



Starting a revolving fund

What is a revolving fund?

A **revolving fund** is a way to help small farmers and landless poor get credit and begin to save. The Dry Zone Food Security project provides small amounts of in-kind loans (seed, fertilizer, etc, but not cash) as start-up capital to a group of farmers in a village.

The farmers must organize themselves into small groups. Each sub-group is responsible for repaying loans (with interest) at the end of the season to the management committee of their group.

The group collects the money and puts it in the bank. At the beginning of the next season, the money can be loaned again to the group members. Over several years the amount of money grows because of the interest charged. This money becomes the joint property of the groups.

Why a revolving fund?

A revolving fund helps farmers raise enough money to start a business. It provides timely credit for farmers, and some seed money for small farmers and or landless poor to raise livestock, grow crops or other farm activities. Groups of farmers manage the funds themselves according to their own needs. The capital and any interest earned becomes the property of the group of farmers themselves — so it is in their interest to repay the loans in full and on time.

Who can be a group member?

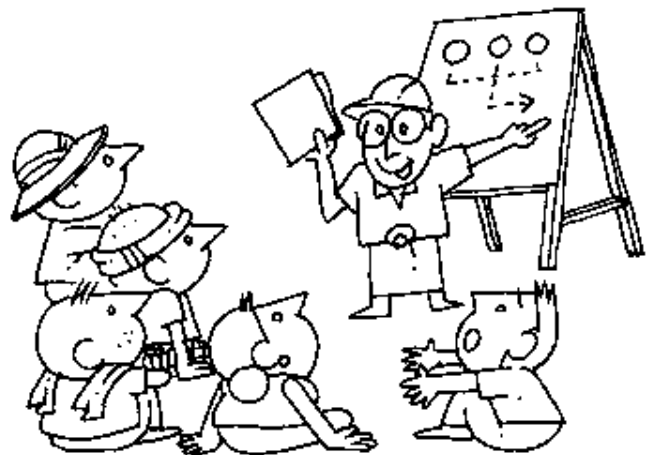
Farmers and landless villagers in the target villages of the UNDP/FAO Dry Zone Food Security project (selected villages in Kyaukpadaung, Magway and Chang U townships).

How does it work?

Exploring interest

1. The extension worker calls a general meeting of all the farmers in a village, together with project staff. This meeting is to explore the farmers' interest in starting a revolving fund credit system.

The project staff explain how the revolving fund works, who can be a member, and what members have to do. During the meeting the project staff look into the type of farm inputs the farmers would like the fund to finance: fertilizer (for example, urea, triple superphosphate?) or seeds (mungbean, sesame, peanut, or others?).



Proposal for fertilizer credit

<i>Farmer's name</i>	<i>Type of input wanted</i>	<i>Amount wanted</i>	<i>Farm size (acres)</i>
1. U Win	TSP	1 bag	3.0
2. U Tin Maung	Urea	1 bag	2.75
3. Daw Kha	Urea	2 bags	7.5
4. U Pein	TSP	2 bags	9.0
5. Daw Thein	TSP	1 bag	4.2
6.			

Deciding what you need

- After the meeting the villagers make a list of all the farmers with between 1 and 10 acres of land who would like to get credit for these inputs. The farmers decide what type of inputs they would like to get on credit, and how much. They make a list of these.

Forming a credit group

- A few days later, the project staff visit the village again. The staff help form groups of those farmers who are interested in taking part.

In each village, there will be two groups:

- A farmers' income generation group (or **FIGG**), and
- A landless income generation group (or **LIGG**).

Group members must be household heads, interested in taking part in the group, and literate (able to read, write, and do simple arithmetic). They should have a good reputation of repaying debts. They must be farmers — with or without a land title.

The group members must divide themselves into sub-groups of 5 to 10 people each. These sub-groups are responsible for repaying the loans (the principal plus interest) that their members take out. If one person in the sub-group cannot pay back his or her loan, then the other sub-group members must pay for him or her.

Each group must elect a management committee: a chairman, secretary, treasurer and two to three executive members (one representative from each sub-group).

Distributing inputs

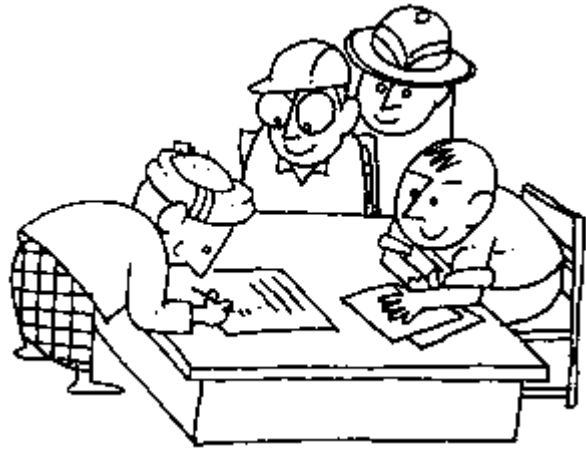
- After the groups have been formed, and before the first rains, the fertilizers or other inputs will be distributed. The project will transport the inputs to a convenient place, after which the farmers have to move them to their stores. If not enough fertilizer or seed is available, the project may have to cut the amount each farmer receives.
- The group management committee makes a list of the inputs that have been distributed.

Inputs distributed to group members

<i>Farmer's name</i>	<i>Requested</i>			<i>Distributed</i>		
	<i>Input type</i>	<i>Amount</i>	<i>Value</i>	<i>Input type</i>	<i>Amount</i>	<i>Value</i>
U Win	TSP	1 bag	Ks 3000	TSP	1 bag	KS 3000
U Tin Maung	Urea	1 bag	Ks 2200	Urea	1 bag	Ks 2200
Daw Kha	Urea	2 bags	Ks 4400	Urea	1 bag	Ks 2200
U Pein	TSP	2 bags	Ks 6000	TSP	1 bag	Ks 3000
Daw Thein	TSP	1 bag	Ks 3000	TSP	1 bag	Ks 3000

Signing agreements

6. Agreements must be signed between:
 - The project and each the group management committee.
 - The management committee and each group member.



What next?

7. The group members use the inputs they have received on their farms.

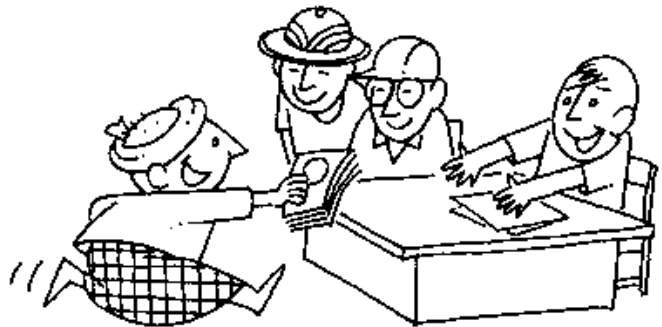


More meetings

8. The management committee may call group meetings if needed, for example if members have questions, to announce agreements, and to collect loan repayments.

Repaying the loans

9. At the agreed time at the end of the season, the leaders of each sub-group collect money (the principal plus interest) from each of the sub-group members. The leader repays this money to the management committee.



What happens to the money?

10. The management committee deposits the money in bank. Before the beginning of the next season, the committee uses the money to buy seed, fertilizer and other inputs to loan out to farmers again.

The money becomes the property of the group. It is up to the management committee to manage it wisely for the benefit of all the group members.



Keeping track

11. The management committee maintains the records and accounts, under the guidance of the project staff. The committee must give these records the project on request.

