



*word
& deed*

***A Leap of Faith for Church-Centered
Microfinance***

by

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The Chalmers Center for Economic Development is devoted to assisting the Church worldwide in declaring the Kingdom of God in word and in deed. Through research and education, the Center trains college students, pastors, missionaries, churches, and ministries in bringing spiritual transformation and economic development to the poor.

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Abstract

Local Enterprise Assistance Program (LEAP), located in Liberia, West Africa, is a microfinance institution or organization that provides loans to low-income persons for business purposes. This paper describes LEAP's efforts to positively affect the lives of Liberians who have suffered from years of civil war. After outlining the history, mission and vision, context, and description of services provided, the paper presents some observations in which the lives of LEAP clients have changed. The paper concludes with factors that have allowed for LEAP's success and that should be considered by anyone interested in using microfinance as a tool for ministry.

I. Introduction

Imagine that a vicious, savage war breaks out in your country. Your home is totally destroyed, as is your means of earning a living. Imagine that your spouse is brutally murdered in front of your eyes and your daughter is dragged away, never to be seen again. Consider what it would be like as you and your remaining children flee for your lives. You think of going to the nearest country. Since fighting also rages there, you set off for the relative safety of your own distant capital city.

After many days of walking you arrive to what is left of this city. You are directed to a chaotic, ill-equipped, but, at least, safer area for you and other refugees. You're grateful for the food, water, clothing, and shelter provided for you, but it's not enough. Your children still cry at night with hungry bellies. After a while, the indignity of it all begins to overwhelm you. You've always worked to provide for your family. Sitting idle day after day, you begin to feel worthless.

What would you want in such a situation? Would you choose endless months or even years of a dehumanizing, never-satisfying "begging bowl"? Or would you prefer a "hammer" – a tool to restart your life, an opportunity to earn your own daily bread?

II. History of LEAP

The Local Enterprise Assistance Program (LEAP) of the Association of Evangelicals of Liberia (AEL) was born in 1994 out of a vision to help people afflicted by the civil war which ravaged Liberia from 1989 to 1997. Liberians suffered immensely and continue to be plagued by daunting indignities from this appalling, often barbaric, conflict. More than 160,000 people were killed. Rape and mutilation were frequently used as instruments of war. Roughly 75 percent of Liberia's pre-war population of 2.5 million people were driven from their homes. Some managed to secure asylum in neighboring countries, and more than a half million found refuge in the capital city of Monrovia, taxing the city's resources beyond its limits.

Many Liberians driven from their homes to a bleak, fragile existence in Monrovia just wanted a chance to provide for themselves. They didn't want a "fish." They didn't even want to be "taught how to fish." They already had skills, talents, and energies – they "knew how to fish." They just needed a "fishing net" to put those abilities into action.

At that time, a young, recent graduate from the University of Liberia, Bill Massaquoi, was working as a commercial banker in Monrovia. A few years before, while he was still studying, fighting had erupted in Monrovia. This had driven him back temporarily to his home in northern Liberia. While there, he had discovered that a missionary friend had been forced to flee and that his friend's house had been destroyed. While looking through the rubble of this man's home, Bill ran across some magazine articles about microfinance.

These articles had been left as garbage by the looters who had combed through the remains. They were of no value to the pillagers, but proved to be a treasure to Bill. As he sat on the

rubble and read, a vision began to develop. Could microfinance help the suffering people in his country? Could this be done with local churches as a way to demonstrate God’s love, bring people to Christ, and strengthen believers’ faith? Could it be done sustainably, so that the work would be permanent, not just a temporary “project” that would end when donors tired of it and moved on to something else?

When Bill was able to return to his studies in Monrovia, he and his pastor started experimenting with microfinance in their church. While some initial results were positive, others were not. They felt like they were reinventing the wheel, and one mistake would lead to another. Worst of all, they felt that their efforts seemed to be a mere drop in the ocean; they didn’t have enough money to lend to more than a handful of people.

In July 1994, they heard that the Association of Evangelicals of Liberia was holding a microfinance seminar for churches. Bill and his pastor attended and met the AEL leaders and a World Relief¹ microfinance specialist. Soon after, LEAP was born and Mr. Massaquoi was hired as its Executive Director. He joined Mr. Brian Johnson, an African-American career missionary to Liberia, who was then working as World Relief’s Country Director.² LEAP received from a Christian family foundation³ to get it off the ground.

LEAP distributed its first loans in 1995, and it grew throughout the next year. However, in May 1996, the war returned to Monrovia. It had been confined for several years to the country’s interior, but its re-entrance into Monrovia was so thorough that observers described it as a “melt-down” of law and order. Like all other NGOs in Monrovia, LEAP’s office was ransacked, and some of its clients and staff were killed or forced to flee. Mr. Johnson and his family suffered great perils and trauma, narrowly escaping with their lives. They returned to the U.S.⁴

Continued insecurity prevented LEAP from restarting its operations until 1997. However, during its dormant year, many clients fully repaid their loans and even those of fellow members who had departed. Some clients repaid their loans by going to the homes of LEAP staff.

One case of repayment was especially unusual. When LEAP’s promoter for the Salvation Church of God Community Bank had to flee Monrovia, the pastor of the church took responsibility for leading the weekly meetings and collecting the payments. Although pastoral involvement in collecting and disbursing money has often had negative results in other countries⁵, it proved successful in this case. The pastor stored the repaid money in his own home

¹ World Relief Corporation (WR), based in Carol Stream, IL USA, is the relief and development arm of the National Association of Evangelicals (NAE) of the United States. It is fully owned by the NAE and seeks to do its work overseas with and through evangelical churches in the 26 countries in which it currently operates. It has been operating since 1946 and is one of the oldest evangelical relief and development organizations. World Relief works in disaster response (relief) and in development, with Microenterprise Development as one of its core areas of development.

² The AEL asked Mr. Johnson also to serve concurrently as its General Secretary. Although this was unusual, he and World Relief agreed. The AEL needed the help of a “neutral party” to recover and rebuild after it had been damaged by the war and from internal, tribal-related conflict which mirrored the fighting of the country itself.

³ The Parker Foundation.

⁴ Since then, LEAP has had no resident expatriate assistance.

⁵ Horror stories abound of cases where churches have tried to directly implement credit programs through the pastor, deacons or elders. This has often resulted in damaged relationships between parishioners and church leaders, with

while insecurity continued and LEAP remained dormant. After many months, the city stabilized, and LEAP was able to re-establish its office. The pastor then brought the money he had collected over several months, which paid off every cent of the bank's loan. Since the largest bank note in Liberia was worth only ten cents (US), the pastor had to hire a taxi to transport the two large bags full of money.

LEAP has never been well funded, and suffered some losses from the 1996 catastrophe. Nevertheless, by the end of 1998, LEAP had stretched its limited funds enough to recover to a level of serving more than 2,000 clients and their families. Twenty Liberian staff served these clients through two branches working in three "counties"⁶. One hundred community banks were operating, linked to approximately 40 churches.⁷

By running an extremely lean operation, LEAP was able to cover 71 percent of its operational costs during the last quarter of 1998. Growth and efficiency trends project that LEAP will pass the level of 100% operational self-sufficiency during 2000 and that of full financial self-sufficiency by 2001. Its year-end '98 outstanding loan portfolio stood at \$109,000.

III. Context, Mission, and Vision

A. CONTEXT:

LEAP's mission and vision flow out of Liberia's context – its spiritual soil and its emergency and developmental needs. Spiritually, Liberia is composed of roughly 40 percent Christians, 13 percent Muslims and 47 percent followers of traditional animistic religions. Approximately 75% of Christians are considered evangelical.⁸ Some evangelicals, including pastors, participated in and contributed to the war's atrocities. Animosity between tribes was often reflected in the church. Thus, in this spiritual climate, while evangelism is a priority, it is equally if not more important that Liberians continue to grow in their understanding and practice of the *evangel* and of its *shalom* – that true discipleship occurs in which Christians learn, among other things, to be peacemakers. It is also important that spiritual healing occurs as people recover from the trauma and indignities of the war.

In terms of its emergency and developmental needs, Liberia has suffered enormously during and since its war. Public sector infrastructure deteriorated markedly during the war and has not been rehabilitated. Roads are poor and frequently impassable. Electricity, water, and sanitation services have not been restored, even in Monrovia. The under-five mortality rate is 216/1,000, the fifth highest in the world. Adult illiteracy is 71 percent (a precipitous drop from only 46 percent pre-war) and life expectancy at birth is 46 years. Per capita GNP is estimated at \$490.⁹

the former avoiding or even leaving their churches in order to avoid repaying their loans. World Relief and other practitioners have found that the church is best helped when a local agency, like LEAP, takes responsibility for handling the money and similar responsibilities, while working as closely with the church as possible.

⁶ In Liberia, a 'county' is the geographical term for what in the U.S. is known as a 'state,' or what in many other countries is called a 'province.'

⁷ Many churches are linked to more than one community bank.

⁸ Sources: "Operation World" and Case Study interviews with church leaders.

⁹ Sources: Unicef's State of the World's Children, 1998, and the World Bank's World Development Indicators, 1998.

Christian microfinance provides an appropriate and powerful intervention to address many of the problems in this spiritual and developmental context. This has been confirmed partly by extremely high demand¹⁰ shown for LEAP's services. At one point, the waiting list of groups that had formally requested to participate had reached 80.

B. MISSION AND VISION:

LEAP sees itself as one part of the Body of Christ. It realizes that it cannot do everything, but feels that it can contribute in many ways to furthering the Kingdom. In the context of Liberia's physical and spiritual needs, LEAP follows the stated mission of the AEL, namely to demonstrate God's love.

LEAP's vision is to become a permanent, self-sufficient microfinance institution (MFI) with broad and deep outreach and significant physical and spiritual impact on people's lives. By achieving its mission and vision, it also hopes to strengthen the church.

1. *Permanent, Self-Sufficient Microfinance Institution:* LEAP aspires to reach a scale of outreach and a level of efficiency that will allow it to cover all its costs (operational and financial), through program income¹¹. This, along with institutional factors such as high quality management and systems, will enable LEAP to continue with or without additional donor funding. Part of this vision for institutionalization includes the goal of becoming a registered financial institution legally authorized to capture savings -- a "Christian Bank for the Poor."

2. *Breadth of Outreach:* Broad outreach means reaching many people. LEAP is not content with reaching dozens, hundreds, or even thousands of people. With hundreds of thousands of Liberians needing the life-transforming assistance that Christian microfinance can provide, LEAP strongly desires to reach as many of these individuals as possible. Specifics of this area of LEAP's vision can be seen below in its future growth projections.

3. *Depth of Outreach:* LEAP's vision of outreach is to reach down deeply by targeting the poorest of the economically active poor, primarily women.

4. *Significant Physical and Spiritual Impact:* Holistic impact is the heart of LEAP's vision. Although it must focus on sustainability, performance and management, it does so with one goal in mind – to make a difference in people's lives.

5. *Strengthening the Church (While Avoiding Harming it):* When individual's lives are changed, the life of the church will be changed. In this and other ways, LEAP seeks to strengthen Christ's Bride. A key pillar of this vision is found in Matthew 5:14-16, which describes the body of Christ as the light of the world and ends with the admonition to "let your light shine before men, that they may see your good deeds and praise your Father in

¹⁰ High demand for free services is, understandably, not uncommon. High demand for services for which clients pay the full cost of delivering the service is another story. Practitioners call this a "market test" of the service's impact and of its value to clients.

¹¹ Interest and fees (if any) from clients.

Heaven.” LEAP desires that its good deeds, done in conjunction with local churches, will be seen as coming from God and His People and will ultimately bring honor to Him.

LEAP has made a conscious decision not to base its operations in local churches, as Mr. Massaquoi and his pastor had unsuccessfully attempted to do in their own church. Instead, LEAP strives to link groups as closely as possible *with* churches, working with them rather than *through* them. This church-centered, rather than church-based, relationship is felt to maximize benefits to churches and clients while minimizing the damage often seen to occur when operations have been conducted by churches.

LEAP’s vision also includes being salt and light to its Muslim clients so they may become more open to the gospel, evangelism of its animistic bank members and of its nominal Christian clients, and discipleship of client believers. Another core value of LEAP is to offer a ministry of encouragement, solace and reconciliation to all, helping Liberians to choose shalom, to heal, and to restore their dignity.

IV. Microfinance Services

A. METHODOLOGY

To date, LEAP has focused almost exclusively on the village banking model of microfinance, which it calls “community banking”¹². LEAP has conducted only very small experiments with solidarity groups and individual lending methodologies.

LEAP follows the standard village banking model relatively closely, with loan cycles of four months, weekly repayments, group mutual guarantees, stepped lending in future cycles, a focus on women, and accompanying savings services. Individual loans start at about \$50. Maximum loan sizes in subsequent cycles are linked to client savings balances. Interest of four percent/month (flat) is charged. Like other MFIs, LEAP charges interest not only to cover its costs, but also to avoid cases of inadvertently and artificially propping up inherently unviable client businesses by subsidizing loans to them.

LEAP has had three methodological distinctives.

1. *Church-Centered Groups*: Most community banks are formed in connection with AEL member churches. Pastors often help groups form and then recommend them to LEAP. When the recommended group’s “turn” on the waiting list comes, a LEAP promoter meets with the pastor and the prospective members to refine the group. Often, for example, a pastor may suggest groups comprised only of church members. In these cases, the promoter and often senior LEAP management and AEL staff will discuss with the prospective group biblical views of reaching out to non-church members. They will strongly encourage pastors and church members

¹² Like other MFIs in the World Relief MicroCredit Network, LEAP uses the term “community banking” for its village banking activities, in order to signify both poor urban/peri-urban communities and rural/village areas.

to see this as an outreach opportunity.¹³ Group formation and weekly repayment meetings usually are held in or near local churches to provide additional opportunity for interaction between the church and LEAP's clients. Some community banks have ties to more than one church.

2.*Chaplain*: LEAP's community bank leadership structures follow the classic village banking model with one exception -- in addition to the traditional positions of President, VP, Treasurer, etc., each community bank elects a Chaplain. The Chaplain coordinates the group's weekly devotionals and similar activities during the weekly meetings. Chaplains also contribute to the Annual Celebration in which all community banks jointly participate. In 1998, more than 1,000 members participated in this event.

3.*Dollarized Lending*: Of some interest methodologically is LEAP's experimentation with dollarized loan disbursement. As noted above, the largest Liberian bank note is worth only ten cents (US). This has presented practical and security problems. Disbursements require a volume of money which fills up several bags. As a result, LEAP tried to disburse loans in US dollars, which clients could then exchange on their own for Liberian currency. Repayments were made in Liberian currency, since each repayment was only roughly 1/16 of the disbursed amount and thus presented lower problems of money "volume." However, LEAP had to return to disbursing in Liberian currency, since exchanging the money into US dollars presented too many problems for clients. Most of the time, LEAP's vehicle was used to assist with transporting the funds to be disbursed. This modus operandi was not seen as ideal, however, and a more satisfactory solution needed to be found.

TABLE 1: METHODOLOGICAL COMPONENTS

Group Size	21 (Average)
Loan Size	Starting: \$50. Increases in subsequent cycles linked to savings.
Loan Term	4 Months
Loan Use	Primarily trading and small-scale services. As client businesses mature, more diversification and sophistication is attained.
Collateral & Guarantees	Mutual guarantees as collateral substitutes.

V. Performance

A. PERFORMANCE SUMMARY

As seen in Table 2, despite extremely difficult conditions, low funding, and the blows suffered by the program in 1996, LEAP's performance has been admirable. It currently reaches more than 2,000 clients and is poised to multiply this breadth of outreach many times over in the coming years. In the most recent quarter, interest income covered 71% of its operating costs, and this percentage has been increasing steadily as LEAP has regained its scale and enjoyed the economies thereof.

¹³ Like other MFIs, LEAP has often found that churches have little vision for outreach, preferring instead to limit the community bank services to its own members.

**TABLE 2: PERFORMANCE MONITORING FRAMEWORK
KEY HISTORICAL INDICATORS AND PROJECTIONS**

KEY INDICATORS	Historical Performance:	Projected Performance: 1, 3, 5, and 10 years			
		31/12/98	31/12/99	31/12/01	31/12/03
BREADTH OF OUTREACH					
Active CB Clients	2,098	3,750	5,975	10,550	30,100
Active Community Banks	100	150	250	362	1,200
CB Loans Outstanding	\$109,221	\$191,514	\$375,480	\$750,072	\$4,277,000
DEPTH OF OUTREACH					
Percentage of Women	99%	99%	99%	99%	99%
Average Client Loan Size	\$85	\$97	\$111	\$147	\$260
Avg Client Savings Balance	\$25	\$35	\$46	\$81	\$250
INSTITUTIONAL SUSTAINABILITY					
Operational Sustainability*	71%	111%	145%	166%	175%
Financial Self-sufficiency*	62%	95%	111%	124%	133%
INSTITUTIONAL EFFECTIVENESS					
Default Rate	1%	1%	1%	1%	1%
Portfolio-at-Risk Rate**	12%	10%	8%	6%	4%
INSTITUTIONAL EFFICIENCY					
Clients/Loan Officers	175	200	210	230	250
Portfolio/Loan Officer	\$9,101	\$10,695	\$13,461	\$18,522	\$26,000

*During last quarter of 1998. **>30 days in arrears.

B. ISSUES1. *Repayment – Internal Factors:* Like many MFIs, LEAP has seen a pattern of high on-time repayment as measured by Portfolio-at-Risk (PAR). LEAP’s PAR rate in the first few cycles of a community bank is usually high, often perfect, but then frequently gradually deteriorates in subsequent cycles. LEAP’s current overall PAR of 12% reflects this. This is partly attributed to client psychology to “do well” and conform to the rules during the initial period, followed by a tendency to bend the rules as they gain confidence in their place in the program and learn what they can “get away with.”

A problem throughout LEAP’s history, which has worsened recently, has been the tendency of groups composed largely of Christians to renege on their payments. Such groups cite their perception that LEAP’s assistance should be charitable, since it is connected to the church.

Although LEAP staff were unable to provide exact figures, they reported anecdotal evidence that the on-time repayment rate of Christians is much lower than that of non-Christians.

This is also partly related to LEAP's ownership by and identification with the AEL. In fact, all clients interviewed in the Study referred to the program as "AEL," not as LEAP. While this has the benefit of increasing the perception that this assistance ultimately comes from God through His People, it brings with it the cost of traditional perceptions that church-based assistance should be charitable, i.e., free. This thinking is strengthened by the fact that all other AEL ministries do not have cost-recovery and sustainability mandates. These other AEL programs thus give out their assistance at no cost. LEAP is currently considering and implementing strategies to address these issues, but it is clear that there are no easy answers.

2. *Repayment -- External Factors:* A number of external factors have contributed to the recent deterioration in portfolio quality. These include:
 - a. A return of some clients to the areas from which they had been displaced: Some returned without first settling their debts. This is a risk of targeting the displaced and refugees.
 - b. A government initiative to forcibly move informal sector vendors to other areas: This reflects a lack of appreciation and understanding by the government of the role and benefits of the informal sector. One example of this lack of understanding is most notable in the actions of the police. Police once demolished a market area only two blocks from LEAP's offices and confiscated and/or destroyed vendor goods, rendering clients stockless and without a place of business.

3. *Economic and Social Impact:* It is currently considered to be extremely difficult, if not impossible, to attribute and measure client impact in a scientifically rigorous and acceptable way. One observer has described it as presenting a "notorious minefield of methodological problems."¹⁴ Many efforts, most notably the five-year USAID-funded AIMS Project (Assessing the Impact of MicroFinance Services), are being made in this area. However, cost-effective, "quick and easy" accurate tools are not yet available to practitioners, and thus unassailable impact reporting is simply beyond the scope of this study. Nevertheless, some anecdotal observations were made that were both ordinary and uncommon.

- a. Impact on clients has followed traditional patterns in many ways, including:
 - i. Increased income and assets;
 - ii. Uses of additional income to improve family nutrition, education, and health care.
 - iii. Clients overwhelmingly cited improved household nutrition as the predominant impact on their lives. Clients in other microfinance programs often cite increased access to education and health care, and improvements in household assets such as bedding, roofing, small appliances (such as radios), and furniture. In contrast, while LEAP clients who were interviewed mentioned some of these, they focused on one thing – food. This reflects the depth of outreach achieved by LEAP and the fundamental, life-sustaining impact of the program. Comments such as the following were common:
 - "We eat now."

¹⁴ Rich Rosenberg, "An Independent Review of UNCDF MicroFinance Activities," p.7.

- “Before, we got some relief food, but it would run out. The hunger time was just too long. Now (said laughing) we just eat and eat and eat.”
- “Before, I prayed to God to take my life because I didn’t want to suffer anymore. My children were malnourished and complained of headaches. When they were hungry they frowned and couldn’t smile. (Now) we always have something to eat.”
- “This loan means we won’t go hungry.”

iv. Empowerment. Women have gained confidence and status in their families. As one said, “our husbands are happy...they really admire us.”

b. In addition to these common changes, a few other areas of impact stand out:

i. Restoration of dignity: The war inflicted enormous, dehumanizing indignities on people psychologically, physically, spiritually and socially. The war impoverished many people, even some who were wealthy before the fighting started. Many people, according to Bill Massaquoi, “had worked their whole lives and all they had to show for this was lost in one day....People lost their humanity...Some were paralyzed...The opportunity to work and provide for themselves has helped people to rediscover their dignity.”

ii. Cultivation of a sense of personal responsibility: As one pastor said, “Our church members involved in LEAP have learned how to solve their personal problems by themselves or together. They used to come to me all the time to solve their problems. They no longer do.”

Bill Massaquoi reflected this when he encouraged bank members: “The time for begging is past. In life, when you fall down, you need to get back up. It’s time for us to get back up.” At the same time, this healthy sense of personal responsibility has been mixed with a recognition of God working through His people to help them help themselves. “God has helped me” was a common refrain.

iii. Development of discipline and a view toward the future. LEAP staff, AEL board members, and pastors all noted that many Liberians traditionally follow a “live for today” mentality, with little thought for tomorrow. The requirements for repaying loans, training on how to plan, and the vehicles for savings have combined to help bank members develop greater discipline and a future timeorientation.

iv. “Blessed...to be a blessing.” Many mentioned how happy they were now to be able to help others with their increased income, skills, and understanding. “The money we earn does a lot for us, and if someone needs assistance, I can help,” said one. “I know what suffering is, and when I see it I must help.”

VI. LEAP Ownership and Governance

LEAP's ownership and governance is an area for concern. LEAP currently functions as a program of Access, the semi-autonomous relief and development arm of the Association of Evangelicals of Liberia. Access operates under the AEL's "Humanitarian Commission." The AEL itself has 1,000 member churches from 25 denominations and represents 300,000 Liberian evangelical Christians.

LEAP's Director reports to the General Coordinator of Access, who in turn reports to the General Secretary of the AEL. The AEL itself, and thus very indirectly, LEAP, is governed by the AEL's Board of Directors. The AEL is run by a General Secretary and its board is governed by nine members, mostly pastors from AEL churches.¹⁵ The AEL's Humanitarian Commission, which oversees Access, is run by an AEL Sub-Committee of three members.

While this structure may have contributed to the high level of spiritual impact described elsewhere, it also brings severe disadvantages. In microfinance circles, this structure of governance would be seen as extremely inappropriate. Such a structure may result (or have resulted) in suboptimal performance and may have contributed to donor funding reluctance.

A microfinance institution, which LEAP aspires to be and in many ways already is, needs to be governed by a board which can focus on the MFI itself and which is composed of people who can contribute to this highly specialized and demanding enterprise. A board has three primary functions: 1) to advise/set direction; 2) to provide financial accountability; and 3) to contribute funds and/or to help the organization access funds.¹⁶

An MFI board must contribute in technical and professional areas such as finance, accounting, MIS, business, and spiritual ministry. Microfinance is a unique and demanding field in that it requires familiarization with the complex principles and practices of the field. This can be learned only through large amounts of time and training. Thus, it is impossible for a board, such as that of the AEL, which is also overseeing myriad other ministries and concerns, to be composed of the right people and devote the amount of time and energy required to govern an MFI.

In reality, LEAP is virtually not governed at this point. AEL's board of directors is so far removed from LEAP that it provides relatively little input and does not and cannot possess an appropriate level and understanding of microfinance. In addition, insufficient supervision is given through the AEL-Access-LEAP staffing structure. Access's current General Coordinator, to whom LEAP's Executive Director reports, is qualified academically and professionally to

¹⁵ Some board members are bi-vocational pastors who also have secular professions.

¹⁶ More specifically, a board must advise on issues, formulate policies and procedures, review activities, approve annual operating plans/budgets, act as legal custodian of all assets, and ensure that funds are used for their intended purposes. It must also appoint external auditors, uphold the institution's vision (including that of spiritual impact), appoint and dismiss the Executive Director, represent the MFI to government and other stakeholders, and strive to optimize the institution's performance, outreach, and impact.

oversee LEAP. However, due to limited time and other factors, his role vis-à-vis LEAP is limited, as he himself described it, to “providing budgetary control.” This is simply not adequate for an MFI.

VII. Organizational Structure and Staffing

LEAP currently has two offices that serve three areas. The Monrovia central office covers all of metropolitan Monrovia and Harbel (about one hour’s drive east of Monrovia). A second office is located in Bong Mines (about two hours’ drive from Monrovia).

LEAP has twelve promoters, who report to two loan supervisors. All promoters and supervisors are women. They report to the Executive Director. In addition, five staff support the operations of these fifteen operations staff, including an accountant, a secretary and others. This brings LEAP’s total staff to twenty. With a relatively high percentage of evangelical Christians in Liberia, LEAP has had no problem finding evangelicals for all of these positions.

However, LEAP recognizes this structure as grossly inadequate to meet its present and growing needs. LEAP’s staff needs to expand, add specialists, and vastly improve its middle and senior level management capabilities. Among the positions needed in the near future are: Operations Manager, MIS Officer, Training Manager and Deputy Director. LEAP has been unable to find qualified evangelicals for some of these technical and middle-management positions, so they remain unfilled. Among other things, far too much is currently centered on LEAP’s highly capable but much too-thinly spread Executive Director, placing LEAP in a dangerously vulnerable position.

Finally, it should be noted that LEAP works closely with the AEL’s Spiritual Ministries department. This department is not officially part of LEAP, but its close working relationship has allowed LEAP to use AEL Spiritual Ministries staff for teaching, preaching, and other activities.

VIII. Spiritual Ministries

Measuring and attributing change in people’s spiritual lives is even more difficult than doing so in their economic and social lives. Nevertheless, LEAP clients and staff, AEL board members, pastors, and other parties interviewed in this study showed strong evidence that God has been able to work through the Christian microfinance services and structures of LEAP.

A. THE ROLE AND CONTRIBUTION OF PASTORS/CHURCHES

Perhaps the most encouraging signs of effective spiritual ministry through LEAP come from the testimonies and activities of pastors¹⁷. Pastors during the study were by far the most enthusiastic

¹⁷ When an interviewer speaks with clients or staff, she/he hears positive testimonies. However, the nature of the relationship often focuses on what could be done better. Staff speak of their need for transportation or request higher salaries; clients request modifications in loan terms. The case study writer has found, with LEAP’s pastors and with clergy in other countries, that church shepherds are often the best source for impact information. They see and describe the big picture of impact on clients’ lives and on the churches themselves, and don’t get bogged down during discussions on ways to tweak the methodology.

of any group interviewed. When asked about LEAP's vision, one pastor described it as "a heavenly vision...right out of the Bible." Another described the program as "absolutely wonderful" for his church and spoke glowingly of the changes on individuals and his church. He said "Every week during our church's testimony time I hear praises and expressions of gratitude to God for this assistance."

In addition to these words, it was heartening to hear of the pastors' profound sense of ownership in LEAP's activities. They see the community banks as "theirs," in the most positive sense of the term. They saw the community banks as integral parts of their churches' ministries.

Spiritual impact has been facilitated by the large role that local churches and pastors themselves play in LEAP's activities. As mentioned above, LEAP has always been careful that pastors not play too close a role, because experience elsewhere has shown that when pastors act as promoters (disbursing and collecting funds) churches can actually be hurt rather than helped. Numerous cases exist of pastors yielding to the temptations that come with handling money or of damaged relationships with church members and non-members.

In spite of this risk, LEAP has desired to involve pastors and their churches as much as possible in order to achieve spiritual ministry. Pastors and staff described their role with LEAP almost as "agents" of LEAP, but with the vital difference that they do not handle cash and are not "owed" money by clients. Their involvement includes a range of activities, including program promotion, participation in major occasions such as loan disbursements and final payments, troubleshooting problems (including those of repayment); visiting clients at their places of business, and teaching and prayer during group devotionals and other events.

Although a small handful have abused their role (such as by diverting money via "fronting"¹⁸), most have played roles which benefit LEAP and its clients even in ways outside of spiritual ministry. As one said "Before our women accept the loans, I remind them that this is not LEAP's money, it's God's money. God will hold them responsible. Then, if problems in repayment occur, I remind them of their commitment and help them think through a solution." This may be one way in which Christian microfinance can succeed in meeting the "Triple Bottom Line."

World Relief and LEAP use the term "Triple Bottom Line" to emphasize the three goal categories for Christian microfinance, namely: 1) Spiritual Impact; 2) Economic and Social Impact; and 3) Outreach/Performance. The latter refers to measurements such as those of a) breadth and depth of outreach – number of active clients, percentage of women, etc., b) sustainability – operational and financial self-sufficiency; c) effectiveness – portfolio quality indicators and others; and d) efficiency – clients and portfolio per loan officer and other such indicators. Some observers hypothesize that Christian MFIs cannot be fully faithful to all three. They fear that adherence to the third, which is so important to many secular donors and secular peer practitioners, will inevitably compromise the first. However, World Relief and others believe that Christian MFIs with a strong vision for all three goals can achieve and excel in each

¹⁸ A practice in which pastors or other group organizers instruct clients to borrow money on their behalf, which they then do not repay.

area. The example given above of pastoral involvement in supporting repayment shows one way in which the first area (spiritual) may actually lead to improved performance in the third area

This and other evidence indicates that, done in the right way, Christian MFIs can successfully work with local churches. As Mr. Massaquoi said, referring to the belief that it cannot be done: “We’ve seen that myth overturned.”

B. STRATEGIC ALLIANCES

In addition to its alliances with churches, LEAP engages other organizations in ways that address spiritual impact. A particularly strong partner in this is the Spiritual Ministries department of the AEL, which conducts evangelistic efforts, Bible and topical studies¹⁹, and other activities connected to community bank meetings. Another is an AEL Project called “Liberian Community Recovery Project.” This project, funded by World Relief and others, provides biblically based trauma counseling directly to trauma sufferers and indirectly through training-of-trainers events and through materials development/dissemination. Church leaders and even LEAP staff have received this training.

LEAP is also investigating other modalities, including a child evangelism ministry and microfinance outreach to a new target group – ex-offenders. The latter, if it occurs, would be in cooperation with the GeoTrust microfinance ministry of Prison Fellowship International.

C. THE ROLE OF LEAP STAFF

Staff exhibited a strong commitment to integrating LEAP’s goals of social and spiritual impact. Their style of service to their clients makes them sound more like pastors than credit and savings agents. One promoter said, “Most of our clients have been severely traumatized, so we seek to minister to them, to encourage them, to pray with them and to help restore their dignity.” LEAP’s Executive Director attributes staff caring and concern to the fact that many come from social work backgrounds. However, much of this concern for people’s well-being must also be attributed to his leadership by example, the criteria and means used for hiring promoters, and training given thereafter.

1. *Leadership by Example:* An incident early in LEAP’s history illustrates this. A World Relief microfinance specialist visiting LEAP noted the following about Mr. Massaquoi:

Bill’s skills in training clients and in relating to them in a warm, caring way were strikingly evident. As an example, during a group formation meeting I observed him starting off with a simple exercise of having each person introduce herself and repeat the names of the people who introduced themselves before her. Thus, Ms. 4 gave her own name, as well as the names of Ms. 1, 2 and 3. Since this was a newly-forming group, many women did not know each other. By the time they reached Ms. 40, no one could remember all 40 names. No one, that is, except for Bill, who, at the end, surprised everyone by recalling every person's name.

¹⁹ Examples: “Christian Family,” “Christian Marriage,” “Recovering from Trauma,” etc.

This gesture was simple, yet profound. It was very effective in communicating his concern for each person. I watched the women's faces as he went through the room and called out each one's name -- they were obviously delighted and thrilled that he remembered them. To me, this simple exercise communicated to these hurting women that they mattered to Bill...and to God²⁰.

2. *Criteria and Means for Hiring*: LEAP is extremely selective and thorough when hiring new promoters. It usually trains about 10-12 candidates for three weeks, during which it observes and tests them. This training includes practical field work. Management staff pay particular attention to candidates' people skills and demonstration of spiritual fruit. At the end, only 2-3 of these candidates are offered permanent positions.

3. *Training*: Finally, staff have been formally trained by Mr. Massaoui and others to increase their ministry skills. In the last year, courses in Human Relations, Relational Evangelism, and Biblical Counseling have been given. These were taught by AEL's Spiritual Ministries department and the Liberia Community Recovery Project.

D. IMPACT

Impact is evident in a variety of ways, including the testimonies of many who have come to Christ through or in connection with their participation in the banks, and various types of growth in spiritual maturity. Included in the latter are the following:

1. *Moral Lives of Individuals and Churches*: Speaking frankly, one pastor described how LEAP has given many women in his and other churches "an opportunity to earn an honest living...to turn from dishonest or immoral ways of surviving."
2. *Reconciliation*: LEAP has purposely sought to contribute to reconciliation among warring ethnic groups.²¹ It has done this partly through biblical teaching in meetings, but also in a uniquely practical way -- by strongly encouraging multi-ethnic banks. As one staff member said, "If a group comes to us and all its members are from one tribe, we encourage them to split the group into two and add others to each new group from other tribes. We will not heal the divisions between each tribe if we remain separate." As one pastor summarized: "LEAP has helped to break down barriers between tribes. People from Gio, Krahn, and Mandingo work together in their banks. Some were in the same churches before, but didn't have much to do with each other. Now they have strong relationships, more intimate. We understand each other better, and bear each others' burdens."

LEAP recognizes that this "social engineering" violates one aspect of conventional "best practices" wisdom, which argues that MFIs should not influence group composition. LEAP also understands that groups need strong solidarity and mutual trust and that multi-ethnic banks may actually show poor repayment. This would affect LEAP's financial performance. Nevertheless, LEAP has consciously chosen to accept this possible trade-off, in order to contribute to desperately needed peacemaking in the country.

²⁰ Field Trip Report, 22/2/95.

²¹ Tribalism has been one root cause of the armed conflict in Liberia.

3. *Equipping the Saints for the Work of the Ministry:* Pastors cited numerous ways in which LEAP clients now contribute to their churches in non-financial ways, using the increased skills, confidence, and spiritual maturity developed through participating in LEAP and running successful businesses. This has taken a great weight off the shoulders of the pastors and other church leaders who formerly did much of the work of the church themselves.
4. *Financial Support to Churches:* Pastors cited remarkable gains in church tithes and offerings. Estimates of increased church income ranged from a low of 30% (for a church with one year in the program) to highs of more than 100% (for churches with three years or more of participation).

“Before,” said one pastor, “it didn’t do much good to preach on giving tithes and offerings. Our people didn’t have anything to give. Now they do. These women used to be receivers of benevolent offerings. Now, they are the best givers in my church.” Another pastor said, “All our ministries are benefiting from this increased giving -- our schools, our outreach activities, our building programs...”.

IX. Lessons Learned

A. LINKING WITH CHURCHES

1. *Working closely with local churches can work:* Although horror stories abound of churches being harmed by microfinance, LEAP’s actions in Liberia appear to provide at least one case where the right combination of methodologies, practices and people has resulted in great benefits for churches, their members and their communities.
2. *To make church-centered microfinance work, one must cultivate a healthy, relationship with the church which finds the right “balance” of church involvement:* One cannot generalize from LEAP’s experience that church-centered microfinance can successfully be done in all contexts, in all ways, or by any practitioners.
3. *Church-centered microfinance does not mean that pastors or others should become the implementers:* In LEAP’s case, a balance between an external implementing agency and leadership of the local church was kept. This balance was important in maximizing the benefits and minimizing the risks and disadvantages to both. For example, pastors are instrumental in identifying groups and are used as resources to encourage groups, but promoters are reasonable for all financial transactions.
4. *Many churches in Liberia, as in some other countries, do not have a vision for outreach:* Instead, they prefer to limit the community banking services to their present members. Thus, LEAP and other microfinance practitioners must encourage churches to expand their outreach to non-church members. This may involve the development and use of biblical presentations on God’s heart for the lost.

5. *Microfinance can be a tool for reconciliation*: LEAP has used the group structure as a means for bringing people from different tribes together, despite the risk that this brings to financial performance.

B. OPERATING IN AN ENVIRONMENT OF ARMED CONFLICT (DURING AND POST)

1. *Microfinance can be an alternative tool for helping many individuals and communities cope with or recover from some disasters, including complex ones*²²: LEAP has shown that many people will willingly and gratefully accept a hand-up rather than a hand-out, even when the dominant aid mentality is one of creating dependence rather than of facilitating self-reliance.

2. *Introducing microfinance in a new environment, especially one dominated by a relief mentality, requires special efforts*: LEAP pioneered microfinance in Liberia and is still the only Liberian MFI of significant scale using sound²³ practices. LEAP has had to go far beyond “mere implementation.” It has had to take leadership in educating local stakeholders, including other NGO’s, donors, and government officials, on sound microfinance practices. Often this occurs at the most basic levels, such as the need to recover loans, to charge interest, and to cover costs.

3. *In such environments, unfair competition (in which sound practices are not used) is more likely than in contexts where microfinance is established*: Poor practices of others, such as lack of seriousness about loan collection, subsidized (or no) interest, etc., can hurt a sound program’s performance.

4. *Securing funds from technical donors can be difficult in disaster-response environments*: LEAP has had to be funded largely from World Relief internal funds²⁴ and through relatively modest grants from bilateral and multi-lateral donors. LEAP has received no major grant to-date. Relief-oriented donors argue that LEAP is a development program, while development-oriented funders state that Liberia was (and still is) in a relief situation. LEAP has thus fallen between the cracks of these two funding categories.

C. LEADERSHIP

1. *Medium-sized programs, with relatively few staff, run a large risk if they are excessively dependent on one leader*: LEAP has been privileged to have a very capable Executive Director, but would be in a precarious position if he left.

2. *Evangelical fellowships (such as the AEL), para-church organizations, and missions agencies that own or operate microfinance programs need adequate knowledge of microfinance to provide effective governance, supervision, and support*: In the case of LEAP, the danger of

²² The term “complex disasters” refers to those created by or exacerbated by armed conflict.

²³ Note that LEAP, like other MFIs in the World Relief MicroCredit Network, uses the term “Sound Practices” as an alternative to the common “Best Practices.” This is done to indicate that one set of practices is not “best” for all place and all times. Like airplane technology, which has improved with each decade this century, sound practices of microfinance are evolving, and are being applied differently in different contexts.

²⁴ Such as World Relief received from the Parker Foundation.

too much dependence on the Director is compounded by loose governance and inadequate supervision by LEAP's parent organizations, Access Liberia and the AEL.