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TRADE & DEVELOPMENT INTERNATIONAL CORP.

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**EVALUATION OF
WOMEN'S WORLD BANKING**

FINAL REPORT

Prepared for
U.S. Agency for International Development
International Science and Technology Institute, Inc.
Contract Number PDC-0002-C-00-4179-00

July 1985

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PROJECT IDENTIFICATION DATA

1. COUNTRY: Colombia, Dominican Republic, Haiti
2. PROJECT TITLE: Women's World Banking
3. PROJECT NUMBER: A. PRE loan '099-W022
B. OTR grant 0200-G-SS-2326-00
C. DPE grant 0001-G-SS-4064
4. PROJECT DATES:
 - a. First Project Agreement:
 - A. October 1982
 - B. September 1982
 - C. September 1984
 - b. Final Obligation:
 - c. Project Activity Completion Date (PACD):
 - A. December 1984
 - B. September 1985
 - C. September 1985
5. PROJECT FUNDING:
 - a. A.I.D. Bilateral Funding: (loan and/or grant)
 - A. \$500,000
 - B. \$362,845
 - C. \$116,250
 - b. Local Currency Matching Loan Funds:
 - c. Other Major Donors:
 - d. Host Country Counterpart Funds:

Total Funding Loan:
Grant:
6. MODE OF IMPLEMENTATION:
7. PROJECT DESIGN: Women's World Banking
8. RESPONSIBLE OFFICIALS:
 - a. Bureau for Private Enterprise: Judy Knudson (PRE/I)
Kay Davies (PPC/WID)
 - b. Project Officer(s):
 - c. Mission Director(s):

9. PREVIOUS EVALUATION AND REVIEWS: (Include staff trip reports) None

10. COST OF PRESENT EVALUATION:

- a. Direct Hire:
- b. Contract: \$20,348
- c. Other:

TOTAL

11. DATE OF PRESENT EVALUATION: Fieldwork January 1985, final report April, 1985.

12. HOST COUNTRY EXCHANGE RATES:

- a. Name of Currency:
- b. Exchange Rate at time of evaluation:

Colombia C\$/US\$ 112.0
Dominican Republic RD\$/US\$ 3.0
Haiti G/US\$ 5.0

WOMEN'S WORLD BANKING

EXECUTIVE SUMMARY

Problem and Overview

The objective statement of Women's World Banking (WWB)* describes the specific development problem which the project responds to: "Advance and promote entrepreneurship by women within their own local economies, particularly those who have not generally had full access to the services of established financial institutions." See Attachment II for details. More generally, WWB addresses the problem of leveraging support to small-scale enterprises (SSE's) in a number of less developed communities, within developed and developing countries, through the private sector in a self-sufficient manner. One of WWB's main strategies is of interest not only in SSE assistance but in other development fields: using dollar-denominated loan guarantees to motivate local commercial banks to lend to target segments which are outside the bank's traditional customer group. Other SSE assistance projects and loan guarantee programs exist, but WWB is unique in its geographic scope (active in 15 countries) and emphasis on self-sufficiency.

U.S. Assistance

AID is supporting WWB in four ways. First is AID loan 099-W022 from The Bureau for Private Enterprise (PRE), dated October 1982, to be disbursed by December 1984, for \$500,000 (all money figures are rounded to even thousands of US dollars). The purpose is to increase WWB's central (dollar-denominated) capital fund so that loan guarantees to local affiliates can be increased. Second is grant AID/OTR-0200-G-SS-2326-00, from the Office of Women in Development, Bureau for Program

*Stichting Women's World Banking. Although the organization was set up as a Dutch stichting (foundation) for technical reasons having to do with international flexibility, "head office" operations are in New York City. Therefore, this evaluation follows their policy of using SWWB to mean the central legal entity or New York operations. We use local-language initials for national affiliates' names and reserve "WWB" to cover the whole movement, both SWWB and the affiliates.

and Policy Coordination (PPC/WID), dated September 1982, to be disbursed by September 1985, for \$363,000. The purpose is to support WWB headquarters (SWWB) administration costs for exploring establishment of an international marketing network, improving the affiliate communication system, and preparing material to strengthen affiliates' fund-raising and lender-relations activities. Third is grant AID/DPE-0001-G-SS-4064, for \$116,000, covering one year starting September 1984, co-financed by PPC/WID and PRE. Its purpose is to support implementation of the marketing network mentioned above but is currently being recast. Fourth this evaluation, conducted during January 1985, which communicates SWWB and key affiliate progress and helps them to continue developing strategic plans.

Purpose of Evaluation

There are two reasons for the present evaluation. First, AID and WWB wanted to assess progress to date of this loan- and grant-supported activities mentioned above. Second, AID is interested in the WWB experience as an example of a private-sector project which has encouraged SSE advancement in developing countries. The evaluation gathered information at SWWB and in Colombia and the Dominican Republic, the two oldest and largest affiliates and the two which the PRE loan indicated for guarantee support. There was also a brief visit to the Haiti. SWWB staff participated in a brief, formal strategic planning session, and affiliate management and boards in an informal strategy discussion. Findings are based on WWB documents, interviews with staff and board members and results of the strategic planning sessions.

Findings

1. New business capital formed and jobs created: Assuming a conservative 40% return on client investment, the \$243 loaned to date is generating \$97 per year in client income. Assuming a \$600 investment per new job in India and Haiti and using actual job-creation figures for Colombia and the Dominican Republic, 730 jobs have been created. At \$750 salary per year per employee (about the D.R. level) these jobs generate a further \$547,000 in earnings per year. Thus the \$175,000 SWWB guarantee results in \$644,000 target-group annual earnings, a 268% annual return. On one hand this figure is overstated because affiliate guarantees are also involved

but on the other hand it is understated because in Colombia, D.R. and Haiti the existing SWWB guarantees could support more loans.

2. Local network created for identifying and responding to clients' specific needs: The Colombian and Dominican affiliates have created such networks, although they do not yet reach a significant proportion of the target group population. The use of volunteer professionals and relations with other local organizations having similar aims (e.g. Carvajal Foundation in Colombia) sets these networks apart from those of other SSE-assistance projects and gives confidence that the networks can expand to significant coverage.
3. Financial guarantees for loans no longer necessary: In the two oldest affiliates this is happening on two levels. On the client level signature guarantees to repay (sometimes including a cosigner or solidarity group) replaces, in most cases, collateral and certainly the 100% real estate collateral which most SSE's do not have. On the affiliate level local banks are beginning to regard the good credit record as more important than SWWB and affiliate guarantees and so are allowing those guarantees to be leveraged.
4. Entrepreneur productivity as valuable resource in development recognized: People associated with WWB certainly recognize this (operations are conducted in no way as charities), but the evaluation could not determine to what extent other members of the community (e.g. government officials) agree.

Project Design and Policy Implications

Design and implementation elements most critical to the outcome of this project were:

- Concentration on serving enterprises which, though excluded from the formal credit market, have a high enough return on invested capital to pay loan charges which cover affiliates' costs.
- Maximum freedom to affiliates for both formation and operation, with SWWB's acting as service provider and motivator rather than controller.
- SWWB loan guarantee mechanism which gives new affiliates a

challenge for local fund raising, legitimizes efforts to involve commercial banks and necessitates a control system which emphasizes close contacts with clients and vigorous efforts to collect.

- An effective, two-way communication network to take the place of the authority relationships in more conventional organizations. This network is not yet fully effective. If it were improved, active affiliates could probably form more quickly.

Implications of evaluation findings for AID policy are:

- Market-rate loans for SSE assistance projects are effective only for organizations (such as WWB affiliates) which can on-lend funds at a great enough spread to cover costs, but not for organizations (such as SWWB) which have not set up ways to realize such a spread.
- Properly-designed AID evaluations are good vehicles to introduce strategic planning into evaluated organizations.
- SSE assistance efforts can be self-sustaining. Therefore AID should help finance such efforts with a combination of grants and loans which help the organization to reach self-sufficiency quickly.

Results to date and prospects for self-sufficiency

Out of all of the possible geographic, target client and activity mixes, WWB's objective (see above) has prompted it to work mostly (but not exclusively) with the following segments: LDC's, SSE's and women entrepreneurs.

In pursuit of this objective, WWB has achieved the following:

1. There is affiliate activity in the following numbers of countries:

Affiliates in formation		18
Legalized affiliates		22
Serving clients	15	
Making loans	6	
Other services	9	
		<hr/>
		40

2. SWWB successfully communicates through an international network the confidence that women entrepreneurs can enter

3. SWWB guarantees of \$175,000 have resulted in loans via LDC commercial banks and affiliates of:

Colombia	406	93,000
Dominican Republic	154	100,000
India	54	18,000
Haiti	<u>12</u>	<u>32,000</u>
	626	243

or affiliate guarantees over the approximately four years of WWB operations.

5. Loans have resulted in high profit increases for clients (order of magnitude of 40% per year) and creation of one new employee for each \$200 to \$1000 loaned.
6. The amount and kind of training which clients receive varies by affiliate, but the business discipline and training which the loans themselves require is the most widespread technical assistance (TA).
7. Some loans directly from banks to clients and the use of banks for collection and savings mechanics have exposed clients to the formal banking system. However, there is no indication that WWB clients "graduate" into the formal economic system (become bank customers independent of WWB) in any significant number, at least not yet.
8. WWB provides an environment for women to address business and social needs outside of credit and TA. However, a poll of affiliates and work with three of them indicates that credit (access and cost), as well as financial and marketing planning are the greatest client needs and so are the focus of actual and planned affiliate activities.
9. Affiliate formation and operation involves local professional business women (and some men) in healthy contact with less-favored social segments.
10. SWWB and the affiliates do not have a satisfactory communications system. This results in less-than-desired use of the WWB network (except during infrequent world meetings), isolation of affiliates in formation and too much travel for SWWB president.

SWWB has chosen a strategy of covering operating expenses with interest earnings on its capital fund. This is not the only strategy

for self-sufficiency, and in fact it is questionable whether break-even based on earnings from donated or below-market cost capital can be considered self-sufficiency or merely (how many other similar projects have any hope at all of merely achieving this?) freedom from annual subsidies. However, based on this strategy and calculations shown in the next chapter, the capital fund would have to be 165% (\$5.6 million) above its projected 1985 level to cover this year's SWWB costs.

Thus self-sufficiency is unlikely in 1985 and also in 1986 unless SWWB supplements the above strategy with the fee-for-service one recommended below.

Recommendations

This section summarizes section B of Chapter 1. Other recommendations are in that section and also Chapter 2, section B and Chapter 3, section B.

1. SWWB concentrate on providing the service package described in Attachment III. In summary these are:
 - Help affiliates to establish themselves;
 - Help affiliates to find international grant and soft loan funding;
 - Provide guarantees to support lines of credit from local commercial banks for affiliates;
 - Facilitate international marketing;
 - Coordinate inter-affiliate communication.

These services are the most useful ones for WWB, should be sufficient for its continued expansion and health and are at least partly self-financing. More work, however, is necessary to determine if service fees could cover the \$466,000 operating deficit before operating grants (see Table 2) which SWWB expects in 1985.

2. SWWB follow the strategies described in section B of Chapter 1. In addition to the recommended service package, these are:
 - Potentiate WWB communications system;
 - Leverage SWWB and affiliate guarantees;
 - Use regional consultants and visits to established affiliates to help new affiliates pass quickly from formation to action (or defunct) stage;
 - Facilitate, but do not initiate or manage, international

marketing finance;

- Provide technical assistance at a profit through Women's World Exchange;
 - Develop model affiliate financial management package and training module for it.
3. AID approve redirecting remainder of the \$116,000 grant to allow shift from marketing to leveraging affiliate liquidity. To the extent possible (e.g. in the Dominican Republic) this would take the form of a local currency loan on the order of \$50,000 equivalent from the local USAID to the WWB affiliate or its bank, which would cause the bank to issue a line of credit to the affiliate of about twice the loan amount. In countries where this direct USAID-affiliate relation is not possible (e.g. Colombia), SWWB would make the loan, immediately hedging its foreign currency exposure. The redirected grant would allow SWWB to make the loan to the affiliate at commercial rates yet still cover the hedging premium.
 4. SWWB adopt the policy of self-sufficiency through service fees as well as capital fund interest.
 5. SWWB seek financing or use part of the \$116,000 grant for the preparation of a 3-5 year strategic plan to orient the board, attract more active members, and get cooperation from banks and other finance sources.
 6. Affiliates work not only with commercial banks but also with other commercial finance sources, such as co-ops, credit unions and small finance companies.

CHAPTER 1

WOMEN'S WORLD BANKING/NEW YORK (SWWB)

A. SWWB Progress to Date

Management and organization.

The present organization comprises a president, program director (responsible for affiliate relations), administration coordinator (responsible for internal SWWB workings), coordinator for the Woman's World Marketing Project (vacant), two administrative assistants and a secretary. Services are mainly raising funds for SWWB operations, affiliate loan guarantees, information sharing in the WWB network, and the study of providing a marketing service. See Attachment II for more details.

The organization is devoted and hard-working, but it suffers from two major problems. First, apart from some day-to-day matters, all activities at least touch the president and most fall directly on her shoulders. This is not a fault at this stage of WWB's life and is almost certainly inevitable, given that the total New York operating budget is less than \$400,000 excluding Women's World Marketing. It is also a consequence of WWB's policy of flexibility and local autonomy. SWWB must live with this problem, but it should take the following steps to make the problem less serious:

- Adopt a service package and limited number of operating strategies, such as those already recommended. Assign at least tracking and administrative responsibility for each one to a staff member besides the president.
- Reach agreement between the staff member and the president on what the latter's role will be in implementing each strategy and on a time table of action steps. Meet frequently but briefly (say weekly) to assess progress against the time table and also on the handling of unexpected events related to each strategy. This will not reduce the president's workload, but it will focus it on the really important (rather than just urgent) tasks.
- Assign a board committee to prepare an emergency presi-

dential succession plan. At WWB's present stage of development it is likely that only the most advanced five or six affiliates would survive a collapse of SWWB, and with the present inevitable concentration of activity in the president's hands, her unexpected departure could well cause collapse unless a successor were named quickly.

Second, fund raising efforts fall entirely on the president. A fee-for service concept will make fund raising somewhat less vital. However, it is unlikely that fees will completely cover the \$466,000 operating deficit, and one of the recommended key services is raising funds for affiliates. In the long run the best solution is to hire or retain a fund raising professional, which we understand SWWB plans to do. In the short run SWWB should first prepare the strategic plan described above, then sell the board on establishing a fund-raising committee.

Information flow is the blood which nourishes such a far-flung organization as WWB. Other organizations with similar numbers of affiliates also are heavily dependent on information flow, but they typically have parallel systems of management hierarchies, staff specialists, financial controls or legal bonds. AID, for example, is an international organization which has all of these.

WWB, on the other hand, has little besides information flow to hold it together. There is no management chain of command from SWWB to affiliates, there are no staff specialists, and financial/legal control only exists through guarantee or loan agreements with six affiliates. In at least one of those affiliates (Colombia) loans under the guarantee program account for only a small proportion of affiliate activity, as we will see in Chapter 3.

It is therefore a credit to the people involved and to the inherent strength of the movement that WWB has come so far without a really effective management information system. Present requirements call for a quarterly guaranteed loan report from each affiliate with such an agreement. SWWB requested a standardized and more detailed format in August 1984, but it appears that affiliates have not yet complied. If they did, SWWB would soon find itself snowed under with information because the format calls for information on each client. There are now 626, but the number could quickly reach thousands. SWWB should require no more than the Summary Report (Attachment IV), as

well as loan impact evaluation analysis (see the example in Attachment V).

This and other information goes into a one-page monthly Program Report, which gives a good overview and should not be changed. SWWB also prepares quarterly financial statements, an annual report to AID under the grant agreement, an annual report to the board and a formal annual report. SWWB should consult with AID on how to improve reporting to them, as AID is not satisfied with the present reports.

Discussion with two affiliates confirmed that they are unsatisfied with information coming from SWWB, especially about other affiliates' activities, and are not convinced that the guaranteed loan reports which they send give the most important information about their activities.

We recommend, therefore, that SWWB develop as part of its service package a format for quarterly videotaped reports. BMM has already produced such an 8-minute report, although it was more formal and polished than necessary. Affiliates could almost certainly borrow the necessary equipment and use the two sound channels to make a single version in both the local language and English. SWWB could put the tapes on a single reel and add its own summary.

This is likely to be successful because it has many of the aspects of the three workshops which appear to be the single best communicating device for encouraging new affiliate formation and motivating existing ones. Unfortunately, high costs will probably hold these meetings to once every two or three years, but regional meetings, such as the one this month in Costa Rica for Caribbean Basin affiliates, might be good alternatives.

The banking background of the new program director, and her grasp of affiliate problems despite her being newly hired, are impressive. However, she is unlikely to be able to give affiliates any more than occasional advice on common problems, such as reporting, because there are so many affiliates and conditions vary so much from region to region. WWB has experimented with a SWWB-funded regional director based in the D.R. Affiliate visits reveal that he did an excellent job there but that he did not give enough attention to Colombia and Haiti, much less to new affiliates. SWWB has just started with an African-based regional director.

We agree that field-based regional directors or coordinators are

the most practical way in sight to give affiliates the help they need, encourage communication, especially within the region, yet not build up a New York bureaucracy. We recommend three enhancements to the concept:

- SWWB decide in principal to name regional coordinators for all major world regions, e.g. East Asia, East Africa, West Africa, Mediterranean Basin, West Europe, Caribbean Basin, Southern Cone and perhaps North America. Informally identify candidates over the next several years but experiment with the following steps in one or two regions over the next year or two. First, ask established affiliates and those in formation to identify tasks for such a coordinator to perform and funds sources to pay him or her. Second, ask the candidate coordinator to prepare a work plan and budget, perhaps using outside consultants and established affiliate people as well as the coordinator. Third, gain approval from affiliates and pledge their support. Fourth, SWWB or coordinator identify outside funds sources, if necessary. Fifth, carry out work and decide after first year whether to expand.

Assesment of services provided.

TABLE I
AFFILIATE STATUS

<u>Latin America/ Caribbean</u>	<u>Affiliate</u>	<u>Status</u>
	Colombia	Loans & T.A.
	Brazil	Incorporated
	Uruguay	Fund raising
	Costa Rica	Incorporated
	Argentina	In formation
	Honduras	Incorporated
	Peru	In formation
	Chile	In formation
	Dominican Republic	Loans & T.A.
	Haiti	Loans & T.A.
	Jamaica	Guarantee Agreement
<u>Africa</u>	Ghana	Incorporated
	Kenya	Training
	Nigeria	Fund raising
	Liberia	Incorporated
	Mali	In formation
	Sierra Leone	Incorporated
	Uganda	Fund raising
	Ivory Coast	In formation
	Senegal	In formation
	Zaire	In formation
<u>Asia</u>	India	Loans
	Thailand	Guarantee Agreement
	Philippines	Training
	Papua New Guinea	In formation
	Malaysia	Enterprises established
	Indonesia	In formation
<u>Europe/USA</u>	England	In formation
	Netherlands	Serve WVB
	Italy	In formation
	U.S.A. (W.VA.)	In formation

Definitions:

- Loans and T.A.: Affiliate is making loans to clients and giving them technical assistance.
- Incorporated: Affiliate is organized under local laws.
- Fund raising: Affiliate is currently raising funds and is not yet incorporated.
- Information: Interested leaders have contacted SWWB and are currently gathering local support.
- Guarantee agreement: Affiliate has a guarantee agreement with SWWB but is not yet lending to clients.
- Training: Affiliate only provides training to clients.

We find that SWWB's most valuable service is aiding affiliates to establish themselves. The two main components of this service are the success of WWB's worldwide movement, which local organizers can draw on, and the loan guarantee program, which opens local bank doors and provides a challenge for local fund raising.

Most affiliates are satisfied with the guarantee component (First Annual Self-Assessment), and SWWB's capital fund has ample resources to expand the component. The bottleneck which affiliates cite is information flow. We have already suggested how the use of videotaped reports and regional coordinators could ease this problem.

The affiliates studied had all developed their own lending procedures. As far as we know, SWWB has not developed a credit manual and has no plans to do so. Further, it is hard to imagine a single manual, or even an outline, which would be applicable in all, or even a majority, of the affiliates. Local conditions and affiliate programs differ too much for such a blanket approach.

We have already mentioned the August 1984 Instruction Manual for Guaranteed Loan Reports. Although we recommended that affiliates send only the summary report to SWWB, the New Loan History Report (one for each client) and Report of Activity (payment performance by client) are good for affiliate internal use. We also recommend the use of impact evaluation reports (done on each client or a sample of them twice a year) and include (Attachment V) an example developed for another project. Finally, the recommended strategy of SWWB's

developing an affiliate financial management system would include all of these items. This would be a good activity for AID to finance because the results, especially if they were in Apple and IBM PC compatible formats, would be useful in other AID projects.

As mentioned above, workshops have been WWB's single best communicating device so far. The latest was in Holland in May 1984. Representatives from the following countries attended: UK, Netherlands, USA, India, D.R., Thailand, Jamaica, Philippines, Jordan, Norway, Sweden, Honduras, Costa Rica, Uruguay, Ghana, Brazil, Haiti, Argentina, Colombia, Egypt, Kenya, Mauritius, Pakistan, Uganda, Canada, Ivory Coast, Zimbabwe, Botswana, Papua New Guinea, Italy, Switzerland, Denmark, Bangladesh, Senegal, France, Malaysia, Sierra Leone, Indonesia, Mali, Belgium.

Just as the WWB idea began at a meeting in Mexico in 1975 on the Decade for Women, workshops such as the latest one are where women who want to start affiliates gain enough ideas and motivation to do so. Workshops are thus extremely important and should continue each two or three years, with more frequent regional meetings.

Comments from Colombia and the D.R. agreed with the above assessment. They suggested, however, that affiliate presentations were too long-winded but that discussions of problems did not go into enough detail because of the presence of so many representatives of affiliates in formation. The consensus was that future workshops should be organized as follows:

- General motivation and developments - all attending
- Starting new affiliates - leaders of affiliates in formation;
- Specific problems common to established affiliates - established affiliate leaders;
- Regional concerns - separate sessions for each region.

In October 1984 SWWB started a study of offering marketing services. The project outline is as follows:

- Ask all affiliates to identify client marketing problems and suggest steps which WWB can take. The present status is that SWWB is testing questionnaire in Brazil and Costa Rica. Results were expected at end of January.
- Define product areas and use marketing consultant to seek markets in US, Japan and Europe and define needed WWB role.
- Test-market a few products in a few markets, measuring

success of WMB in different roles, such as information exchange (identify buyer names for suppliers), trade financing, and acting as trading company (buy and sell on own account).

The project is currently being re-scoped because the staff member in charge resigned and key affiliates reacted negatively to the project.

We believe that the project should remain suspended, as it conflicts with two findings. First, marketing assistance is not a critical need for well-chosen clients. SSE owners usually enter their businesses as skilled production workers. The affiliate programs usually help with financial and business planning needs. Thus, of the three major branches of business management - production, finance, and marketing - only the latter remains. It is therefore not surprising that affiliate surveys indicate needs in this area. If affiliates had the resources to help a majority of the potential client pool, then marketing assistance might be a real need. But affiliates directly work with only a tiny minority of the pool. For example, BMM helps only about 400, or about 1.5% of the estimated 25,000 women-run SSE's in the Cali region (it may inspire and motivate a much greater number). Thus affiliates have the luxury of choosing to work with the minority of clients whose only major need is financial and business planning assistance.

Second, marketing assistance is very hard to give on a self-financing basis. There are two alternatives: charging clients for the service or earning a margin on sales. Except for the possibility of industry-specific workshops or seminars (see section B below), experience indicates few possibilities. Major problems are that local field workers know little about the "jungle-level" marketing which SSE's generally engage in, international experts lack the industry, local language or local condition knowledge, and clients are smart enough to see this and to be unwilling to pay much for the service. Earning a margin on sales means entering the domestic or international trading company business. This is an entirely different field from WMB's present business. A recent TDI study on international trading indicates that without a group of skilled professionals in the field, it would be folly for a firm to enter.

WMB could enter certain financing parts of this business, as

discussed in section B. The first step, however, should be a thorough strategic-planning exercise. Evidently, certain African affiliates say that marketing is their clients' biggest problem. This does not mean, however, that SWWB should provide marketing services, much less set itself up in the import-export business. Work with other programs indicate that such efforts often fail, particularly in Africa, and, as stated above, African affiliates may be able to avoid the marketing problem by concentrating their limited resources on clients which do not need marketing assistance. In any event, there is no valid shortcut to a resolution of this issue, but a strategic planning effort is a good first step.

Capital Fund

This fund is intended to support SWWB operations with its interest earnings and to collateralize guarantees to affiliates. The present balance is \$3.2 million, vs. the \$15 million goal or \$9.4 million needed for breakeven if only interest earnings are to cover SWWB costs (see Table 2). In particular, SWWB has sold only \$200,000 in 8 % debentures, vs. \$2 million planned. On the other hand, since SWWB-to-affiliate guarantees are only \$175,000 (\$375,000 including the recent Thai guarantee), the capital fund is ample for the guarantee program.

Conversations with four SWWB directors, mostly financial professionals, indicate a great desire for SWWB to succeed and a belief that it will because of its "movement" nature and the dedication of its key people. They call for three steps in the fund raising field:

- Prepare a clear, concise strategic plan, with type of funding need and target sum (grant, soft loan, commercial loan, fee, etc.) identified for each plan component.
- As an implementing step in the plan, outline a fund-raising campaign with amounts, uses, timing and responsibilities.
- In the short run involve the board more in fund raising by offering individual members specific tasks with supporting material (this may involve bringing in new board members), and in the longer term hiring or retaining a fund raising professional who would potentiate and focus board efforts.

A specific strategic problem which SWWB must resolve is to make clear to directors and potential supporters whether SWWB is a charity (with plans to exist mostly on grants), an endowment (plans to exist

mostly on earnings from donated capital) or a business (plans to finance operations with fees and commercial loans). Directors state that their understanding of SWWB falls confusingly among these alternatives. So does the concept of the 8 % debentures, which appeal neither to donors nor investors.

This report, plus the recommended strategic plan, should allow SWWB to present a very attractive picture to potential donors. This will be especially true if SWWB can institute a fee-for-service structure which, along with earnings from a moderately-increasing capital fund, allows it to project self-sufficiency in the next 2 - 3 years. This would be true even if some fees were financed by grants or soft loans to affiliates.

SWWB's projection is that it will receive \$548,000 from non-US government sources (4 January report to AID, p. 4, points 6-10). It can also draw down the final \$150,000 of the AID loan, but this does not make sense because it is not needed for international guarantees, and SWWB cannot earn a spread on it. It could be very useful, however, as we have already recommended, for cases such as the D.R. Our projection of a 1984-85 capital fund increase of \$450,000 takes these factors into consideration.

Potential for self-sufficiency

The present and projected SWWB cost and capital fund figures, taken from first six months of 1984 actuals and SWWB projections for second-half 1984 and 1985, are as follows:

TABLE 2
SWB COSTS AND CAPITAL FUND
1983-85

	<u>CY 83</u>	<u>CY 84</u>	<u>CY 85</u>	<u>84-5% [†]</u>
<u>Interest revenue</u>	<u>136,000</u>	<u>220,000</u>	<u>300,000</u>	36
<u>Expenses</u>				
NY Salaries and benefits	111,000	146,000	217,000	49
Consultants				
(85: mostly Africa)	90,000	68,000	110,000	62
Other NY costs	120,000	163,000	177,000	9
Interest	16,000	57,000	51,000	(11)
International				
workshop	--	95,000	--	(100)
Women's World Marketing				
and UN Decade	--	<u>46,000</u>	<u>211,000</u>	358
	<u>337,000</u>	<u>575,000</u>	<u>766,000</u>	33
<u>Operating gain (deficit)</u>	<u>(201,000)</u>	<u>(355,000)</u>	<u>(466,000)</u>	31
Grants	167,000	275,000***	500,000	82
<u>Net funds flow</u>	<u>(34,000)</u>	<u>(80,000)</u>	<u>34,000</u>	---
Gifts to capital				
fund	826,000	397,000	450,000**	13
Fund balance	2,829,000	3,200,000	3,650,000	14
Implied interest rate*	5%	7%	8%	
Fund level for				
operating breakeven**	6,740,000	8,270,000	9,475,000	

*Interest revenue divided by fund balance.

**TDI estimates.

***Breakdown for nine months ended 30 September 1984:

AID	\$91,000
Ford Foundation	25,000
Canadian Int'l Dev. Agency	18,000
Other	<u>10,000</u>
	\$144,000

These figures indicate that the capital fund would have to increase 160% (\$5,825,000) over the projected 1985 level to reach breakeven on interest earnings alone. However, if Women's World Marketing and the African consultant are removed as costs for interest to finance, the needed fund increase is \$1,813,000 (50%), which may be possible in 2 - 3 years.

This analysis indicates that SWWB has a good possibility to break even in 2 - 3 years if it goes to a mixed strategy of interest earnings to cover fixed (actual) costs and fees to cover new services.

B. Recommendations: Strategic Directions for the Future

Programmatic directions.

As reported in the Executive Summary TDI conducted a short, two-day strategic planning session with SWWB after completing the field visits. The sessions covered the following points:

- Objectives of session: evaluate findings and develop strategies
- Key issue identification
- Program results to date
- Segmentation of market: within an affiliate and among affiliates
- WWB established and needed capabilities
- Conclusions on present situation
- Past and present strategies
- Necessities for new strategies
- Strategy selection
- Next steps: key issues to resolve

Some of the results of the session, including recommended strategies, are in Attachment VI.

This is only the first part of a strategic plan because we developed no specific steps for strategy implementation, implications for resource allocations, risk assessment or organization/management systems implications. SWWB should prepare the next steps of it with the help of an outside team comprising people familiar with strategic planning and WWB. If SWWB desires, a consultant who has the respect of key financial sources could be at least the nominal head of the team so the plan will have more selling value. This effort would be an appropriate use of the AID grant.

Appropriateness of institution.

The strategy changes recommended above imply only one major change in WWB's operations: SWWB should charge fees for services. Even this is not a new concept; SWWB has charged a 3% guarantee fee, 1% which remains with the affiliate. . Since guarantees are only \$175,000 this income is insignificant, \$3,000, although as far as we know, affiliates have not paid it. SWWB must also improve its fund raising efforts, but this does not imply a change in institutional mechanisms. We can conclude, with these exceptions, that WWB institutional mechanisms are well-suited to achieve its objectives.

SWWB staffing, as discussed in Section A, is very thin, but funds are not available to beef it up. We recommended in that section how staff members can help the president to allocate and control the heavy burden which she must carry.

Self-sufficiency

We covered the details of this subject in Section A. We need only emphasize that SWWB has little hope of reaching self-sufficiency only through increasing its capital fund. Even if it were to reach it, the demand for services to affiliates is growing so quickly that maintaining any reasonable service level would soon push the organization back into the red. The only way to go is to adopt the approach of most business service firms: charge fees for services so that as the service level increases, fee income grows to pay for it.

The other key viability question, management succession, is covered in Section A. At the moment the SWWB president is the only figure whose departure would cripple the organization. Even though we have no reason to believe that she might leave, the possible consequences are serious enough to warrant our recommending that the board establish a short list of candidates to cover this eventuality.

CHAPTER 2

WOMEN'S WORLD BANKING/DOMINICAN REPUBLIC ASOCIACION DOMINICANA PARA EL DESARROLLO DE LA MUJER (ADOPEM)

A. Present Status and Future Needs Management organization.

ADOPEM was organized as a Dominican foundation in 1982. It has over 375 members, both community people who believe in the WWB idea and clients, who must spend about \$7.00 for a "founder's certificate".

The staff is still at an early stage of development: an unpaid president who works about one-third time, a paid full-time secretary, a Peace Corps volunteer who acts as a loan officer, 11 volunteers who help with client selection and supervision, and a very active and talented 15-person board (both male and female) who meet weekly and act as a credit committee.

Lack of professional staff is one of the two greatest problems for ADOPEM (the other is lack of bank liquidity, covered below). As discussed below, ADOPEM can hire two field loan officers and one office manager/client interviewer. This will allow it to double its portfolio and still remain self-sufficient.

Formal relationships with other institutions are as follows:

- Banco del Comercio: source of loan capital through a \$17,000 (at RD\$/US\$3.0) ADOPEM guarantee (certificate of deposit), plus a \$100,000 letter of credit from SWWB via Bank of America. Lending is now through ADOPEM, but clients deposit amortization payments in ADOPEM's account in this or the Banco de Reservas.
- Banco de Reservas: a commercial bank with more provincial branches than the Banco del Comercio, so is used as a deposit bank for provincial clients.
- Mujeres Aplicadas a la Industria: ADOPEM has loaned to three graduates of this TA institution, with the institution's guarantee.
- Centro de Informacion Familiar: ADOPEM may loan to graduates of this social service agency. ADOPEM clients presently play role models for women enrolled in this program.

In addition ADOPEM has informal relations with Asociacion para el Desarrollo de Microempresas (ADEMI), a local foundation which is about a year older than ADOPEM and has successfully loaned to 780 micro-enterprises and 215 solidarity groups. Both organizations have similar operating policies and delinquency experience.

Besides the staffing problem mentioned above, ADOPEM feels over-concentrated in the garment industry, with 60% of its loans in it. Successful SSE assistance organizations in several countries have found that such concentration makes them expert at selecting good clients, spotting repayment problems early and giving TA. Therefore, considering that ADOPEM is seeking clients in other industries, we do not see this concentration as a big problem.

Relation to SWWB.

SWWB has given more help to ADOPEM than to any other affiliate; its good performance indicates the value of such help. SWWB provided a half-time advisor, based in the D.R., for about a year. He spent most of his time with ADOPEM. The \$100,000 guarantee, mentioned above, is the largest for any affiliate. ADOPEM also cites the 1984 Netherlands workshop and informal motivation as very important. SWWB put on a "women in international banking" seminar for ADOPEM which made a slight profit for the latter but was not relevant to its clients. Nevertheless, it probably advanced the WWB movement in the D.R. ADOPEM provides SWWB with an excellent success story and helped to set up the neighboring Haitian affiliate.

ADOPEM sends SWWB a monthly operations report and quarterly financial statements. The workshop mentioned above and the regional one in Costa Rica are other communications media. The reports do not appear to be a problem, but doing them in English will become one when the Peace Corps volunteer leaves in July (assuming he is not replaced). SWWB has Spanish- and French-speaking staff, so it should accept communication in those languages.

A less-defined problem is that, apart from occasional seminars, ADOPEM receives little news from SWWB or other affiliates. The taped reports, recommended in Chapter 2, would be a great help.

Relationship to local financial institutions.

We will concentrate on relations with the Banco del Comercio. The WWB "model" is that the affiliate and SWWB guarantees should motivate a local commercial bank to loan directly to clients which the

affiliate selects and supervises. In the D.R. the bank did make the first 13 loans this way. However, both the bank and ADOPEM quickly agreed that this would not work well. Most important, to keep delinquencies down an affiliate loan officer must visit clients within a few days of their missing their first payment. Bank reporting systems are not agile enough to allow this, and bank people do not make visits. Also the bank, applicants and ADOPEM found it irritating to have to apply to both ADOPEM and the bank for a loan. Therefore 112 (\$59,000) of the 125 outstanding loans (as of 1 January) are directly from ADOPEM, financed by a \$67,000 line of credit from the bank to ADOPEM, \$50,000 of which has been drawn down. The \$9,000 remaining is reloaned funds from ADOPEM's interest earnings. The \$17,000 left in the line of credit must await a thaw in the IMF-imposed credit freeze.

Both ADOPEM and the bank are happy with this arrangement. The bank states that they would increase the line of credit to \$156,000 without a guarantee increase (33% leveraging, not much) because they are pleased with collection performance. But they want an additional deposit of about one half the loan increase (requiring a \$52,000 deposit, assuming that the rest of the present line of credit will not be released until ADOPEM makes a deposit) to provide bank liquidity, not guarantee the loan. ADOPEM will need this credit if it expects to double its portfolio.

We recommend that AID help to provide these funds under the existing loan and grant agreements, as follows:

- AID agrees to lend but not disburse to SWWB \$52,000 from the \$150,000 remaining in the present loan.
- After discussion with USAID/D.R., AID instructs the latter to disburse the equivalent in pesos from its P.L. 480 funds on commercial terms (or cheaper if possible) to ADOPEM, upon a note from the latter. We have discussed this step with USAID's Office of Private Enterprise.
- AID informs SWWB of the transaction, and the latter issues a guarantee that ADOPEM will repay the stated peso amount.
- ADOPEM gives a counter guarantee to SWWB.
- If AID will not take the exchange risk, then, with AID's permission, SWWB sets up an exchange loss account with part of the grant funds not now needed for Women's World Marketing. Alternatively, if available, SWWB can buy a

commercial peso/dollar hedge contract, paying the premium with grant funds.

This will be a good experiment for both SWWB and AID.

Financial operations

ADOPEM's major (\$11,000 or 67% of total) source of income in the period 1 January 30 - October 1984 was promotional activities, such as the annual dinner, micro-enterprise fair, and banking seminar. All agree, however, that this will not increase much in the future. More significant for planning is the spread on loans made. Client payments comprise the following elements:

- Commitment fee of 4% of the amount borrowed. The bank charges ADOPEM this amount on its line of credit once per year, so ADOPEM profits on loans it makes for less than a year.
- Interest of 1% per month. ADOPEM uses the bank's payment tables for calculations. These really yield more than 1% because interest is figured on the assumption that the entire loan is repaid at the end of the term, when in reality it is amortized in equal monthly payments. This discrepancy is profit for ADOPEM because it pays a true 1% on declining balance for its line of credit.
- Required purchase of founder's certificate, amount depending on loan size but with \$7.00 average (about 1% of the average \$854.00 loan).
- Surcharge of 2% to cover ADOPEM expenses. This is the only component which ADOPEM shows on its operating statement; the other charges have, in effect, been increasing reserves.

These charges result in about 34% annual cost to clients and about 16% cost to ADOPEM. In addition ADOPEM charges a daily delinquency fee of 2% on late payments.

ADOPEM is now breaking even, but since office management and field work do not cost ADOPEM anything (the Peace Corps volunteer handles them), we prepared a cost analysis based on the following:

- The portfolio will double to \$200,000 (235 loans).
- Promotional activities will continue to cover the \$2,000 annual fixed office expenses.
- Activities such as seminars will remain self-financing.
- A new office manager will cost \$2,400 per year.

- including benefits, or 1.4% of the portfolio.
- Volunteers will make 1/3 of monthly client visits, allowing two new loan officers to cover 117 clients each.
 - Each loan officer will cost \$2,400 per year, or 2.3% of his clients' loans.

The total cost, 3.7% of the new portfolio, will almost certainly be covered by the present spread on loans. However, in a presentation of this material to the board there was a consensus that ADOPEM should raise the surcharge from 2% to 4% just to be safe.

ADOPEM is thus in a good position to double its portfolio if SWWB and AID can help it to increase its bank loan by \$104,000. ADOPEM is working on getting some funds from an AID-funded, Central Bank - administered program (FIDE), which is supposed to support projects such as ADOPEM. On talking with USAID, FIDE and several other micro-enterprise assistance projects, it became clear that there is little hope of ADOPEM getting FIDE funds unless AID increases pressure on the central bank because the latter insists on lengthy client training courses, detailed accounting by client and several years of operation before it will release funds. FIDE needs someone sponsored by AID to come in and shake them up.

Services provided

ADOPEM, being the bank's customer, provides it with no specific services. However, the bank has used this activity to run an advertising campaign for deposits from professional women, on the claim that, "Our interest in you is increasing because you are growing".

Services to clients revolve around lending and are a good example of the concept, "loans are technical assistance". The application process results in a simple business plan. Approved applicants receive their checks at a little ceremony in which a board member explains the WWB concept. Monthly supervision visits provide further motivation and help with simple business problems. There are also occasional self-financing training seminars and fairs.

Visits to some 20 clients indicated that these services are quite effective. Despite the very difficult economic times in the D.R., almost all client businesses are healthy. The WWB idea of success through mutual effort and interdependence seems to have an impact

comparable to the economic benefits of the loans. Most clients said that ADOPEM was the first outside group to understand their problems and give them support. No clients mentioned high interest rates as a problem, probably because the loan application process tries to assure that applicant businesses before the loan produce enough cash flow to cover 160% of expected amortization payments. Thus cash from improvements goes entirely to the client.

Portfolio characteristics are as follows:

- Total loans 112 (154 cumulative).
- Urban 52 (the rest are in small towns, not rural).
- Startups 10 (ADOPEM no longer loans to startups).
- Average loan in present portfolio \$857 (\$902 cumulative).
- Defaults 0 (although ADOPEM has had to call on cosigners once or twice).
- Delinquencies 18% (reportedly fell to 12% in February).
- New employment 616.
- Loan per new job \$200 (total cost, including administration costs, on the basis proposed above, \$278).

Comparing the ADEMI program, which is not women-specific, with that of ADOPEM, there are no special problems with women's programs. In fact, the WWB movement aspect allows ADOPEM to recruit and get excellent service from its board and to lower costs by using volunteers.

We have already discussed the key staffing and financial improvements needed. The Peace Corps volunteer reports that ADOPEM, given a larger line of credit, could go to 200 clients with present staffing and could double or triple its portfolio in the four towns or cities which it partly covers now.

Sample of beneficiaries

Based on a sample of 24 clients:

- Payroll increase 12 months after loans 23%.
- Sales increase 47% (from \$9,200 p.a. average).
- Employment increase 30% (from 5.5 average).
- Female employment from 85% before loan to 86% after loan.
- Average salary \$252 p.a. (many part timers).
- Annual profit increase (after withdrawals for owner's living expenses) 36%.

We have already described ADOPEM's services from the client's

viewpoint. Most clients give the impression that they have no more than primary education but that they had a good grasp of business management, especially production and marketing, before receiving the loan. Average client income is \$100.00 per month, vs. the \$83.00 minimum wage, so they are not desperately poor, but very few are well-off. In order to keep employment generation high, ADOPEM no longer lends to commerce.

We recommend no changes in future lending policy.

B. Recommendations: Strategic Directions for the Future.

Programmatic directions

The goal of doubling the portfolio will require the SWWB-AID help described above. Recommended actions are as follows:

- Retain present client selection and service policies.
- Remain a retail lender and wholesale borrower.
- Increase the number of self-financed training seminars, aimed at clients but open to the public (e.g. design of children's clothing for the North American market).
- Offer to help train other affiliate people.
- Overcome illiquidity as described above.
- Hire two loan officers and an office manager; recruit enough volunteers to make 1/3 of monthly client visits.
- Raise the loan surcharge from 2% to 4%.
- Double the portfolio and lay plans to raise it further.
- Cooperate with SWWB in projects which will give it operating income (e.g. seminars, fees for raising capital, dollar loans to exporters which ADOPEM may finance).

Appropriateness of institution

We have covered the required development activities above.

To summarize the points made on the SWWB-ADOPEM relationship:

- ADOPEM, as it comes close to demonstrating the WWB ideal, should train people from other affiliates. It would be excellent if a new Peace Corps volunteer could succeed the present one because ADOPEM needs an English speaker to provide this training.
- SWWB should make a profit on services such as providing seminar speakers or capital to ADOPEM. The peso is convertible so there should be no problem with making remittances.

- ADOPEM and BMM should pioneer in providing videotaped reports for SWMB to distribute.
- Especially if the Peace Corps does not provide a successor, SWMB should accept reports in Spanish.

Self-Sufficiency

As shown above, ADOPEM is now self-sufficient and can remain so upon scale-up. It will remain vulnerable to the excellent president's leaving until it can afford to hire a managing director, probably not possible until it triples its present portfolio.

CHAPTER 3

WOMEN'S WORLD BANKING CALI, COLOMBIA BANCO MUNDIAL DE LA MUJER - CALI (BMM)

A. Present Status and Future Needs Management Organization

BMM is a Colombian foundation, organized in late 1982. It has a 16-person board, of whom seven founders are permanent members and nine are elected each two years. The president receives a small salary (\$200.00 per month at C\$/US\$112.00) and works half time. An executive director works full time and handles all day-to-day affairs. The staff comprises:

- Accountant: full time, of which half is required for handling solidarity group records.
- Solidarity group trainer: half time, present capacity 100 groups but working with only 50, instructs group members, mainly in mutual responsibility to repay.
- Field consultants: 2 full time, each with capacity for 50 groups, help organize new groups and keep contact with existing ones.
- Secretary: full time.
- Messenger: full time, mostly handles bank deposits.
- Cleaner: half time.

BMM has much closer relations with other local organizations than does ADOPEM or most SSE assistance programs.

- Carvajal Foundation: This is one of the world's pioneer SSE assistance projects. It believes that education is beneficial in itself and requires that clients of its micro-enterprise program take one or more courses at 15 hours each and undergo a business diagnosis before being considered for loans. With only 250 clients in Cali, it considers itself a demonstration program and has made a major effort to encourage other small affiliates in Colombia. BMM, perhaps without realizing it, has adopted this TA-oriented approach and is applying it in much smaller enterprises (individual market vendors) than Carvajal developed it for (enterprises with about five employees). All of BMM's micro-enterprise

(but not solidarity group) clients are Carvajal graduates, so BMM must select from a very small field and has no advantages of geographic grouping.

- Fundacion de Educacion Superior (FES): This is a non-profit bank, originally set up to funnel and administer international grants to local universities. Like the Banco del Comercio in the D.R., it lends its own funds, based on a SWWB-BMM guarantee, to BMM's individual micro-enterprise lending programs - guaranteed loans and credimicros (see below).
- Corporacion Financiera del Valle: This is a classic Latin American development bank which, at the start of BMM's existence, made a few loans to SSE's on BMM's guarantee.
- Ahorramas and Banco de Comercio: This savings and loan association and commercial bank accepts client savings and loan amortization payments.
- Accion/AITEC: The Bogota representative of this international PVO makes monthly consulting and quarterly training visits to BMM, financed by a PACT (a New York PVO foundation) grant which expires at the end of this year.
- Catholic Relief Service: Plan to finance a solidarity group program in some towns outside of Cali.
- Inter-American Foundation (IAF): Granted \$30,000 for 1984-1986 BMM administration costs.
- Arthur Anderson: External auditor, paid by IAF.

As we will discuss below, BMM is a very large organization (more employees than SWWB) for its number of clients and portfolio size (406 and \$93,000 respectively). Its assumption that it must get heavily into training and such non-financial services as health insurance probably comes from the social-service backgrounds of the organizations it deals with. It is not certain that ADOPEM's approach of "credit is technical assistance" would work for the very small-time market women in BMM's solidarity groups, but BMM is not even open to the suggestion that they run a small trial.

Relation to SWWB

SWWB provides a \$25,000 guarantee to BMM. It wants to cut this by \$10,000 because FES has agreed to leverage the present SWWB-BMM guarantee up to five times. Since most of the present portfolio and

anticipated future lending is in the solidarity group program - which the guarantees do not cover - there seems little need for all of SWWB's present \$25,000. There is also a central-bank administered national loan guarantee scheme for small and medium industry. The Cali office does not give a convincing impression that this scheme will effectively reach SSE's - and certainly not individual entrepreneurs - but BMM feels that the scheme allows it to get out of the guarantee business. BMM and FES agree, however, that the SWWB guarantee was vital to get BMM going.

BMM also credits the strength of the WWB idea and movement as having made possible BMM's founding. It appears now, however, that BMM is practically independent of WWB.

Communications with SWWB are the same as described for ADOPEM. BMM is enthusiastic about the videotaped report idea. Although it might not agree, we feel that BMM could benefit from learning what other affiliates are doing, so it is important to set up a two-way communications channel.

Relationship to local financial institutions.

As stated above BMM has \$12,500 deposited in FES. It is also administering a \$500,000 Inter-American Development Bank soft loan via the Carvajal Foundation, 23% of which is available for BMM individual micro-enterprise loans. To finance the Credimicros program (see below), FES matches a BMM \$5,400 deposit and adds \$18,000 of FES money. Financing for the solidarity program, also through FES, comes from a larger fund, comprising \$135,000 from PACT via AITEC, \$67,500 from FES and \$15,000 from BMM. The present limit for BMM is \$43,500. It draws down these funds monthly in its own name, lends and collects. Since the present solidarity portfolio is about \$22,000 BMM has funds enough to double the program. In the meantime BMM receives interest on the funds not utilized.

Like the Banco del Comercio in the D.R., FES's concern is liquidity, not guarantees (they do ask SWWB to send a copy of their guarantee agreement). As BMM plans to double its solidarity lending, and thus reach its borrowing limit, this year, FES proposes the following way to increase liquidity:

- SWWB arranges a \$200,000 donation (it must be at least nominally a donation or the central bank snaps it up).
- FES provides \$100,000 of its own funds.

- This sum of \$300,000 earns interest at 2.66% per month, yielding \$8,000 per month, of which BMM would get 70%, yielding \$70,000 per year.
- This would allow BMM to expand its portfolio by this amount each year.

The main question is who is going to provide the \$200,000 or more in line with BMM's capacity to expand, about \$60,000. If SWWB is involved, it should certainly take a finder's fee.

Financial operations

Since the focus of BMM present and future activity is solidarity group lending, we will concentrate on a breakeven analysis which assumes that this program will carry all of BMM's fixed costs and the program's own variable costs. BMM is now lending to two blocks (public markets) of about 50 groups each, with four members per group. Its immediate goal is four blocks of 60 groups, which is quite feasible, as two more blocks are identified and Catholic Relief Service money is available, (according to BMM) to increase the portfolio above FES's limit, discussed above.

- The 240 groups (960 clients), at \$90.00 loan each, yield a \$86,000 portfolio.
- Monthly interest and fees are 3.9%, yielding \$3,300 income.
- Costs additional to present ones (a trainer and a field agent) come to \$800 per month, yielding a contribution to fixed costs of \$2,500.
- Present total BMM costs are \$2,600 per month, so BMM would break even at this volume, considering that earnings from the other two programs would more than fill the \$100 gap.

Services provided

The solidarity program works as follows:

1. An applicant in one of the public markets which BMM covers approaches the field consultant, who tells her/him (about 25% of the groups are male) that she must find three other market vendors who are not relatives and agree to the program's conditions.
2. The group meets the field consultant, who gets verbal agreement to the program's conditions and does an informal credit and character check on each applicant. Members receive three hours of initial training. Conditions are,

first, that group members are jointly and severely liable for loans to their entire group. Second, loans start at \$18.00 - 63.00 but quickly rise to \$90.00 for 30 days. Third, interest and charges are (vs. 32% p.a. prime rate and 25% per day from wholesalers) 1.5%, \$0.71 paperwork and \$1.43 training, yielding 3.9% per month. Fourth, each member must save at least \$4.00 monthly, for which she receives interest but cannot withdraw without leaving the program.

3. Upon the executive director's approval, BMM presents a check for the net amount, with deposit slips for the gross amount plus ones for the obligatory savings.
4. Group members must go to the BMM office for monthly training.
5. The field consultant visits the market daily but makes a special point of visiting groups whose loans are up the next day. Group leaders are responsible for collecting from members.
6. After two years clients must leave the program, but by that time their savings are enough to replace the loans.

The credimicros program has only 35 clients, all "graduates" of the Carvajal Foundation. Clients which the latter recommends are approved by a committee comprising representatives from BMM, FES and Carvajal. Approved clients receive a card which states that they have a \$446.00 - 1786.00 line of credit. They activate it by bringing customers' postdated (up to three months) checks to FES and receiving cash, up to their credit limit, equivalent to the checks' face value less 30% annual interest. FES divides the earnings 7% for its administration costs, 6% to capital as inflation correction, 5% reserve for losses and 12% to BMM.

The board has decided to phase out guaranteed loans to individual enterprises. Instead BMM will provide secondary guarantees so that clients can borrow through the National Guarantee Fund, described above. Before this decision BMM had made 35 loans to Carvajal Foundation graduates, at an average of \$1,000 each. Only 15 loans remain in the portfolio.

Visits to clients of all three loan programs indicate a significant gap between solidarity market women and micro-enterprise

clients of the other two programs. The former are not at the bottom of the economic heap; below them are people selling on street corners or with no work at all. However, the market women need extensive, expensive supervision and training in addition to loans. At the other extreme credimicros and guaranteed loan clients seem to be very sophisticated. One, for example, said that she borrowed through BMM rather than a commercial bank because she saved a little interest.

It would be worthwhile for BMM to study how ADOPEM has chosen an intermediate target group: no alternative to borrowing from ADOPEM, promise of generating impressive income and employment increases, but sophisticated enough not to need heavy training and supervision.

We have already discussed some aspects of each program's loan portfolio. To summarize:

- Cumulative loans and value

	<u>Number</u>	<u>Value (\$)</u>
Guaranteed loans	35	35,000
Credimicros	35	33,000
Solidarity	<u>336</u>	<u>24,000</u>
Total	406	92,000

- Urban: 100%
- Startups: None
- Defaults: none. Delinquencies: 12%.
- New employment: Solidarity - 0, guaranteed loans 42 (loan amount to create new job \$870.00).

As with ADOPEM, there seems to be no major problem in running a women-specific lending program. Commercial bankers and other outsiders commenting on BMM were not condescending and had no negative comments on operating methods other than BMM's relatively small size for such extensive efforts.

On the subject of improving services, a TDI presentation to the board raised relevant issues. They are discussed below.

Sample of beneficiaries

As stated above clients in all three programs report that they are pleased with BMM services. As expected, interest rates are not a serious issue. In the solidarity program BMM must require attendance at training sessions, despite market women's not having to work in the late afternoons when the sessions run (they work 5 a.m. - 3 p.m.).

Attendance at some of these sessions leaves one asking whether both group training in the office and heavy supervision in the field are necessary and a good use of clients' and BMM's time. Evidence from ADOPEM and successful programs outside of WWB indicates that so much training is not necessary.

BMM clients produce very impressive economic gains with the money they borrow. A typical market woman borrows C\$10000 (\$89.28) at the beginning of the month, receives C\$9570 after deduction of interest, and generates profits (after deducting day-to-day living costs, cost of goods and other business costs) of C\$28000. After repaying the loan, the client remains with C\$18000 (\$160.71), a 180% return on the C\$10000 invested. This is why wholesalers can charge 25% per day interest. The problem is that the month's profit is very little in absolute terms. A medical emergency (a small one can cost C\$10000) or a seasonal expense, such as children's school uniforms, often eliminates the profit and can drive the client back into a money-lender's hands.

The solidarity clients represent more than 5000 market vendors, greater than 50% women, who sell 64% of the food in Cali. Each earns \$1.75 - 3.50 per day or only about \$780.00 per year. Almost 70% have been selling for more than ten years, 90% need credit, 54% use moneylenders and 73% are literate (2 - 5 years of school).

The Carvajal Foundation reports that its micro-enterprises (and thus, presumably those of BMM) all have less than 10 employees, average three employees, have less than \$4,500 monthly sales, and have capital (including that invested at home) of about \$13,000.

B. Recommendations: Strategic Directions for the Future
Programmatic directions

BMM plans to concentrate on three major activities in 1985:

- Concentration on solidarity program, doubling its size.
- Provide health insurance or set up a disaster fund for solidarity clients.
- Help expand WWB into other Colombian cities (there is already an affiliate in formation in Bucaramanga).

At a session with the board TDI raised the following issues:

- Are there other segments of the market besides the chosen market vendor one which merit attention?
- In choosing market vendors how does BMM balance the great

need of clients for such a program with their inability to create employment?

- In BMM's financial planning how can BMM attract funds from other programs (local, national and international) which have similar aims? How realistic is the assumption that BMM can get low-cost funds to allow it to expand to the break-even point? In Colombia's inflationary situation (15-25% p.a.) is BMM recapitalizing its funds enough to preserve their real value?
- How should BMM balance the desire and need for horizontal integration (having significant activities in client segments besides market women), and vertical integration (providing more services, such as a disaster fund, for segments presently served and reaching more members of those segments)?
- Are present BMM people going to be able to handle operations more than twice as big as present ones (they are overstaffed now; they will have to fight the temptation to continue hiring new staff as they expand)?
- How good are the systems for measuring and communicating actual results vs. targets (measurement systems are good and will improve when a computer is installed, but the board should insist on higher ratios of clients per staff member)?
- As a developed WWB affiliate, how can BMM help other affiliates?

On this last issue TDI suggested the following services, which BMM could provide but which other affiliates should pay for:

- Send videotaped reports of activities.
- Provide audits of affiliate management systems for local boards.
- Help SWWB to establish more specific requirements for affiliation than now exist.
- Help affiliates to plan fund-raising campaigns.
- Prepare videotaped personnel training courses.
- Find exporters who could benefit from peso-dollar loans, the latter giving profit to SWWB.
- Use contacts with international donors to seek funds for other affiliates and SWWB.

- Define, along with SWWB, BMM's responsibilities for helping other affiliates in Colombia and affiliates in other parts of Latin America.

Appropriateness of institution

The three major institutional development activities appear at the beginning of the previous section. The strategy of a specialized, training-intensive intervention with just one market segment is sensible for the next year or 18 months. With less than 400 loans to market women, and several cities close to Cali yet to reach, concentrating on just one service package is reasonable. This is particularly true considering that this package will be able to support the entire affiliate after scale-up.

However, it is very unwise to concentrate so much in the long run. Two foundations in the Dominican Republic (ADEMI and the Dominican Development Foundation) ran into serious repayment problems after about 18 months' of concentration on mobile vendors. The high cost of training and supervision in the present package requires the use of practically donated funds, which can dry up unexpectedly. WWB ideals imply that affiliates should involve more than just a thin slice of the women in a community.

Therefore we recommend that during the next 18 months BMM test interventions with:

- Groups of small micro-enterprises as they are now working with (BMM has a few such groups in its solidarity program), but without the heavy training which they presently assume to be required.
- Loans to microenterprises along the ADOPEM model, in which BMM re-lends funds borrowed at commercial rates (from the Banco Popular, for instance).

It is unlikely that BMM will do these experiments without some friendly urging from SWWB. Because of the highly social-services atmosphere of Cali, SWWB has a role in presenting an alternate view.

Self-sufficiency

As shown above BMM can soon be self-sufficient on donated funds. The challenge now is to reach self-sufficiency on commercially-borrowed money and so open the way for significant scale.

CHAPTER 4

WOMEN'S WORLD BANKING HAITI FONDS HAITIEN D'AIDE A LA FEMME (FHAF)

Analyzing this affiliate was not planned in the scope of work. However, we were able to make two two-hour visits to FHAF in the course of other Haitian work and therefore can report some impressions here. We will not follow the format of the other chapters because of the lack of information and the tiny scale of FHAF's operations - only 12 loans and just hiring its first field officer.

FHAF was founded in 1982, but fund raising in the very difficult Haitian environment took until mid-1983. At that time FHAF had raised \$12,500, so using its normal procedure, SWWB provided a guarantee agreement with \$25,000 backing. FHAF also received a grant from the Inter-American Foundation to cover all of its administrative costs in 1982-83 and 50% in 1984-85.

The affiliate operates under the original SWWB "model", in which a local commercial bank, the Banque Nationale de Credit, makes the actual loans and takes 25% of the credit risk. FHAF selects applicants, helps them to fill in the loan application, presents it to the board and the bank and provides follow-up technical assistance and supervision. The bottleneck to giving more loans is lack of field officer time. Discussion with board members also gives the impression that they want to gain experience with present clients before aggressively expanding.

Of the 12 loans made, 11 are outstanding. Clients are women-owned microbusinesses in a wide variety of fields: sandal making, a dentist, garment making, food manufacturing, and a boutique, for example. Net assets average \$5,000 with 2 - 5 employees. The average loan is for \$2,500 - 3,000 one year, 24 months maximum. Interest is 16% for the bank, 3% guarantee fee and 6% assistance fee. The total portfolio is \$22,000. Collections have been difficult. One client defaulted, but her family is continuing payments. There are 1 - 2 delinquencies currently. It appears that FHAF has a problem getting information from the bank the moment that a payment is late, which is vital in keeping delinquencies down.

FHAF needs French-language board and field agent training from

SWWB. Nearby affiliates do not have this language capability.

In light of experience with another Haitian micro-enterprise assistance program, it is a wonder that FHAF has done as well as it has and, particularly, that it has convinced a commercial bank to cooperate. FHAF has raised local funds to \$16,000 and would like SWWB to raise its guarantee to \$32,000.

ADOPEM and BMM have found that it is more practical to loan directly to clients, borrowing on a line of credit from a bank. FHAF does not want to consider this now, but they really should loan directly to a few clients once they get the field officer trained, as an experiment.

Preliminary Scope of Work: Women's World Banking

There are four major sections to the evaluation; I have divided these according to US-based work and overseas work.

U.S.- BASED (travel to New York)

I. Progress made to date by WWB. This section should respond to the following areas:

A. Management and Organization: Is organization appropriately set up for services it is designed to deliver; effectiveness of management (strengths/weaknesses); management information systems; analysis of program and financial management procedures; cost effective alternatives.

B. Assessment of Services Provided: Number of affiliates established; the nature, extent, quality of assistance provided to affiliates, and need for improvements in this area (financial, managerial, technical); progress made on credit manuals and indicators of their usefulness; specifics and usefulness of monitoring and evaluation systems established; assessment of workshops completed, and their contribution to strengthening WWB; status of exploration of marketing opportunities; improvements/recommendations in above areas.

C. Capital Fund: Progress vs. projections to date; problems in reaching projected levels; assessment of future environment; plans by WWB for increasing fund contributions; realistic projections for 1985.

D. Potential for WWB Self-sufficiency by end of FY 1985: Can it be achieved, if so, what conditions must exist; current and potential problems.

II. Strategic Directions for the Future

A. Programmatic Directions: What services might WWB provide; what markets might WWB address; strategies to pursue; recommendations.

B. Appropriateness of Institution: Are existing institutional mechanisms appropriate for future plans; what staffing patterns will best serve needs of WWB; strategies it might pursue; recommendations.

C. Self-Sufficiency: What conditions must exist for long term viability of organization; anticipated problems/constraints; recommendations.

OVERSEAS WORK (to be done in Colombia, Dominican Republic, and, funds permitting, one other country)

I. Local Affiliates. In-depth analysis of their present status and future needs/directions: This should include:

A. Management Organization: How organized (formal/informal incorporation); staffing patterns (part and full-time); relationship to other local institutions; problems; improvements needed.

B. Relationship to WWB: Services provided (WWB to local affiliate and vice versa); mechanisms for communication; problems; improvements needed.

C. Relationship to Local Financial Institutions: Roles and responsibilities of each; mechanisms for collaboration; problems and reasons; recommended improvements and suggestions on how to implement these.

D. Financial Operations: Sources of funds; application system; potential for self-sustainment, including "fee for service" possibilities; recommendations.

E. Services Provided: To local financial institutions, to women entrepreneurs; appropriateness/quality of service; Loan Portfolio Characteristics (including number of disbursements - rural, urban, expansions, start-ups; number of clients; average disbursements per client; status of portfolio; default; arrearage; estimated new employment generated - full-time/part-time; average disbursement per job created); assessment of difficulties/constraints experienced in women-specific lending programs; improvements needed and how to make them; costs and how they are to be borne; recommendations.

F. Sample of Beneficiaries: Assessment of services provided to entrepreneur from entrepreneur's point of view, including appropriateness of technical assistance and of management systems; brief profile of beneficiaries, especially income and education level; recommendations for future loans.

II. Strategic Directions for the Future

A. Programmatic Directions: Services planned for FY 1985; services required from outside - WWB or other; monitoring and evaluation systems to be developed; anticipated income from services; recommendations.

B. Appropriateness of Institution: Assessment of required institutional development activities for FY 1985; recommendation of future WWB-local affiliate relationship.

C. Self-sufficiency: Real potential for self-sustaining status and strategy for achieving it; prospects for long-term viability; recommendations.

***If the person requesting the information is writing from a country where we currently have an affiliate either incorporated or in formation, this paragraph should be continued by stating the following. For example, if the person writing is from Nigeria we should write:**

In Nigeria, I would suggest you contact our Advisory Associate, Ms. Modupe I. Okojie, Managing Director, Finance Consultants, Ltd., Box 1222 Apapa, Lagos, Phone: 680977 or 610034. I am sure that she will be able to answer any further questions you might have about WNB and the Nigerian affiliate's operations.

Thus the letter should end this way.

****This sentence should only be used if the person is writing from the U.S. or from a country where there is no affiliate group in progress or in formation.**

Letter Re: GENERAL INFORMATION

Dear _____:

Thank you for your inquiry received on _____ about Women's World Banking.

Let me briefly describe WWB's purpose and goals and I enclose some additional background materials.

WWB is an independent international financial institution created as a Netherlands Stichting in May 1979 to advance and promote entrepreneurship by women within their own local economies, particularly those who have not generally had full access to the services of established financial institutions.

WWB was established to meet fundamental needs which were recognized at the 1975 Women's Conference in Mexico City: The special set of problems faced by the small entrepreneur who is a woman -- access to credit, to markets and to modern business techniques. By creating a world-wide but informal network of active women at every professional level, WWB seeks to enhance the self-sufficiency of women and their families by allowing them to expand and control their economic environments.

WWB's specific objectives are:

- To create a loan guarantee mechanism to support financing for women's income-producing activities;

- To arrange for managerial assistance for ventures receiving loans guarantees, as needed, to ensure their viability; and,
- To expand and strengthen the network of women who participate in financial decision making in their economies.

Through its Capital Fund, WWB provides loan guarantees or other security to banks and financial institutions to encourage them to extend loans to small enterprises. Local affiliates made up of professional women and men known as "Friends of Women's World Banking" identify potential borrowers. WWB uses deposits in its central Capital Fund to provide loan guarantees to local banks. It works through letters of credit, although, in some cases, it deposits a portion of the guarantee in a local participating bank. WWB guarantees to cover 75% of each loan: 50% provided by the WWB letter of credit and 25% utilizing funds collected by the local "Friends" organization. The remaining 25% of the risk is assumed by the local bank.

The Capital Fund is a central part of WWB's successful operation. It is made up of grants, primarily from international sources and of funds derived from the sale of Stichting WWB's 8% Debentures due 1990.

WWB now has 17 legalized "Friends" affiliates including 1 in the U.S. and at least 15 others in the process of incorporation.*

**Let me know if you have any additional questions.

INITIAL DESCRIPTION OF SERVICE PACKAGE
FOR SWWB

1. Help affiliates to establish themselves.
 - Established affiliates in region provide place to visit and from advisory group.
 - SWWB selects regional advisor and outside consulting resources.
 - New affiliates (perhaps with SWWB help - see below) find grant funding to pay costs of above services.

2. Help affiliates to find international grant and soft loan funding.
 - SWWB provides contacts with funding sources and advice on writing business plan for application.
 - SWWB charges a fee for this service, either a finder's fee for private capital or a consulting charge to the affiliate in the case of public funds.

3. Provide guarantees to support lines of credit from local commercial banks for affiliates.
 - Affiliates operate on spread and use bank for disbursement, collection and forced savings (making sure assets remain in community).
 - SWWB leverages its assets used for guarantees.
 - Affiliates pay SWWB guarantee fee (which may be large percentage of assets used for guarantees if SWWB leverages its assets) which they pass on to clients. Affiliates are subject to operating control and reporting requirements.

4. Facilitate international marketing.
 - Affiliate selects established exporter which is preferably woman-owned and handles some clients' products, gives local currency loan and provides overall supervision.
 - SWWB provides or facilitates dollar (or other hard currency) loan but is not involved in marketing operations, with fee or spread on loan financing this activity.

5. Coordinate inter-affiliate communication.
- SWWB provides format and distribution service (and perhaps locates international funding and manufacturer donations) for videotaped quarterly reports.
 - SWWB provides seminar speakers and packages for fee.

SWS INSTRUCTION MANUAL FOR GUARANTEED LOAN REPORTS
SUMMARY REPORT

COUNTRY _____

SWWB AFFILIATE _____

SUMMARY REPORT FOR _____
(Date)

TOTAL AVAILABLE FOR PROGRAM
(Exchange Rate: _____)

	LOCAL CURRENCY	U.S. DOLLARS
#1 SWWB GUARANTEE (Letter of Credit)	_____	_____
#2 SWWB LOAN	_____	_____
#3 LOCAL SWWB AFFILIATE GUARANTEE (Deposit in _____ (Bank)	_____	_____
#4 LOCAL BANK GUARANTEE Name of Bank: _____ _____	_____	_____
#5 TOTAL AMOUNT AVAILABLE FOR PROGRAM	_____	_____

LOANS:

Local Currency	Number of Loans	Total Amt Disbursed	Interest	Balance Due on Loans
#6 Total Loans Disbursed	_____	_____	_____	_____
#7 Less: Total Loans Paid in Full	_____	_____	_____	_____
Payments Made All other Loans		_____	_____	_____
#8 TOTAL PAYMENTS MADE		_____	_____	_____

#9 BALANCES OF
LOANS

#10 RECAP:
 Total Amount Available. _____
 Less: Balances of Loans. _____
BALANCE AVAILABLE FOR LOANS
 AS OF _____
 (Date)

#11 INTEREST PAID TO DATE BY BORROWERS
 -To Financial Entity (Bank) _____
 -To Others (List) _____

#12 TOTAL INTEREST PAID. _____

#13 FEES PAID TO DATE BY BORROWERS
 -To Local SWWB Affiliate _____
 -To SWWB (Guarantee Fee of ____%) _____
 -To Others (Management Fees, etc. _____
 Itemize: _____

#14 TOTAL FEES PAID _____

#15 LOANS OVERDUE:

	# of Loans	Balance Due Prin. Only	Balance Due Prin. & Int.	% of TOTAL
Loans Up-to-Date	_____	_____	_____	_____
Loans Paid in Advance	_____	_____	_____	_____
Overdue: 30-60 days	_____	_____	_____	_____
Overdue: 60-90 days	_____	_____	_____	_____
Overdue: 90-120 days	_____	_____	_____	_____
Overdue: Over 120 da.	_____	_____	_____	_____
#16 TOTAL LOANS	_____	_____	_____	_____

#17 LOSSES:
 List individually below: _____ Amount

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LOAN IMPACT EVALUATION FORM
HAITIAN DEVELOPMENT FOUNDATION

MONTH AND YEAR _____
COLLECTION AGENT _____
TERRITORY _____
CLIENT _____
ADDRESS _____
TYPE OF ENTERPRISE _____
DOSSIER _____

LOAN DESCRIPTION

TYPE AND USE OF LOAN _____
DATE PAID OUT _____
TOTAL AMOUNT TO BE REPAYED _____
TERM OF LOAN _____
GRACE PERIOD _____

IMPACT OF LOAN

NET WORTH OF ENTERPRISE BEFORE LOAN _____
NET WORTH OF ENTERPRISE TODAY _____
DIFFERENCE _____

AVERAGE MONTHLY GROSS REVENUE BEFORE LOAN _____
AVERAGE MONTHLY GROSS REVENUE TODAY _____
DIFFERENCE _____

AVERAGE MONTHLY NET PROFIT BEFORE LOAN _____
AVERAGE MONTHLY NET PROFIT TODAY _____
DIFFERENCE _____

NUMBER OF EMPLOYEES BEFORE LOAN _____
NUMBER OF EMPLOYEES TODAY _____
DIFFERENCE _____

AVERAGE EMPLOYEE TOTAL MONTHLY EARNINGS TODAY _____

OTHER IMPACTS (COMMENTS OF CLIENT AND COLLECTION AGENT)

RESULTS OF STRATEGIC PLANNING SESSIONS WITH SWB

KEY ISSUES

- 1) AUTONOMY FROM FUNDING SOURCES (AID, ETC.)
- 2) COMMUNICATION WITH AFFILIATES
- 3) ROLE OF BOARD/ HOW TO USE BOARD
- 4) INCREASE COST-EFFECTIVENESS (NY AND AFFILIATES)
- 5) RANGE OF ECONOMIC LEVELS OF CLIENTS
- 6) LEVERAGE WITH AN AFFILIATE TO GET REPORTS
- 7) WHAT IS WWB/NY? (A SMALL BUSINESS, A BANK)
- 8) WHAT SERVICES ARE MOST VALUABLE TO AFFILIATES?
- 9) WHAT IS THE DEFINITION OF SELF-SUFFICIENCY AT WWB/NY AND AFFILIATES? (ATTITUDE/APPROACH TO INVESTMENT VS. SUBSIDY)
- 10) DEFINITION OF STAGES OF AFFILIATE DEVELOPMENT AND NY OFFICE
- 11) WHAT LEVEL OF SUPPORT TO RESPOND WITH FOR AFFILIATE ESTABLISHMENT

RESULTS TO DATE

- 1) PUT MORE MONEY IN HANDS OF WOMEN THROUGH LEVERAGING WITH GUARANTEES
- 2) TRAINING TO FINAL CLIENTS
- 3) PROVIDE ENTRE INTO FORMAL BANKING SYSTEM
- 4) CREATED INTERNATIONAL NETWORK FOR COMMUNICATING CONFIDENCE THAT SMALL BUSINESS WOMEN CAN ENTER ECONOMY
- 5) CREATED AND LEGITIMIZED NEW MARKET FOR CREDIT
- 6) CREATED ENVIRONMENT FOR WOMEN TO ADDRESS NON-BUSINESS NEEDS OUTSIDE OF CREDIT AND T.A.
- 7) NOT YET DEFINED WHAT COMMUNICATION SYSTEMS ARE NEEDED BETWEEN AFFILIATES AND NY
- 8) NOT SUCCESSFUL IN GETTING \$15 MILLION IN THREE YEARS
- 9) NO DEFAULTS
- 10) GAINED AND HARNESSSED LOYALTY, SKILLS AND TRUST OF PEOPLE IN AGREEMENT WITH WWB'S OBJECTIVES
- 11) LEVERAGED RELATIVELY SMALL GRANTS AND LOANS INTO LARGE CAPITAL AND HIGH RETURN ON INVESTMENT
(INCREASED LENDING PORTFOLIO AND RESOURCES;
HIGH RETURN AND HIGH ASSET GROWTH)
- 12) AFFILIATE DEVELOPMENT:
 - 19 AFFILIATES IN FORMATION
 - 21 LEGALIZED AFFILIATES
 - 15 AFFILIATES PROVIDING SERVICES TO CLIENTS
 - 6 LOAN PROGRAMS
 - 9 OTHER SERVICES

ESTABLISHED CAPABILITIES AND NEEDED CAPABILITIES

Established Capabilities

- Technique for leveraging relatively limited capital funds into much larger injections of capital for target clients.
- Network for passing training skills from one affiliate to another.
- Ability to communicate confidence and spirit of solidarity.
- Quality control system, starting with encouraging proper organization and lending procedures, and including reporting regimen, resulting in no defaults.

Needed capabilities

- Permanent financing for training interchanges.
- Support for affiliate services in business areas outside of credit and management assistance.
- Raising core capital.
- Structure of fees to support services to affiliates.

PAST AND PRESENT STRATEGIES

- Regional and international meetings to sell concept and seed new affiliates.
- Networking thorough correspondence.
- Direct field sales of WWB concept through president's visits.
- Use of examples of established affiliate success to motivate new affiliates.
- Use of guarantee agreements to leverage affiliate reporting.
- Mobilize local professional women leaders to take responsibility for affiliates.
- Newsletter (was six-monthly, now stopped, should be quarterly).
- Use of guarantee as affiliate establishment tool.
- Study of Women's World Marketing.

NECESSITIES FOR NEW STRATEGIES

- **Broad objective: empower women to successfully integrate into formal economy by providing access to their businesses' critical needs.**
- **Tool: implementing through network of affiliates, with four levels of network linking:**
 - **SWB - Affiliates**
 - **Regional coordinator - Affiliates**
 - **SWB - Regional coordinator**
 - **Affiliate - Affiliate.**
- **Key Strategic necessities**
 - **Increase communication through above network.**
 - **Raise and leverage capital.**
 - **Strengthen existing affiliates (key necessity).**
 - **Encourage new affiliates to evolve.**
 - **Allocate management and financial resources to help affiliates in formation.**
 - **Educate affiliates about capital, cash flow and self-sufficiency.**
 - **Build confidence in WMB among finance sources.**

STRATEGY SELECTION

- Potentiate communications systems through:
 - = Self-assessments
 - = Meetings
 - = Videotapes from affiliates.
- Leverage capital at all levels (SWWB, affiliates and clients) to maximize client income increases per dollar of investment.
- Use regional coordinators and visits to established affiliates to help new affiliates pass quickly to active (or defunct) stage.
- Facilitate, but do not initiate or manage, international marketing finance at affiliates' initiative.
- Provide established affiliate client TA at a profit through Women's World Exchange seminar series.
- Develop affiliate financial management system and training module.

[Service package - See Attachment III]

TRADE & DEVELOPMENT INTERNATIONAL CORP.

PROFESSIONAL BIOGRAPHY

CAMERON L. SMITH

Mr. Smith is Vice President of Trade & Development International Corp. TDI provides strategic planning, venture identification and implementation help to development agency programs and to U.S. and foreign companies in the international field. For example, some of Mr. Smith's recent projects are:

- Leading organizations in Brazil, Dominican Republic, Haiti, India, Indonesia, Panama and Swaziland in the development of strategic plans for the management of their small-business assistance programs;
- Preparing a study on prospects for small-scale enterprise loan guarantee programs in LDC's;
- Evaluating a multi-country, women-run, private-sector micro-business loan guarantee project;
- Assessing data from 33 micro-enterprise assistance programs in order to advise the World Bank on scale-up strategies;
- Designing projects in Kenya and Ecuador which will help the private sector to promote agribusiness exports and foreign investments.

As senior consultant in the Arthur D. Little, Inc., Food and Agribusiness Section, Mr. Smith led or participated in assignments such as:

- Developing a plan for strategic management of a Caribbean agricultural cooperative;
- Identifying growth opportunities in the U.S. retail food market;
- Directing a study of U.S. and European prospects for a new sweetener;
- Managing development of an OTC pharmaceutical for Asia.

Over a period of 14 years Mr. Smith held marketing and general management line positions of increasing responsibility in Canada, U.S., Central America, Thailand and The Netherlands, for a Fortune 100 multinational in the food and health industries. Previous to this he was engaged in financial planning for a major Colombian firm.

Mr. Smith holds an MS in management from MIT's Sloan School of Management and a BE in mechanical engineering from Yale, where he was elected to the Tau Beta Pi engineering honor society and was a Ranking Scholar. His languages include Spanish and Dutch.

TRADE & DEVELOPMENT INTERNATIONAL CORP.

PROFESSIONAL BIOGRAPHY

BRUCE A. TIPPETT

Mr. Tippet is President of Trade & Development International Corp. TDI provides strategic planning, venture identification and implementation help to development agency programs and to U.S. and foreign companies in the international field. For example, some of Mr. Tippet's recent projects are:

- Training management of organizations in Bolivia, Brazil, Dominican Republic, Haiti, Honduras, Kenya, Panama, Paraguay and Swaziland in strategies for diversification and expansion of small and micro business development assistance;
- Advising the World Bank on strategies for increasing the scale of micro-enterprise development programs after assessing such programs in 16 countries;
- Designing a private sector small loan guarantee program for Bolivia;
- Evaluating institutional growth and small loan systems of Paraguayan urban and rural credit coops;
- Setting up and taking an interest in a developing-country local-currency investment pool for small business with participation of a U.S. venture capital firm.

As Regional Director of Accion International in Latin America, Mr. Tippet led in the formation of various national and regional organizations and companies, such as:

- A small-business venture capital company;
- The first micro-enterprise credit and management assistance organization in Brazil;
- Replication of this organization in five Latin and Caribbean countries;
- Private development foundations in Brazil, Peru and Colombia.

Over a period of 15 years Mr. Tippet held marketing, general management, and chief executive officer positions in Latin organizations in Venezuela, Peru, Colombia, and Brazil which were spin-offs from Accion International where Mr. Tippet remained a senior manager.

Mr. Tippet holds an international affairs degree from the University of Colorado. His languages include Portuguese and Spanish.