts of unsecured credit allow the poor to secure and improve their means of production and increase their income. Assistance is provided in the form of funds to Japanese NGOs which have experience in dealing with micro-credit capital assistance on the ground, and the NGO uses the funds to provide small, unsecured loans to the poorest people.

2. Target Countries

This assistance will be implemented to developing countries where it is deemed that implementation is appropriate, bearing in mind the following points:

- (1) Is there a large demand for micro-credit?
- (2) Is there an implementing organization capable of distributing funds for capital assistance?
- (3) Can it be said that the main donors are implementing micro-credit assistance, which is having a positive effect?

(4) Is the situation such that micro-credit assistance through Grant Assistance for Japanese NGO Projects will have a significant effect?

3. Eligible NGOs

(1) NGOs eligible for micro-credit assistance are those that have already fulfilled the conditions laid out above for assistance for development cooperation projects (refer to I. 7(1)) and must also be organizations with experience of dealing with micro-credit (organizations new to implementing micro-credit will not be eligible for assistance).

(2) The following will be considered when choosing NGOs for assistance:

(A) Structure of implementing organization

(i) Does it fulfill conditions that would enable efficient and robust management?

(implementation experience of micro-credit for more than the past three years)

(ii) Is it engaging in accurate information management?

(iii) Does it have an implementing structure that can effectively handle small-scale finances?

(iv) Is there a capacity to produce financial reports? (reporting capacity as a result of regular monitoring)

(B) Quality of service content

(i) Does it target persons who ordinarily have little access to financing options, such as

the poor?

(ii) Is the end user being paid due attention? (For small scale financing, are measures in place that enable simple and swift responses, while promoting repayments through joint liability and other means?)

(iii) Are there expansion plans to respond quickly and effectively to customer needs?

(C) Financial circumstances

(i) Can interest rates on loans cover management expenses?

(ii) Are there few arrears and bad loans? (more than 95% recovered loans over the past three years)

(iii) Is there low dependence on subsidies and assistance from donors?

(3) The objective of the micro-credit should be to contribute to securing and improving the production means of the poor and to reduce poverty through raising income, etc.

However, organizations financing projects aimed at illegal or immoral activities shall be exempt.

4. Limit of Assistance

One project shall have an upper limit of 20 million yen.

5. Provision of Funds

After the conclusion of a grant contract (G/C) funds shall be provided to the implementing organization not in one installment of the maximum amount, but to ensure appropriate use of funds, half of the full amount shall be provided. The remaining half shall be provided based on the judgment of the JODM, in principle six months after the first payment and before the end of the fiscal year, after a report on the use of the funds by the implementing organization and a report of an external accounting audit have been submitted.

6. Utilization of Funds

The use of funds provided for micro-credit capital shall in principle be for the capital of this scheme. However, in the case that there are sufficient reasons, expenses related to guidance for residents, employment of local staff, and project management could be also included in the funds provided. Interest income can be used by the implementing organization to achieve the goal of the project, and the organization is required to report the result to the JODM.

7. Ensuring Appropriate Use of Funds

(1) In principle, the implementing organization shall submit itself for external accounting audit at least once a year. And it shall also submit a report to the JODM

concerning the use of the funds, at least once every three months for the first two years after receiving funds, then at least once a year from the third year onward for the next three years, and on the request of the JODM thereafter.

(2) In the case that the implementing organization does not submit itself for external accounting audit by a reliable external auditor, the JODM shall commission an external auditing body to conduct an audit at least once every six months for a period of two years after the first disbursement of funds.

(3) Reports as detailed in (1) and (2) above should include the following details:

(A) Financing situation

(i) Number of loans and total amount provided within the implementation period

(ii) Circumstances of loans in arrears

(B) Circumstances concerning interest rates

(i) Interest rates on loans

(C) Income

(i) Interest income

(ii) Income from investment and the projects

(iii) Income from non-project activities

(iv) Donations (for project expenditure or capital assistance)

(v) Total income

(D) Expenditure

(i) Personnel costs

(ii) Management costs including office rental

(iii) Total amount of outstanding loans

(iv) Non-project expenditure

(v) Total expenditure

(4) In the event that the funds are not used appropriately in accordance with their objectives, the return of the funds will be demanded.

8. Further Provision of Funds

After over two years, in the case that it is confirmed that the funds provided for micro-credit capital as part of the Grant Assistance for Japanese NGO Projects have been utilized appropriately and have had the desired effect based upon status of funds reports provided by the implementing organization and also results of an external financial audit, it shall be possible to provide further funds under the same grant scheme. The application and implementation method for second application and those thereafter is the same as the above-mentioned sections 1. to 6.