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**PROMOTING SMALL AND MEDIUM-SIZED BUSINESS  
IN CHAD  
THE VITA PRIVATE ENTERPRISE PROJECT**

Prepared under  
AFR-0438-C-00-5007-00  
for the  
United States Agency for International Development  
Africa Bureau, Office of Private Enterprise

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By  
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TABLE OF ACRONYMS

A.I.D.	U.S. Agency for International Development
BDT	Banque de Developpement du Tchad
BTCD	Banque Tchadienne de Credit et Depots
EEC	European Economic Community
FAO	Food and Agriculture Organization of the United Nations
FCFA	CFA Franc Currency
FED	European Development Fund
IMF	International Monetary Fund
NGO	Non-Governmental Organization
PVO	Private Voluntary Organization
U.N.	United Nations
VITA	Volunteers in Technical Assistance
VITA/PEP	Volunteers in Technical Assistance/Private Enterprise Project

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PROMOTING SMALL AND MEDIUM-SIZED BUSINESS IN CHAD:  
THE VITA PRIVATE ENTERPRISE PROJECT

EXECUTIVE SUMMARY

The VITA/Private Enterprise Project (VITA/PEP) supported by A.I.D. in Chad provides credit and related technical assistance to small and medium-sized entrepreneurs. The purposes of the project are to create new enterprises, especially in food production and agriculture, provide goods and services, generate income, create jobs, and eventually make the institution part of Chad's financial and economic structure.

A.I.D. is providing VITA with \$2,770,000 for the project under Cooperative Agreements signed in January 1984 and September 1987, plus a contribution from the Africa Bureau in September 1986. The equivalent of approximately \$907,000 is provided from PL 480 generated local currency, and USA for Africa has contributed \$124,645, resulting in total project funding of about \$3,800,000 to date.

Through September 1987, some 169 individual loans totaling the equivalent of about \$590,000 had been made for such undertakings as vegetable and fruit truck farms, purchase of plows, tailor shops, refrigeration repair facilities, automobile repair, private schools, metal fabrication, pharmacies, etc.

The project operates in a very difficult milieu. Chad is one of the world's poorest countries. The bulk of the population of five million practices traditional subsistence agriculture and livestock herding and is not in the modern, monetized sector. There are few natural resources, internal transport is deplorable, and the nearest seaports are over 1,000 miles away. There are only a few industries, cotton being the most important. Furthermore, the country has experienced periodic drought and civil strife since

attaining independence in 1960. The substantial annual Government operating budget deficits are met by foreign donor subsidies. The Government has no funds of its own for long-term development activities, and thus is completely dependent on donors for such undertakings. A bank moratorium has existed since 1980, and there are now only two commercial banks operating in the country.

However, there has been some improvement in the last four years. The present pro-western Government of President Hissein Habre has provided significant political stability through reforms and promotion of reconciliation between rival factions. Military victories over Libya have promoted pride and unity. And good rains and war reconstruction resulted in substantial pick-up in economic activity during 1982-84; unfortunately a return of drought and substantial drop in world cotton prices has resulted in renewed economic slump from 1986 to date.

In the midst of these difficulties the VITA/PEP project has achieved some of its objectives. In particular, a well managed and staffed professional institution has been created that, in the absence of other modern credit outlets, is now the chief source of term credit for small and medium-sized businesses in the country. The project has created enterprises and jobs, assisted in war reconstruction, provided goods and services, and generated income. It is an important element in Chad's modest financial sector.

However, the project now has three significant financial problems,

as follows:

- ° the number of applications for loans (i.e., the demand) and total loan volume have been declining since 1985, as indicated below:

	1984 July-Dec.	1985	1986	1987 Jan.-Sept.
Number of Applications	141	330	111	62
Volume of Loans in Millions FCFA	39,579	128,294	40,818	24,078

- ° operating costs of the project have consistently exceeded the volume of loans to borrowers, and the ratio has gotten worse during 1986-87, as below:

	1984 July-Dec.	1985	1986	1987 Jan.-Sept.
% of Total Project Expenditures				
For Operations	67%	53	80	90
For Loans	33%	47	20	10
Cost to Loan \$1.00	\$2.03	1.13	3.91	8.84

- ° the borrowers' repayment performances, which were good during 1984-85, have worsened since, as below:

	1984 July-Dec.	1985	1986	1987 Jan.-Sept.
No. of Payments Due	8	249	600	358
No. Paid Within 30 Days	8	167	189	67
Payments Not Yet Made (as of June 30, 1987)	0	15	203	200

The prime cause for these problems seems to be the economic slowdown during 1986-87, plus the decline in the number of sound projects after the initial pent-up backlog associated with war reconstruction had been financed. The problems are not due to lack of effort or performance by VITA. However, VITA with A.I.D. support must take firm steps to solve them. Some steps that should be considered include:

- ° increasing publicity for the program;
- ° loaning in new geographic areas of the county (most lending to date has been in and around the capital city of N'Djamena);
- ° making larger average loans;
- ° making more repeat loans to successful borrowers;
- ° undertaking joint lending with the two commercial banks, which have unused FED and French funds available for private sector lending;
- ° becoming the credit arm for other PVO's and donor development projects;
- ° raising interest rates;
- ° introducing fees to those clients that use particularly large amounts of technical assistance and advisory services;
- ° reducing staff; and
- ° persuading Government to provide free or low cost office space and utilities.

If these three financial problems are not firmly tackled and alleviated, the project could collapse, as have many other similar credit undertakings around the world. We have developed with VITA and the A.I.D. Mission a program to institutionalize the project during 1988-89, as required by the project Agreements. The entity would be converted into a Chadian NGO, the expatriate presence reduced to only the American Director, and a Board of Directors established on which would be represented local banks and businesses and the Government. Other financial contributors to the project in addition to A.I.D.

would be sought for the period starting in 1989. But such institutionalization of the project makes sense only if the basic financial problems mentioned above are successfully managed; it would not be sensible to institutionalize a failed project.

Operating costs for credit projects of this type can be broken down into normal banking costs and costs to provide technical assistance and advisory services to loan applicants and borrowers. A reasonable business-like goal is that after a few years normal banking costs will be covered by earned income, and eventually a significant portion of technical assistance costs also will be covered by such income. Thus subsidies necessary to support the project will be eliminated for banking costs and be necessary only for a portion of advisory costs.

This goal of financial self-sustainability has not and will not in the foreseeable future be achieved by the VITA/PEP project. This is because income earned from interest is and will continue to be small relative to banking costs; over the life of the project to September 30, 1987, interest income was only 7.3% of banking costs. This percentage may increase if interest rates are raised and fees introduced for advisory services, and operating costs might be reduced; nevertheless it seems unlikely that any combination of steps could result in complete coverage of banking costs in the foreseeable future. Technical assistance costs will continue to be heavy in this project. Such services are essential in the existing Chad context to create and retain sound projects and reduce risks. They must be retained at a significant level.

Thus the project will need subsidies for the foreseeable future to cover both types of costs. However, we must note that this matter of financial self-sustainability was not addressed in A.I.D. documentation for the project and the Cooperative Agreements.

## RECOMMENDATIONS

Our recommendations are as follows:

1. AID should assist and carefully monitor on an ongoing basis VITA's efforts to alleviate the three existing financial problems;
2. The institutionalization program should be approved by A.I.D., and VITA should slowly move ahead with it during the first half of 1988;
3. If the financial problems are not alleviated by about the third quarter of 1988, A.I.D. and VITA should consider terminating the project in an orderly manner by the end of the current Agreement in February 1989;
4. If the financial problems are alleviated, A.I.D. must then decide if it wants to stay involved beyond February 1989 even though the project will not become financially self-sustaining even for normal banking costs in the foreseeable future, and therefore will require substantial subsidies to support both banking and technical assistance costs;
5. A.I.D. staff should always prepare data and forecasts when considering credit projects, so that decision-makers will be aware of subsidies involved at present and in the future. The matter of financial self-sustainability should always be addressed before decisions are made.

By alleviation of financial problems we mean a substantial increase in demand for loans, good applications, and substantial increase in the number of loans made and total loan volume; also, a significant decline in operating costs relative to loan volume; finally, a firm turnabout in the repayments record. The specific initial numerical targets could be a return to the good performance record of 1985.

From a normal banking and business point of view, the project should of course be terminated even under point 4 above. But there are positive aspects of the project: an institution has been created under very adverse conditions in a Western-oriented country of considerable interest to the

U.S., and it efficiently and in business-like manner screens loan applications and makes bankable loans that have positive impacts on the economy. It is the prime credit source in the country for small and medium-sized entrepreneurs. Its overall record -- though seemingly poor compared with "normal" situations -- may be the best of any financial institution in Chad in recent years. All other A.I.D. and other donor activities in Chad require subsidies. Finally, many of the development projects planned by the U.S. and other donors in Chad for future years will have to contain credit components, and it could be argued that this institution might serve that role.

This seems to be a quandry and in fact a policy issue that A.I.D. and the U.S. Government should address: Should the U.S. ever support credit institutions when it is likely that they will need financial subsidies even to support their normal banking costs for the foreseeable future?

One point is certain -- if A.I.D. decides to stay involved, it should do so with clear knowledge of the subsidies involved. Documents with statistics and forecasts should address this matter. Vague generalities and polite prose should not substitute for facts and data, as has too often been the case in A.I.D.-supported credit projects.

If A.I.D. decides to leave the project because it seems a failure, it should nevertheless be clear that A.I.D. took a reasonable risk in supporting it, and VITA performed a solid job under very difficult conditions.

Circumstances in the country will primarily have caused the failure, not the entities involved.

## 1. DIFFICULT SETTING

To assess and make judgments on the VITA/PEP\* project in Chad, one must be aware of the unusually difficult political, social, and economic context within which the project operates.

Chad is a large (almost 500,000 square miles) landlocked country in the center of the northern part of Africa. It is an artificial creation of Western colonialism, its boundaries based on political decisions made long ago and from afar rather than on geographic, historic, tribal, or economic realities. It straddles three diverse climatic zones: the northern half of the country is part of the Sahara and Libyan deserts; the central belt consists of subarid savanna and semidesert (Sahel); and the southern 10-15% is well-watered and subtropical, belonging to central Africa's equatorial rainbelt.

The population is over five million and growing rapidly (about 2.4% per year\*\*); about 40% is age 15 or under. Most people live in rural areas and practice low-yield traditional agriculture and stockraising. Almost half live in the southern subtropical zone, and are farmers and sedentary peoples resident in fixed villages. As one moves north the density thins out and the people are primarily seminomadic and then complete nomadic livestock herders.

The population is divided into numerous ethnic and linguistic groups that have intermingled and interacted over the centuries. Many have long histories of animosities and wars with each other. The most basic division is between the northern nomads (Islamic), and the agriculturalists of the

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\* VITA/PEP = Volunteers in Technical Assistance/Private Enterprise Project.

\*\*Most country data in this report is approximate due to the destruction of records during civil strife and the lack of recent statistical surveys. It is taken from various A.I.D., World Bank, and IMF publications.

south who have been more influenced by Christianity and French culture. These northern and southern groups are today in constant touch and interaction with each other only because they were included as a major administrative unit of French Equatorial Africa and hence in 1960 became part of the same national state (Chad).

The capital of N'Djamena is the only large city, containing about 400,000 people. Compared to other West African cities such as Lagos, Accra, Yaounde, and Abidjan, N'Djamena is relatively quiet and spread out, lacking much of the crowded, noisy, vibrant atmosphere that characterizes Africa's coastal areas. In fact the whole country, being geographically isolated, has always been relatively untouched by the commercial and financial currents affecting countries to the west.

Chad is one of the world's poorest countries, having a per capita income of only \$130 in 1985. Only 30% of children attend school, literacy is low, malnutrition widespread, and life expectancy short.

Chad's main physical resources are arable land in the south, pasture, and freshwater fisheries in the south and west. Cotton grown in the south is the main agricultural product and source of foreign exchange. Livestock (much of it illegally exported to Nigeria), millet, and sorghum also are important. Industry is limited; the five largest firms are parastatals involved in cotton processing (COTTONCHAD), sugar, textiles, cigarettes, and beer. The small internal road system is in very poor condition, and there are no railroads or water ports. The nearest seaports are in Cameroon and Nigeria, well over 1,000 miles away.

However there has been political and economic improvement in the last few years. The present Western-oriented Government of President Hissain Habre has provided significant political stability through reforms and promotion of reconciliation between rival groups. Recent military victories over Libya have promoted pride and unity in the country, and N'Djamena has been partially rebuilt after being substantially destroyed during fighting in the early 1980's. Good rains in 1983 greatly helped agriculture and livestock. General economic activity and growth were way up during 1982-84 due to war reconstruction activity and the rains, but unfortunately there was significant leveling off during 1985-87 because of a return of drought and a 40% drop in world cotton prices. Nevertheless, overall conditions today still are better than they have been since the mid-1970's.

Naturally in such an atmosphere of uncertainty and poverty there is extreme caution and aversion to risk taking among the Chadians. Donors have been providing substantial amounts of emergency assistance and subsidies, but they have found it extremely difficult to design and implement sound long-term development projects.

## 2. DEFICIT FINANCE AND LACK OF CREDIT

Chad belongs to the French-supported Central African monetary area, which includes a central bank and the CFA franc (FCFA) currency. The FCFA is fully convertible into the French franc at the fixed rate of 1 FCFA to 0.02 FF. At the time of this report there were about 300 FCFA to \$1 U.S.

The Government has very large annual budget deficits, as indicated by the following table drawn from IMF data.

TABLE 1: CHAD GOVERNMENT BUDGET

(in billions of FCFA)

	1984	1985	1986	1987
Revenue	18.3	21.3	16.8	21.7
Expenditure	37.3	50.5	70.0	92.7
Deficit	- 19.0	- 29.2	- 53.2	- 71.0
Amount of Deficit Covered by External Grants	15.0	23.1	44.0	43.1

France and the U.S. supply most of the grant subsidies to cover these deficits. There seems to be little possibility of reducing them significantly while military expenditures continue high and world cotton prices remain depressed. To reduce expenses the Government now pays civil servants only 60% of the salaries they received several years ago. There are no Government funds for development and investment undertakings, which are thus dependent almost completely on foreign donor assistance (from France, the U.S., the EEC, the U.N. system and the World Bank, Germany, Italy, Netherlands, and various PVO's). Due to grants and highly concessional loans, Chad has a modest foreign debt burden; nevertheless debt rescheduling still would be most useful. The IMF has just agreed to a structural adjustment loan.

The Government of Chad supports private enterprise and entrepreneurship. The economy is market oriented.

All banks in Chad stopped operating in 1980 due to civil strife, and a banking moratorium was declared under which deposits and debts were frozen. Although some funds have been unblocked since and some debts renegotiated, the moratorium continues into 1988, and may be extended longer. Two commercial banks -- BEAC and BTCO -- have reopened, but all others including the national development bank (BDT) remain closed. BDT's accounts are a shambles, it owes many debts, and foreign donors have not been interested in participating in its revival despite Government entreaties. (A note on the banking moratorium is included as Annex 1).

The main current activities of the two commercial banks are providing highly-secured short-term financing for a few traders and companies, especially the big parastatal COTONCHAD. COTONCHAD occupies a key position in the economy, and its poor financial condition is a major drag on growth. The commercial banks provide little medium or long-term capital for private investment and development projects. The European Investment Fund (EUF) and the French Government made funds available to the banks some time ago for private sector lending; however, would-be clients cannot meet the banks' stringent documentation and collateral requirements, and the banks cannot afford to provide technical and business advisory assistance services to help them. Thus, the principal source of term loans for small and medium-sized investments in Chad today is the VITA program.\* This is of course an unusual position for a PVO to occupy in a country. It appeared at the time of this report, however, that BTCO might soon make the first loan from EUF funds, for a furniture-making

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\* Some other donor projects include limited amounts of credit available to participants in the projects only.

project, and VITA (which has excellent relations with the two banks) might participate as a minor partner in the financing and provide advisory services to the borrower.

The financial and credit situation of the country thus can be summarized as grim. The VITA/PEP project is one of the few positive aspects. The World Bank agreed in its June 1987 economic report on Chad.

In Chad there does not now appear to be the significant informal credit mechanism through street lenders or families and tribes that exist in many LDC's. Because of general poverty and destruction of assets due to war and civil strife, funds are in short supply; they are used mostly for short-term undertakings and family emergencies, not for investment purposes.

### 3. PROJECT OBJECTIVES

The VITA/PEP project started in early 1984 when VITA and A.I.D. signed an Agreement under which the former undertook to set up and manage the project and A.I.D. agreed to finance it. The current VITA project director arrived in May 1984, and quickly hired staff, established procedures, and commenced operations. The organization committed its first loans in August 1984. A second Agreement was signed in September 1987 providing A.I.D. financing through February 1989.

The objectives and purposes of the project are stated in the two A.I.D.-VITA Agreements, and may be summarized as follows:

- ° help small entrepreneurs in N'Djamena, especially returned refugees, to start enterprises, giving particular attention to food-related activities;
- ° establish and conduct programs to provide technical assistance, managerial advice, and small loans to such entrepreneurs;
- ° the resulting benefits should include increased food and other economic production, provision of needed goods and services, income generation, and the creation of jobs; and
- ° plan and take steps to "institutionalize" the operation, i.e., over time have it become more Chadian and less expatriate, and incorporate it more tightly into Chad's economic and financial structure.

The project clearly fits in with the U.S. Government's emphasis on promoting the growth of entrepreneurship and private enterprise in developing countries.

In small credit projects such as this, eventual financial self-sustainability is desirable. That is, following a break-in period of some years, the operating institution itself should become financially supportable by having income from interest and fees equal or exceed the costs of providing credit, including administration and transaction costs and provision for defaults and bad debts. Technical assistance to clients can be provided by

such institutions, but it is desirable that all or an important share of such assistance also be financed from income, or at a minimum be met from separate outside grant funds.

However, there is no such stated requirement in the VITA/PEP project (or indeed in many similar A.I.D.-supported projects around the world). Neither of the A.I.D.-VITA Agreements directly address financial self-sustainability; there are only some clauses in the September 1987 Agreement (pages 5 and 10) and a few other places to the effect that operations should be conducted efficiently (but efficiently is not defined). Persons involved in the negotiation of both Agreements told us that they agreed on the importance of conducting as effective and efficient an operation as possible, but that a financially profitable institution was not seriously discussed or foreseen. Although this is not surprising to us since we have been familiar with A.I.D.-supported credit projects and PVO's for many years, nevertheless we do not feel it is reasonable. We believe that A.I.D. and PVO's should always address the question of self-sustainability and related financial matters in project documentation and Agreements. We mention this again in Section 7.

4. MANY OBJECTIVES MET, BUT ALSO PROBLEMS

To judge whether or not the VITA/PEP project to date has met the objectives stated in the Agreements with A.I.D., and what if any problems exist, we must examine factors such as number and volume of loans, economic benefits derived from project activities, loan administration, the repayments record of the borrowers, and the like. This is done below.

a. Number, Types and Volume of Loans

Below are data on the number of loan requests and loans made by type, and the total monetary volume. More details are contained in Annexes 2, 3, and 4.

TABLE 2: LOAN REQUESTS AND LOANS MADE BY TYPE, AND LOAN VOLUME

	1984 (July - Dec.)	1985	1986	1987 (Jan. - Sept.)	TOTAL
Agriculture					
Requests	35	119	48	27	229
Loans	7	12	31	58	108
Services					
Requests	90	172	43	24	329
Loans	8	24	5	4	41
Fabrication					
Requests	16	39	20	11	86
Loans	4	12	2	2	20
Total					
Requests	141	330	111	62	644
Loans	19	48	38	64	169
FCFA Volume (Millions)	39,579	128,294	40,818	24,078	232,770
Average Loan Size					1,377,338
Average Loan Size in \$ (at 300 FCFA to \$1)					\$4,591

The table shows that 169 loans have been made from the beginning of the project to end September 1987, or roughly one per week. Of this total, however, 72 are very small loans to farmers in the area of Bongor\* for the purchase of animal-drawn plows made during 1986-87; if these are removed, 97 loans have been made, all in N'Djamena and the surrounding area. The number of

\* Bongor is a small city south of N'Djamena. The VITA loans are related to an FAO-assisted project called Casier B.

loans requested during the whole period was 644, which means that 26% of requests received became loans. Some 108, or 63%, of loans made have been in the food and agriculture sector. The volume of loan activity was FCFA 232,770,121 over the period. The average size loan was FCFA 1,377,338 (\$4,591); without the Bongor loans the average size was about \$6,000. Seven loans were repeat loans to the same borrower. Seven loans were made to female entrepreneurs (see Annex 6).

The loans were concentrated on productive investment projects of the following types: vegetable production and truck farms, purchase of plows, refrigeration repair, auto repair, fabrication facilities, pharmacies, tailor shops, and private schools. A list of loans made during 1986-87 is contained in Annex 5.

The data indicates that 1987 will be a record year for the number of loans made (64 to date, compared to 38 in all of 1986). However, this is misleading because the majority of these are small Bongor loans which were not significant in previous years.

The fact is that the number of loan requests and the volume of loan activity have been declining since 1985. The table shows that there have been only 62 requests in 1987 (even with Bongor) compared to 111 in 1986 and 330 in 1985. Total loan volume is FCFA 24,078,347 so far in 1987, compared to 40,818,300 in all of 1986, and 128,294,390 in 1985. Annexes 3 and 4 show this reduction on a quarterly basis, and indicate that the third quarter of 1987 was the quarter with the lowest amount of loan volume since start of the project (only FCFA 2,192,347 was loaned in that quarter; the next lowest is FCFA 6,276,000 loaned in the third quarter of 1986).

This reduction in activity during 1986-87 compared to 1984-85 is very disturbing. From our investigation we conclude that the major reason for it is the economic and business slump that has hit Chad's economy since late 1985. As indicated earlier, this slump is due principally to poor rains and the great decline in world cotton prices. But two other contributing factors appear to be that an initial backlog of entrepreneurial demand for loans for war reconstruction was taken care of during 1984-85, and VITA's sound banking requirements have become well-known over time so that fewer weak requests are presented to it. The slump in project activity is not due to casualness or lack of effort by VITA; in fact it has occurred despite continuous efforts by VITA to maintain and increase activity.

VITA is now fully aware of the key importance of trying to increase the number of loan requests and volume. Steps that VITA can consider to step-up demand include:

- ° more publicity about its program over the one radio station\* and in other advertising (VITA has been actively working on this);
- ° consider extending lending further outside N'Djamena and to other areas of the country (this will require A.I.D. support, since the Agreements stress that activities be concentrated in the capital city area);
- ° increase average loan size to service somewhat larger clients (conversely it would probably be a mistake to start making micro loans since administrative costs per loan would rise, thus adding to a problem discussed later in the report);
- ° make more repeat loans to successful borrowers;
- ° collaborate with the two commercial banks in joint lending for larger projects, with the banks utilizing available FED and French funds and VITA providing technical assistance to the borrowers; and
- ° explore possibilities of becoming the credit arm for the development projects of other donors and PVOs (like the support now being provided to the FAO project around Bongor).

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\* Chad has only one radio station, and no newspapers or TV stations. The Government distributes on most business days a brief mimeographed newsletter called Info-Tchad.

Of course many steps designed to increase activity also will require greater operating expenses.

Despite the slump in activity during 1986-87, we conclude from the overall record that the project has been a modest success to date with regard to the number, types, and volume of loans (however the cost of making these loans has been very high, as is made clear later in this report). One hundred sixty nine such commitments totaling FCFA 232,770,121 and concentrated in the food and agriculture sector are not bad given the small size and problems of the economy and the constraints to lending discussed earlier.

b. Funding and Loanable Capital

About \$3,800,000 in funds has been provided for the VITA/PEP project to date, as follows:

TABLE 3: FUNDING FOR THE VITA/PEP PROJECT

A.I.D. Cooperative Agreement, January 1984.....	\$1,432,000
A.I.D. Cooperative Agreement, September 1987.....	1,200,000
A.I.D. Africa Bureau, September 1986.....	138,000
USA for Africa, July 1987.....	124,645
PL 480-Generated Loan Currency (Called RISAX I), March 1986.....(Approx.)	307,000
PL 480-Generated Local Currency (Called RISAX II), July 1987.....(Approx.)	600,000
TOTAL	<u>\$3,801,645</u>

A.I.D. has directly provided 73% of the total funding in U.S. dollars (the first three items above), and most of the rest (24%) has come from PL 480-generated local currency upon joint concurrence of the U.S. and Chad. All funds are provided on a grant basis; there are no loans to the project.

The project has had adequate total funds with which to work on both the operating and lending sides. However, delayed approval of funds availability by A.I.D. during 1987 caused VITA temporary management and administrative difficulties.

Funds available for lending to borrowers are a minority part of total funds. About 61% of total loanable funds were loaned as of September 30, 1987, leaving plenty remaining for future loans. This is indicated by the following data:

TABLE 4: FUNDS LOANED OUT COMPARED TO TOTAL LOAN FUND  
(As of 30 September 1987)

Funds Loaned Out.....	\$591,101
Funds Remaining:	
Current Reserves.....	\$214,000
Funds to be Called Forward.....	\$158,000
	<u>\$372,000</u>
Total Amount of Loanable Funds:.....	\$963,101
Percentage of Funds Loaned Out of Total Fund:.....	61%

c. Economic Benefits

Some economic benefits of the project can be qualified, others cannot because of lack of data and time or because of their very nature.

The following shows employment creation as reported by VITA and its borrowers (also see Annex 7).

TABLE 5: VITA/PEP PROJECT JOBS CREATION

No. of Loans Excluding Bongor	No. of New Full-time Jobs Created	Jobs Created Per Enterprise
Agriculture	36	174
Services	42	192
Fabrication	<u>19</u>	<u>68</u>
		<u>3.58</u>
Total	97	433
		4.46

One new job has been created for each FCFA 537,756 (or \$1,793) loaned (i.e. FCFA 232,770, 121 ÷ 433). When total operating costs are added to funds loaned, the cost for each new job created totals \$4,503 (\$1,949,781 ÷ 433).

The above figures exclude Bongor. It is estimated that one full-time job equivalent has been created for each of the 72 Bongor loans, meaning that 506 direct full-time jobs were created through September 1987 by the project. One new job was created for each FCFA 460,020 (or \$1,533) loaned (i.e. FCFA 232,770,121 ÷ 506); when total operating costs are added, the cost for each new job created totals \$3,853 (\$1,949,781 ÷ 506).

We conclude from these figures that a significant number of new jobs have been created (506), but at high cost. In addition, of course, the quality and productivity of existing job holders no doubt has increased through VITA's advice and technical assistance activities to the borrowers.

VITA's loans also have resulted in increased economic activity and forward and backward linkages in the form of purchases of supplies and services from other firms and individuals, and the sale of outputs to others. Income has increased. These well-known but difficult-to-quantify multiplier effects of the project no doubt have been positive.

Other economic and social benefits accruing from a project of this type that are either difficult or impossible to quantify include: increased productivity and efficiency of client firms and individuals; assistance to female entrepreneurs; training of borrowers in modern business and credit techniques; broadening of Chad's entrepreneurial base; and serving as a positive model of modern and American economic and banking processes.

d. Loan Administration

VITA uses a normal banking loan processing system, including application forms, legal documents, monitoring procedures, and the like. Some of these forms are included in Annex 11.

The program is well-known and respected in N'Djamena financial and business circles. Word-of-mouth publicity is of course very important in a society such as Chad. Potential applicants often are sent to VITA from the

commercial banks or by businesses. VITA publicizes the program on radio, as mentioned earlier. The Government is well satisfied with the project.

The staff gives highest priority to applications for projects in agriculture and food production, and for those that create new employment opportunities and upgrade existing skills. Investment projects are desired, trading activities are not. All this is in keeping with the project's objectives.

VITA's technical assistance is particularly extensive and time-consuming in assisting applicants to prepare sound applications, especially market assessments and financial forecasts and record keeping, and in correcting problems that arise during implementation. Such assistance often reshapes and almost invariably strengthens the originally-proposed project. The site of the project is normally visited more than once before a decision on the loan is taken. Character and management skills of the applicant are considered. Decision-making is prompt; whether or not to make a loan is decided upon in less than a month in the average case. Applications are turned down in days if it is clear they will not meet standard criteria.

Normal terms of loans are 12% annual interest,\* three to six months repayment grace period dependent on type of project (those with longer gestation get longer grace periods), and 24 to 36 months amortization (some agricultural loans get 48 months). No fees are charged. Personal guarantors are required for each loan, but not collateral. These guarantors also are investigated. Loan files seem normal and well maintained. Loans are very closely monitored by VITA staff; each project is visited at least once a month. Advice and technical assistance is provided during project implementation as needed. One staff member has the special task of securing repayments from delinquent borrowers.

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\* Since there is now no credit operation in Chad like VITA/PEP, this interest rate cannot be directly compared with others. However, rates plus fees charged by the commercial banks for short-term and trading credits are considerably higher than 12%, on the order of 15-25% annually. Thus it seems that VITA might charge somewhat higher rates without loss of many applicants.

VITA does not maintain its own disbursement and repayment accounts on clients; this is done for it gratis by the commercial bank BTCD, another example of close VITA collaboration with other financial institutions. VITA assists borrowers in opening accounts at the commercial banks if necessary.

e. Management and Local Staff

The Director and Deputy Director of the VITA/PEP project are American; the other 27 employees are Chadian (see Annex 10). The Americans are well trained, experienced, and hard working. The 12 Chadian professionals are all at least high school graduates; most have university degrees or technical school diplomas and some have had extensive banking experience before joining the project. The staff is knowledgeable, competent, and tough when necessary. Turnover is low.

Chad has relatively few trained professionals, and many left the country because of strife and war, so VITA has done very well in pulling together a local staff of considerable quality. It is perhaps one of the best staffs of any organization in N'Djamena.

The Americans and senior local employees seem to have easy and extensive contacts with financial, business, government, and other leaders. They are accepted as an important, integral part of the business community.

Because of the slump in activity during 1986-87, a staff of 29 now is large relative to loans outstanding and volume. In our view some reduction in staff is desirable if activity does not pick up soon.

f. Repayments

Loan repayments by borrowers in a project of this type are of key importance. They signify the soundness of the projects undertaken with the loans, the quality and seriousness of the borrowers, and the state of the economy. They are necessary to replenish loanable funds for renewed lending, and reflect on overall management of the lending institution.

The early repayments record of VITA's borrowers under this project were satisfactory, but unfortunately there has been clear deterioration in recent quarters, as shown by the following data (see Annexes 8 and 9 for more details).

TABLE 6: LOAN REPAYMENTS PERFORMANCE

Quarter	No. of Payments Due	No. Paid on Time	No. Paid Within 30 Days	Total Payments Made	Payments Not Yet Made
1984: Total	8	5	8	8	0
1985: 1 Q	19	5	19	19	0
2 Q	50	3	36	50	0
3 Q	80	1	49	77	3
4 Q	100	2	52	88	12
1986: 1 Q	143	9	61	113	30
2 Q	156	11	59	113	43
3 Q	139	11	35	89	50
4 Q	162	9	34	82	80
1987: 1 Q	169	9	37	89	80
2 Q	<u>189</u>	<u>3</u>	<u>30</u>	<u>69</u>	<u>120</u>
TOTALS	1,215	68	422	797	418

The data shows that of 1,215 repayments due through June 1987, 797 or 66% were made, and 418 or 34% not made. This record is not good, but it is not miserable in our opinion given the economic and financial situation of the country. It apparently represents a better repayments record than is being experienced by the two commercial banks. And keep in mind that because of the banking moratorium, numerous debts of major amounts of money in Chad either are frozen and not being paid, or are being rescheduled on softer terms or written off.

More disturbing is the trend. The repayments situation has gradually but steadily gotten worse. At the beginning of the project all or most repayments were made within 30 days (the record of payments actually made on time has never been good; however the great majority of borrowers seem to recognize their obligations to repay, and eventually do so or attempt to do so). During 1986 this worsened so that only 32% were made within 30 days, and during the first six months of 1987 of 358 payments due only 79, or 22%, were made within

30 days. With respect to total repayments made, the situation is the same: gradual deterioration until during the first half of 1987 only 158 of 358 due, or 44%, were made.

We have carefully examined the situation and are satisfied that the primary fault for this trend does not lie with VITA management. The Americans and their staff are well aware of the seriousness of the problem and have taken and continue to take steps to counter it. They are being tough and vigorous regarding repayments. No loans have been written off; thus there are not yet any defaults or bad debts on the books. Four particularly bad delinquency cases have been brought to the local court by VITA and won, and repayments are now being made by either the borrowers or their guarantors. All staff is attuned to the importance of repayments, and, as said before, one staff member has it as his major duty. There does not seem to have been any significant change in the quality of loan review or the provision of technical assistance. Therefore, we conclude that the principal reason for the loan repayments deterioration is the economic slump, which means that sales expectations of many borrowers are not being met. It also seems that perhaps a significant share of the better projects were financed during 1984-85, and applications received since have on average been somewhat less sound.

g. Conclusions

We conclude that the VITA/PEP project to date has met many of the stated objectives, including number and volume of loans made, assistance in war reconstruction, emphasis on agriculture and food production, creation of jobs and other economic benefits, excellent technical assistance and advisory services, good loan administration, creation of a qualified Chadian staff, and acceptance within the business community.

The two important problem areas are the decline in number of loan applications and loans made, plus loan volume, and the deterioration in the record of repayments of loans by borrowers. In our opinion these problems are due primarily to the economic slump and perhaps lack of new sound projects, and not due to VITA management or operations. Nevertheless if not reversed soon, they could cause the project to fail. The staff also seems too large relative to the current level of activity.

## 5. PROJECT IS NOT FINANCIALLY SELF-SUSTAINING

As indicated earlier, the designers and negotiators of this particular project did not make financial self-sustainability an objective of the project. Nevertheless we felt it desirable to consider this matter in the course of our review.

VITA/PEP records and data are well maintained both in N'Djemena\* and at VITA's home office in Arlington, Virginia. But they are not organized like those of private corporations, and thus cannot easily provide traditional P&L statements and balance sheets. For example, Annex 12 contains an income and expense report for the first three quarters of 1987, showing that income substantially exceeded expenses during that period. However most of the income consists of large "one time" injections (such as the USA for Africa grant and the second allotment of PL 480 funds) that will not necessarily be repeated. Meanwhile, expenses continue quarter-to-quarter and must be covered by these and other income sources. Interest income from borrowers is modest (see Table 10 and Annex 13) and does not come anywhere near meeting expenses. Thus the project is dependent on periodic injections of grant capital.

Operating costs have accounted for about 70% of total expenditures during the life of the project, as indicated by the following data:

TABLE 7: DIVISION OF PROJECT EXPENDITURES BETWEEN LOANS AND OPERATING COSTS

(as of September 30, 1987)

Loans Made	\$ 591,101
Operating Costs (including local staff and facilities, expatriate staff, and VITA home office costs)	<u>\$1,358,683</u>
Total Expenditures	\$1,949,784
Loans Made % of Total	30.3%
<u>Operating Costs % of Total</u>	<u>69.7%</u>

\* The Price Waterhouse office in Abidjan recently audited the project in N'Djamena, and concluded that records and data are maintained satisfactorily. A few relatively minor improvements were suggested and are now being implemented by VITA.

A high ratio of operating costs is expected in new credit projects; in fact, such costs are 100% of expenditures at the beginning until the first loans are made. But a financially sound credit undertaking will have a declining percentage of expenditures supporting operations as the quarters and years pass, with loans to borrowers consuming a greater and greater portion of the total. This initially was the case with the VITA/PEP project, but unfortunately the situation reversed during 1986 and became quite serious during 1987 as loan volume declined while expenses continued to climb. It is estimated that in 1987 about 90% of expenditures will be for operating costs, with only 10% utilized for loans to borrowers. This is shown in the following table, which is drawn from the more detailed 1984-87 data in Annex 15.

TABLE 8: DIVISION OF EXPENDITURES BETWEEN LOANS AND OPERATING COSTS, 1984-87

	1984	1985	1986	Estimated 1987
Loans	\$ 91,206	\$290,950	\$128,457	\$ 130,000
Operating Costs	\$184,797	\$329,998	\$501,194	\$1,149,885
Total Expenditures	\$276,003	\$620,948	\$629,651	\$1,279,885
Operating Costs % of Total	67.0%	53.1%	79.6%	89.8%
Loans % of Total	33.0%	46.9%	20.4%	10.2%

The 1987 figures above are distorted in that costs during that year were unusually heavy due primarily to temporary hiring of an American consultant in agriculture, prepayment for future years' office and residences expenses, purchase of a four wheel drive vehicle and other equipment, and more domestic travel to Bongor and other potential credit operating areas of the country. For the most part these are expenses necessary to try to increase loan activities. Tables 11 and 12 show that operating costs are expected to decline in 1988 over 1987, but they still remain well above the level of loans.

The table shows a deteriorating performance during 1986-87. As earlier, we attribute this primarily to Chad's economic slump coupled with decline in the number of sound loan applicants. The data also suggests, however, that VITA has been expanding staff and equipment as though loan volume was going to grow significantly; since the opposite has occurred, operating costs as a portion of the total have risen.

As indicated earlier, the provision of business advice and technical assistance to applicants and borrowers is a major function of VITA/PEP staff. This is a costly activity, more costly than normal credit and banking functions, as indicated by the following estimates (see also Annex 14).

TABLE 9: DIVISION OF OPERATING COSTS BETWEEN NORMAL BANKING COSTS AND BUSINESS ADVISORY COSTS

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Total Operating Costs to September 30, 1987	\$1,358,683
Estimate of Costs Devoted to Normal Banking Activities	\$ 605,583
Estimate of Costs Devoted to Business Advisory Services	\$ 753,100
Banking Activities % of Total	44.6%
Services % of Total	55.4%

---

Every dollar loaned by this project to date has involved the expenditure of \$2.29, divided between \$1.02 for normal banking activities and \$1.27 for advisory services. Unfortunately, this too represents deterioration, since every dollar loaned involved expenditures of about \$1.60 as of June 30, 1986.

Elimination, or great reduction, in business advisory and technical services would, of course, substantially lower operating costs. But in the context of Chad's economy at this time, such reduction does not seem possible if sound loans are to be made and implemented. Most entrepreneurs or would-be entrepreneurs cannot plan, produce, price, and market and service products and

keep books and plan for and make loan repayments with interest in a modern, commercial manner. Everyone we consulted advised that strong technical assistance is an absolutely necessary part of a sound, non-politicized, modern credit program in Chad. We presume that some reduction in such services is possible without adverse affect on the project. However, we conclude that if substantial reduction took place, loans made would not be sound, the repayments record would deteriorate more, and the whole project soon collapse. Thus, a significant level of business advisory and technical services must be retained in this project.

Subsidies always will be necessary to finance such services. But in an average credit undertaking it is expected that income will at least meet normal banking costs. This has not occurred in this project and is not likely to in the foreseeable future. Interest meets only a minor position of costs of normal banking activities, as indicated by the following table.

TABLE 10: OPERATING COSTS COMPARED TO INTEREST INCOME

Total Operating Costs	\$1,358,683
Estimate of Costs Devoted to Normal Banking Activities	\$ 605,583
Interest Income Thru June 30, 1987	\$ 38,044
Estimated Interest Income, 3Q 1987	\$ 6,000
Total Interest Income	\$ 44,044
Interest Income % of Costs Devoted to Normal Banking Activities	7.3%

There are some steps that management could consider to increase income and reduce expenses, thus at least closing somewhat the gap between the two. Interest rates to borrowers might be raised from the current 12% annually

to 14 or 15%.\* And fees could be charged to applicants and borrowers that use particularly large amounts of technical services. VITA is already considering both these moves. Costs could be reduced by eliminating some staff, and by trying to persuade the Chad Government to provide office space and/or utilities free of charge, or at least at lower cost than VITA now pays.

Nevertheless, the net result of our assessment is that this project has not been and is not now financially self-sustaining. Even with costs pertaining to advisory services eliminated (which in any event does not make sense), it is not financially self-sustaining vis-a-vis costs for normal banking activities alone. Nor is it likely to be in the foreseeable future even if the steps in the preceding paragraph are taken. We address this matter in Part 7 later.

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\* As indicated earlier, no direct comparison of VITA/PEP interest rates with those of other credit entities is possible since there is no other operation in Chad comparable to VITA/PEP. But commercial banks short-term rates plus fees amount to 15-25% annually. Thus, moving up to a range of 14-16% probably would be possible without losing many applicants.

## 6. INSTITUTIONALIZATION MOVING AHEAD

As indicated earlier, a major objective of the VITA/PEP project is to make the institution truly Chadian, and to incorporate it more tightly into the country's economic and financial structure. VITA is required to submit a written plan regarding this to A.I.D., and upon A.I.D. approval, implement the agreed-upon plan by the end of the current Agreement in February 1989. A key objective of our consultancy and visit to Chad was to advise on and assist A.I.D. and VITA in thinking through and preparing this institutionalization program.

There are five possible approaches. One is to leave the institution as is; but this not in keeping with the intent of the parties, and would only make sense if none of the other alternatives were selected. At the other extreme, it could be decided right now to terminate the project. If loan outlays and repayment rates continue to slide, and if the economic situation and outlook in Chad worsens, this may eventually become the best thing to do.

This leaves three current alternatives, as follows:

- ° seek Government approval to convert the entity into a Chadian NGO or non-profit association;
- ° join with one of the country's two commercial banks as the small loan window; or
- ° become the small loan window of a revitalized or new Chadian development bank.

The preferred alternative is the first. Becoming a local NGO makes the institution Chadian, but nevertheless it could continue to function essentially as is and operations and flexibility would not suffer. We agreed during our visit to Chad that VITA will undertake discussions with the Government to see if and when this can be done. The second option above is not viable because the commercial banks themselves are not interested, since the project is not and will not be a profit-maker. The third is not possible at this time because no development bank exists, and even under the best of circumstances will not for some time.

Another step toward institutionalization, which also has the advantage of significantly reducing costs, is to eliminate one of the two expatriate positions by February 1989, leaving the remaining American as Director of the institution. He would remain Director for two or three years, until a Chadian could be groomed for the top job, then probably become the Deputy or an advisor to the Director.\* Concomitant with this, a Board of Directors would be created to set policies and oversee operations. Represented on the Board would be VITA, financial donors to the organization, the Chadian Government, the commercial banks, and some local businesspeople (expatriate and/or Chadian). The Board would be structured to assist the NGO to retain an arms-length relationship with the Government and other bodies and remain truly independent. Finally, donors in addition to A.I.D. should be sought for the project for the period beyond February 1989; possibilities include Germany, Italy, Canada, the UK, the UN, and France.

All the above moves toward institutionalization were agreed upon between VITA and A.I.D. during discussions in which we participated in N'Djamena. VITA presumably has included them in its written plan submitted to A.I.D. in November 1987.

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\* We learned as this report was being finalized that it may be that the Government will require that a Chadian be Director of the organization if it is to be a Chadian NGO. Since we feel it is essential that an American remain as Director for some time yet, the preferred course in such case is to take all actions necessary to establish the NGO, but not actually do so until a Chadian is fully groomed and officially named Director. This would not preclude all the other steps being taken.

## 7. OUTLOOK AND POLICY QUESTIONS

At our request, VITA prepared two loan and financial forecasts for a five-year period beyond termination of the current A.I.D. Agreement in February 1989, i.e., through 1993. The key assumptions on which these forecasts are based is that Chad's internal situation will remain reasonably stable and the war with Libya will not escalate significantly, and that, therefore, more attention can be given to economic growth and development, especially in agriculture, by both the Government and donors. Also, it is assumed that the number of Bongor-type loans will increase and that some cofinancing will take place with the commercial banks.

The Case One Forecast is considered somewhat "conservative" under the assumptions, and the Case Two Forecast is somewhat more "buoyant" but still quite realistic. The two forecasts are summarized below, and are contained in much greater detail in Annex 15.

TABLE 11: VITA/PEP PROJECT CASE ONE FORECAST

	TOTAL	EXPENDITURES		OPERATIONS	LOANS	NUMBER OF LOANS		
		OPERATIONS (in 000 \$)	LOANS	% OF TOTAL	% OF TOTAL	"NORMAL"	BONGOR-TYPE	COFINANCING
1984 Actual	276	185	91	67%	33%	19	0	0
1985 Actual	621	330	291	53%	47%	48	0	0
1986 Actual	630	501	128	80%	20%	--	38	--
1987 Actual & Estimated	1,280	1,150	130	90%	10%	--	85	--
1988 Estimated	1,107	857	250	77%	23%	25	150	3
1989 Estimated	809	529	280	65%	35%	28	168	3
1990 Estimated	931	618	314	66%	34%	31	188	4
1991 Estimated	1,022	670	351	66%	34%	35	210	4
1992 Estimated	1,098	704	393	64%	36%	39	236	5
1993 Estimated	1,207	775	443	64%	36%	44	264	5
TOTAL	8,981	6,319	2,612	70%	30%			

TABLE 12: VITA/PEP PROJECT CASE TWO FORECAST

	TOTAL	EXPENDITURES		OPERATIONS	LOANS	NUMBER OF LOANS		
		OPERATIONS (in 000 \$)	LOANS	% OF TOTAL	% OF TOTAL	NORMAL	BONGOR-TYPE	COFINANCING
1984 Actual	276	185	91	67%	33%	19	0	0
1985 Actual	621	330	291	53%	47%	48	0	0
1986 Actual	630	501	128	80%	20%	--	38	--
1987 Actual & Estimated	1,280	1,150	130	90%	10%	--	85	--
1988 Estimated	1,167	857	310	73%	27%	25	150	3
1989 Estimated	886	529	357	60%	40%	29	173	4
1990 Estimated	1,028	618	410	60%	40%	33	198	4
1991 Estimated	1,142	670	477	59%	41%	38	228	5
1992 Estimated	1,247	704	542	56%	44%	44	262	5
1993 Estimated	1,398	775	624	55%	45%	50	302	6
TOTAL	9,674	6,319	3,354	65%	35%			

VITA assumes that the number of loans will increase greatly during 1988-93 compared to actual 1984-87 figures; however, as Annex 15 shows, most of this increase is for Bongor-type loans, and thus to us does not seem unrealistic given the assumption of stability and growth in agricultural areas. However, they also clearly show that operating costs in any event will continue to absorb the majority of expenditures. In the early 1990's, even in the more optimistic Case Two, such costs remain 55 to 60% of the total (which at least represents some improvement over 1984-87).

As discussed earlier, statistically the best way to change this outlook would be to eliminate or substantially reduce business advisory and technical assistance services to applicants and borrowers. But this would be counter-productive, since loans would become much higher risks (or would not be made to keep risks down) and the repayments record worsen. Earlier we also indicated some steps that could be considered to reduce operating expenses, such as the Government providing free office space and utilities to VITA, reduction of staff, etc., and income might be increased by raising interest rates and introducing fees for advisory services. Such steps would have a positive but unfortunately relatively minor impact on the total data. They would not change the overall picture.

We conclude, therefore, that even under reasonably optimistic assumptions of minimal strife and emphasis on economic growth, the VITA/PEP project will have to be subsidized for part of its normal banking costs and all of its advisory costs for the foreseeable future. Even with regard to normal banking costs it will not become financially self-sustaining.

A.I.D. will have to decide if it wants to stay involved beyond February 1989 under these circumstances. Our view is that proponents might argue that continued involvement is justified if the following conditions hold:

- ° the existing problems earlier identified, i.e., declining number of loans and loan volume, and worsening of the repayments record, are reversed during 1988;
- ° there seems reasonable prospect that normal financial indicators, such as ratio of operating costs to total costs, number of loans, the repayments record, etc. will significantly improve;
- ° movement is made toward institutionalization, but management remains free to decide cases on normal credit merits and is not influenced by politics;
- ° another donor or donors joins A.I.D. in subsidizing the project (we are dubious that other donors will be interested in becoming involved if A.I.D. leaves the project completely; therefore, the argument would be that A.I.D. should continue to stay involved at a reduced level);
- ° this particular project continues to be one of the most important credit undertakings in Chad;
- ° the Chad Government continues to foster and support a sound free private investment climate;
- ° the U.S. and other Western donors continue to attach high priority to assistance to Chad, and to commit significant foreign assistance grant funds to that country; and
- ° the project continues to reflect well on the U.S.

From a normal banking point of view the forecasts suggest that the project should be terminated. But decision-makers must keep in mind the positive aspects of the project: an institution has been created under very adverse conditions in a Western-oriented country of considerable interest to the U.S., and this institution in business-like manner screens loan applications and makes bankable loans that have positive impacts on the economy. It is now the prime term credit source in the country for small and medium-sized entrepreneurs. Its overall record -- though seemingly poor compared with "normal" situations -- may be the best of any financial institution in Chad in recent years. Furthermore, many of the development projects planned by donors for future years will have to contain credit components, and this institution might serve that role.

This is a quandry and in fact a policy issue that A.I.D. should address. When, if at all, should the U.S. support credit institutions even if it is likely that subsidies will be necessary for a long time even to fund normal banking operations? Is the answer never? Or are there sometimes unusual cases (Chad?) in which this would be justified? Are there "in-between" situations which the U.S. considers will never become "normal" banking institutions, but still deserve support because they otherwise are in the U.S. interest?

One point is certain -- if A.I.D. decides to stay involved, it should do so with clear knowledge of the subsidies involved at present and in the future. Documents with statistics and forecasts should be prepared. Whether or not the entity being supported is expected to become partially or completely financially self-supporting should be addressed with figures. Vague generalities and polite prose should not substitute for fact, and data, as has too often been the case in A.I.D.-supported credit projects.

We recommend that A.I.D. make a decision on future involvement in the VITA/PEP project during the third quarter of 1988 so that VITA and others involved can take orderly, timely steps regarding the future.

If A.I.D. decides to leave the project because it seems a failure, it should nevertheless be clear that A.I.D. took a reasonable risk in supporting it, and VITA performed a solid job under very difficult conditions. Circumstances in the country primarily will have caused the failure, not the entities involved.

ANNEXES

NOTE CONCERNING CHAD'S BANKING MORATORIUM

Chad's banking moratorium commenced in 1980 as a result of fierce internal hostilities and destruction of the capital city by rival domestic factions and Libyan forces. All four existing commercial banks plus the development bank (BDT) and most Government credit operations closed. The moratorium was reaffirmed by the Government in 1983 for a five-year period to 1988.

Under the moratorium deposits and credits contracted before 1980 are frozen. The purposes are to prevent capital flight from the country and alleviate the problems of many debtors whose assets were destroyed in the hostilities.

The moratorium has been eased as time has passed. Two commercial banks -- BEAC and BTCD -- reopened in the capital city several years ago, and now have extended their operations to other, but not all, parts of the country. These banks extend primarily short-term credits and require substantial collateral. Some credits have been unblocked, and some debts (especially with COTONCHAD, by far the country's biggest borrower) have been renegotiated on new, softer terms. Some debts have been written off. Many Government financial operations have recommenced. But the development bank, although still existing legally, does not operate. Because of dubious lending, it was in poor condition even before the moratorium, and France, which was its prime supporter before 1980, refuses to assist in its reopening despite Government entreaties.

Naturally frozen deposits and credits and the resulting lack of liquidity have reduced substantially the amount of credit available to the private sector and contributed to lack of economic growth. But capital flight dangers and the poor condition of many debtors may require that the Government extend the moratorium on a partial basis beyond 1988.

In such a context the existence of VITA/PEP credit activities is naturally of considerable visibility and importance in the country.

QUARTERLY DATA ON LOANS REQUESTED AND MADE, AND LOAN VOLUME

	1984		1985				1986				1987			TOTAL	LOANS AS % OF REQUESTS
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
<b>SERVICES</b>															
REQUESTS	27	63	85	25	28	32	16	10	10	7	8	8	8	329	
MADE	1	7	3	8	7	6	1	2	0	2	2	2	0	41	12%
<b>AGRICULTURE</b>															
REQUESTS	14	21	40	25	34	20	9	11	15	13	9	11	7	229	
MADE	2	5	2	6	2	2	2	22	2	5	20	35	3	108	47%
<b>FABRICATION</b>															
REQUESTS	7	9	16	11	10	2	7	3	2	8	5	2	4	86	
MADE	0	4	0	6	2	4	0	1	0	1	0	2	0	20	23%
<b>TOTAL</b>															
REQUESTS	48	93	141	61	72	56	32	24	27	28	22	21	19	644	
MADE	3	16	5	20	11	12	3	25	2	8	22	39	3	169	26%
<b>LOAN VOLUME IN MILLIONS OF FCFA</b>	7.1	33.0	17.7	52.5	24.5	33.5	7.3	14.7	6.3	12.6	8.5	13.4	2.2	233.3	

QUARTERLY AND ANNUAL DATAONLOANS REQUESTED AND MADE

		REQUESTS	MADE	REQUESTS	MADE
1984	3Q	48	3		
	4Q	93	16		
<u>TOTAL 1984</u>				141	19
1985	1Q	141	5		
	2Q	61	20		
	3Q	72	11		
	4Q	56	12		
<u>TOTAL 1985</u>				330	48
1986	1Q	32	3		
	2Q	24	25		
	3Q	27	2		
	4Q	28	8		
<u>TOTAL 1986</u>				111	38
1987	1Q	22	22		
	2Q	21	39		
	3Q	19	3		
<u>TOTAL 1987</u>					
<u>TO</u>					
<u>SEPT. 30</u>				62	64
<u>TOTAL</u>		644	169	644	169

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QUARTERLY AND ANNUAL DATAONLOAN VOLUME

(in FCFA)

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1984	3Q	7,075,000	
	4Q	33,004,084	
<u>Total 1984</u>			40,079,084
1985	1Q	17,702,830	
	2Q	52,532,560	
	3Q	24,547,000	
	4Q	33,512,000	
<u>Total 1985</u>			128,294,390
1986	1Q	7,264,300	
	2Q	14,700,000	
	3Q	6,276,000	
	4Q	12,578,000	
<u>Total 1986</u>			40,818,300
1987	1Q	8,480,000	
	2Q	13,406,000	
	3Q	2,192,347	
<u>Total 1987 to Sept. 30</u>			24,078,347
TOTAL			<u>233,270,121</u> *****

LIST OF LOANS MADE AND TERMS DURING LAST HALF OF 1986  
AND  
FIRST HALF OF 1987  
EXCLUDING BONGOR LOANS

<u>BORROWER AND DATE OF LOAN</u>	<u>LOAN AMOUNT (FCFA)</u>	<u>TERMS</u>	<u>PURPOSE</u>
Hadje Akaye Bineye 1 September 1986	1,776,000	24 months 6 grace 18 payments	Vegetable and Fruit Production
Elhadj Nadjib Senoussi 4 September 1986	4,500,000	18 months 7 grace 11 payments	Vegetable Production
Mallou Boukar Goni 22 October 1986	778,000	24 months 5 grace 19 payments	Vegetable Production
Laoutebo Konaye 2 December 1986	500,000	3 months 3 grace 1 payment	Vegetable Production
Samafou Baba 4 October 1986	5,000,000	48 months 5 grace 43 payments	School
Abbatog Ramadene 15 December 1986	5,000,000	36 months 6 grace 30 payments	Vegetable Production
Mme. Moudalbaye 18 December 1986	300,000	24 months 3 grace 21 payments	Tailor Shop
N'Garneldje Ngartobaye 24 December 1986	1,350,000	36 months 6 grace 30 payments	Vegetable Production
Bena Kir Josue 31 December 1986	2,000,000	24 months 3 grace 21 payments	Pharmacy
Agoum Aguid 14 January 1987	4,130,000	30 months 2 grace 28 payments	Cold Storage

BORROWER AND DATE OF LOAN	LOAN AMOUNT (FCFA)	TERMS	PURPOSE
Abakar May 4 February 1987	2,750,000	30 months 3 grace 27 payments	Garage Auto Repair
Makabdje Bianodji 6 April 1987	1,800,000	24 months no grace 24 payments	Auto Mechanics
Adoum Nassour 7 April 1987	319,000	4 months 1 grace 3 payments	Vegetable Production
Tolkoi Nodjissane 17 April 1987	2,600,000	36 months 2 grace 34 payments	Mechanics
Djedouboum Reouro 24 April 1987	700,000	18 months 6 grace 12 payments	Chicken Raising
Oumarou Ousmanou 18 May 1987	1,745,000	36 months 4 grace 32 payments	Vegetable Production
Laoutebo Konaye 1 June 1987	1,920,000	36 months 6 grace 30 payments	Vegetable Production
Baba Aba 19 June 1987	2,800,000	26 months 2 grace 24 payments	Auto Sales and Repair
Brahim M. Oumar & Father 9 July 1987	1,607,000	24 months 3 grace 21 payments	Vegetable Production
M'Baïndoural Ismail 27 July 1987	500,000	12 months 6 grace 6 payments	Chicken Raising

NOTE: All loans are at 12% annual interest rate.

LOANS TO FEMALE ENTREPRENEURS

NAME	LOAN AMOUNT (FCFA)	PURPOSE
Mme. Ongoto	815,000	Fish Marketing
Mme. Moutnon	1,050,000	Pharmacy
Mme. Nl'Dohoko	1,500,000	Tailor Shop
Mme. Khalia	3,150,000	Trucking
Mme. Ngarabatina	2,000,000	Pharmacy
Mme. Akaye Bineye	1,776,000	Vegetable and Fruit Production
Mme. Moudalbaye	300,000	Tailor Shop

NOTE: The total volume of the above seven loans to female entrepreneurs is FCFA 10,591,000, which is 4.5% of the total loan volume of FCFA 233,270,121.

EMPLOYMENT CREATION DATA

	NUMBER OF ENTERPRISES AND LOANS (EXCLUDING BONGOR)	FULL-TIME JOBS	PART-TIME JOBS	SEASONAL JOBS	TOTAL JOBS	TOTAL FULL- TIME JOBS EQUIVALENT	FULL-TIME JOBS EQUIVALENT PER ENTERPRISE
AGRICULTURE	36	126	65	60	251	174	4.83
SERVICES	42	172	40	0	212	192	4.57
FABRICATION	19	60	15	0	75	68	3.58
TOTAL	97	358	120	60	538	434	4.46

NOTE: There are 72 Bongor loans, and it is estimated that one full-time job is created per loan meaning that 72 jobs have been created. Added to the 434 full-time jobs equivalent created from non-Bongor loans, the total number of jobs created under the project is 506. The full-time jobs equivalent created per enterprise including Bongor is 2.99.

OVERALL LOAN REPAYMENTS PERFORMANCE  
(As of June 30, 1987)

Total Number of Loans	169	
N'Djamena - 97		
Bongor - 72		
Number of Loans Outstanding	132	
Number and Proportion of Loans Paid off in full	37	21.9%
Number of Loans in Default	0	0
Value of Default as Proportion of Portfolio Value		0
Number and Proportion of Loans Under Litigation	3	1.78%
Value of Default and Loans Under Litigation as Proportion of Portfolio Value		3.0%
Value of Total Loan Commitments		\$584,008
Value of Repayments		\$266,107
Ratio of Repayments		45.6%
Number of Repayments Due	1,215	
Number and Proportion of Due Repayments Made	797	65.6%
Number and Proportion of Due Repayments Made Within 30 Days	422	34.7%
Number and Proportion of Due Repayments Made Within 60 Days	565	46.5%
Number and Proportion of Due Repayments Made Within 90 Days	643	52.9%

LOAN REPAYMENTS PERFORMANCE BY MONTH AND QUARTER

ANNEX 9

BY MONTH	PAYMENTS DUE	PAID ON TIME	PAID WITHIN:						PAYMENTS MADE	PAYMENTS NOT MADE	TOTAL
			15 DAYS	30 DAYS	45 DAYS	60 DAYS	90 DAYS	90+ DAYS			
1984 Total	8	5	3	0	0	0		0	8	0	8
1985 January	4	1	2	1					4	0	4
February	6	2	3	1					6	0	6
March	9	2	2	5					9	0	9
April	14	1	7	3	2		1		14	0	14
May	18	1	6	5	2		1	3	18	0	18
June	18	1	7	5	2		0	3	18	0	18
July	22	1	10	0	4	2	1	4	22	0	22
August	27	0	14	3	1	3	2	3	26	1	27
September	31	0	18	3	0	2	2	4	29	2	31
October	28	0	16	2	2	3	0	2	25	3	28
November	34	1	9	8	4	5	1	2	30	4	34
December	38	1	4	11	4	4	3	6	33	5	38
1985 Total	249	11	98	47	21	19	11	27	234	15	249
1986 January	43	2	9	8	4	3	3	6	35	8	43
February	47	4	14	0	7	1	4	8	38	9	47
March	53	3	18	3	4	3	2	7	40	13	53
April	51	3	14	5	1	3	5	7	38	13	51
May	51	3	2	11	7	1	5	9	38	13	51
June	54	5	11	5	3	0	1	12	37	17	54
July	49	5	6	4	2	0	5	12	34	15	49
August	43	3	4	1	2	2	2	12	26	17	43
September	47	3	9	0	2	0	4	11	29	18	47
October	51	2	8	0	2	3	3	10	28	23	51
November	54	1	6	5	1	4	2	7	26	28	54
December	57	6	3	5	2	1	4	7	28	29	57
1986 Total	600	40	104	47	37	21	40	108	397	203	600
1987 January	53	4	4	4	1	2	7	6	28	25	53
February	56	2	5	7	2	3	3	7	31	25	56
March	60	3	4	4	7	2	6	4	30	3	60
April	64	0	9	1	7	3	8	2	30	34	64
May	64	2	6	2	8	3	3	0	24	40	64
June	61	1	8	1	3	2	0	0	15	46	61
1987 Total	358	12	36	19	30	15	27	19	158	200	358
GRAND TOTAL	1,215	68	241	113	88	55	78	154	797	418	1,215

## ANNEX 9 (Continued)

BY QUARTER	PAYMENTS DUE	PAID ON TIME	PAID WITHIN:						PAYMENTS MADE	PAYMENTS NOT MADE	TOTAL
			15 DAYS	30 DAYS	45 DAYS	60 DAYS	90 DAYS	90+ DAYS			
1984 Total	8	5	3	0	0	0	0	0	8	0	8
1985 1Q	19	5	7	7	0	0	0	0	19	0	19
2Q	50	3	20	13	6	0	2	6	50	0	50
3Q	80	1	42	6	5	7	5	11	77	3	80
4Q	100	2	29	21	10	12	4	10	88	12	100
1985 Total	249	11	98	47	21	19	11	27	234	15	249
1986 1Q	143	9	41	11	15	7	9	21	113	30	143
2Q	156	11	27	21	11	4	11	28	113	43	156
3Q	139	11	19	5	6	2	11	35	89	50	139
4Q	162	9	17	10	5	8	9	24	82	80	162
1986 Total	600	40	104	47	37	21	40	108	397	203	600
1987 1Q	169	9	13	15	12	7	16	17	89	80	169
2Q	189	3	23	4	18	8	11	2	69	120	189
1987 Total	358	12	36	10	30	15	27	19	158	200	358
GRAND TOTAL	1,215	68	241	113	88	55	78	154	797	418	1,215

VITA/PEP NATIONAL EMPLOYEES  
(As of October 27, 1987)

<u>POSITION</u>	<u>NAME</u>	<u>EDUCATION/EXPERIENCE</u>
1. Administrator	Yondailaou Tolloum	Bachelor's Degree
2. Chief Loan Officer	Goni Malloum Moustapha	12 Years Bank Experience
3. Loan Officer	Abakaka Alladji	Bachelor's Degree
4. Collections Agent	N'Doubalo Abdou	Master's Degree
5. Analyst	Passang Leyabe	Master's Degree
6. Agronomist	Abdoulaye Adami	Agricultural Certificate
7. Accountant	N'Deikounda Jacob	Accounting Certificate
8. Statistician	Bakari Abdou	12 Years Bank Experience
9. Bookkeeper	Boulamaye Timar	Accounting Award
10. Loan Monitors (3)	M'Baioundarim Telel	Secondary School Degree
	Telbeye Ngarnayal	Secondary School Degree
	Djicolmbaye Berrelah	Secondary School Degree

Secondary Staff:

1. Technicians (2)	Technical Certificates
2. Secretaries (4)	Secretarial Certificates
3. Messengers (2)	Secondary School Degrees
4. Drivers (3)	
5. Cleaner (1)	
6. Guards (3)	

**NOTE:** Professional staff listed above totals 12, support staff totals 15 for a total national staff of 27. The Director and Deputy Director are Americans, giving a total staff of 29. The organization also utilizes short-term advisors and consultants from time to time.

SELECTED LOAN FORMS

## VITA

PROJET D'ENTREPRISES PRIVÉES  
17, Avenue Charles De Gaulle  
B.P. 1.109 - Tél. 20-01  
N'DJAMENA ( Rép. du Tchad ).

### DOCUMENTS ET RENSEIGNEMENTS A FOURNIR PAR LES P.M.E.

- Une demande de prêt
- Un aperçu sur le projet ( objectif, justification, activités ... )
- Une copie d'acte de naissance
- Deux photos d'identité
- Un relevé de compte bancaire
- Une méthode de travail ( Parler sommairement de la façon dont vous gerez  
Un plan de travail ou vous aller gerer l'affaire ).
- Une facture proforma des matériaux à acheter
- Un état récapitulatif des recettes et des dépenses ( datant d'au moins de  
6 à 12 mois minimum )
- Un devis estimatif des autres coûts afférents ( réfection ... )
- Une prévision des recettes et des dépenses
- Un apport personnel au projet ( en espèce ou en nature ).
- Une autorisation d'exploitation.

3

PROJET D'ENTREPRISES PRIVEES  
17, Avenue Charles De Gaulle  
B.P. 1109 - Tél. N° 20 - 01  
N'DJANENA (Rép. du Tchad)

FICHE DE RENSEIGNEMENTS

1. RENSEIGNEMENTS SUR LE DEMANDEUR

Nom et Prénoms : \_\_\_\_\_

Age : \_\_\_\_\_ Carte d'identité nationale n° : \_\_\_\_\_

Adresse : \_\_\_\_\_

Téléphone : \_\_\_\_\_

Situation familiale : \_\_\_\_\_

Nombre d'enfants à charge : \_\_\_\_\_

Nombre des parents qui travaillent dans l'Entreprise : \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Formation du demandeur : \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Emplois antérieurs exercés par le demandeur (donnez au moins les trois derniers)

Nom de l'Entreprise	Emploi exercé	Durée	Raison de votre départ
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Nom des personnes avec lesquelles vous avez des relations professionnelles :

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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2. En quelle année avez-vous commencé vos affaires ? Avec quel fonds ? Et quel fonds disposez-vous actuellement ?

3. Combien de fois avez-vous déplacé votre Entreprise par le passé. Pourquoi ?

4. Parlez du passé de l'Entreprise et de son évolution :

5. Les réussites de l'Entreprise :

6. Les difficultés et les échecs de l'Entreprise :

LES EMPLOYES

7. Indiquez le nombre des employés qui travaillent actuellement dans l'Entreprise.

<u>Total</u>	<u>Total salaire</u> (Moyenne mensuelle)
--------------	---

.../...

50

_____	_____
_____	_____
_____	_____
_____	_____

8. Retraces les problèmes que vous avez eus avec les employés (manque d'habileté professionnelle, faible production, vol etc...).

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

9. La durée moyenne du temps que les employés travaillent dans l'Entreprise avant de démissionner.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

10. Nom de la personne qui gère l'Entreprise à votre absence (relation avec la personne, qualification, combien de temps elle travaille dans ce domaine...).

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

.../...

- - -

III. RENSEIGNEMENTS SUR LE PROJET

RESERVE A VITA

1. CARACTERISTIQUE DU PROJET :

Nom du Projet : \_\_\_\_\_

Adresse : \_\_\_\_\_

Les objectifs du projet

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Montant du prêt : \_\_\_\_\_

Utilisation du prêt : \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Connaissances techniques et administratives du demandeur :

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Durée souhaitée du prêt : \_\_\_\_\_

3. Expérience du demandeur avec les prêts antérieurs :

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Nature de la garantie (détail, mobilier, équipement, outillage, maison en dur ou semi-dur...).

Description

Valeur

Description	Valeur
_____	_____
_____	_____
_____	_____

Tous les biens achetés avec le prêt (par exemple une machine) pourront rester propriétés de VITA jusqu'au remboursement total.

Nom de l'avaliseur : \_\_\_\_\_

Fonction : \_\_\_\_\_

Adresse : \_\_\_\_\_

Date : \_\_\_\_\_

Signature du demandeur,

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**VITA**

**PROJET D'ENTREPRISES PRIVEES**  
**17, Avenue Charles De Gaulle**  
**BP. 1109 - Tél. 20-01 & 21-59**  
**N'DJAMENA ( Tchad ).**

**N°**

**CONTRAT DE PRET**

**Entre les soussignés :**

**VITA représenté par son Directeur,**

**d'une part,**

**et Monsieur**

**d'autre part,**

**Ci-après dénommé l'Emprunteur,**  
**ont été arrêtées ainsi qu'il suit les conditions d'une ouverture de crédit.**

**OUVERTURE DE CREDIT**

**VITA ouvre par les présentes à l'Emprunteur qui accepte, un crédit de francs**  
**CFA**

**destiné à financer :**

**Ce projet sera exécuté**

**suivant**

**L'Emprunteur cède par les présentes :**

**en garantie du prêt consenti et suivant les règlements en vigueur.**

Le taux d'intérêt applicable au présent crédit est de 12 % l'an.  
L'Emprunteur s'oblige à rembourser le montant du crédit ci-dessus ouvert en principal et intérêt : \_\_\_\_\_  
selon les modalités suivantes :

Le remboursement se fera par le débit du compte de l'Emprunteur ouvert dans les livres de \_\_\_\_\_ sous le n° \_\_\_\_\_  
selon un ordre de virement permanent ci-joint.

CONDITIONS GENERALES

La présente ouverture de crédit est faite sous les conditions suivantes :

- 1) Le paiement des mensualités sera fait dans le compte de VITA ouvert dans les livres de la BTCD à N'DJAMENA sous le n° 01 01655 8 006.
- 2) Les sommes prêtées deviendront immédiatement, intégralement et irrévocablement exigibles :
  - a) à défaut de paiement à son échéance d'une mensualité et huit jours après une simple mise en demeure.
  - b) en cas d'inexécution d'une clause quelconque du présent acte,
  - c) enfin, dans les cas où les justifications, documents et renseignements fournis par l'emprunteur seraient reconnus faux ou inexacts, celui-ci se serait rendu coupable de mesures dolosives ou frauduleuses envers VITA.
- 3) Dans le cas de non remboursement pour un motif quelconque, VITA serait appelé à avoir recours à des mesures contentieuses pour arriver au recouvrement de sa créance.
- 4) L'emprunteur supportera les frais, droits et honoraires des présentes et leurs suites.
- 5) L'emprunteur s'engage à rembourser à VITA le montant total du prêt plus les intérêts comme stipulé dans le présent contrat.
- 6) Tout remboursement non honoré à bonne échéance sera passible d'une majoration de 2 % par jour de retard.
- 7) L'emprunteur s'engage à tenir un livre journal pour contrôler sa caisse ( Recettes, Dépenses et Epargnes ) qui sera mis à la disposition de VITA pour une vérification éventuelle lors de ses visites de suivi.
- 8) VITA se réserve le droit de s'assurer de la bonne utilisation des fonds prêtés et de l'exécution du projet conformément au présent contrat.
- 9) Une séance de travail réunissant VITA et le promoteur est prévu chaque trimestre afin de discuter l'évolution des travaux dudit projet.

TRIBUNAL COMPETENT

~~Pour toutes les contestations à naître de l'exécution de la présente convention,~~  
les parties déclarent ~~exprèsément~~ faire attribution de juridiction au tribunal  
compétent de N'DJAMENA et cela même en cas d'appel en garantie ou de pluralité  
de défenseurs.

Fait à N'DJAMENA, le  
en 3 exemplaires originaux.

Signature de l'Emprunteur  
( veuillez porter la mention  
manuscrite " Lu et Approuvé " ).

Pour VITA,  
Le Directeur du Projet.

Certification matérielle de la signature  
de l'Emprunteur.

61.

// -) ACTE DE CAUTION SOLIDAIRE

Entre

La caution

Mr. \_\_\_\_\_

Adresse : \_\_\_\_\_

Et

VITA/PEP  
D.P. 1109  
N° DJAMENA

Je soussigné Mr. \_\_\_\_\_

agissant en mon nom personnel, déclare cautionner solidairement Mr. \_\_\_\_\_

Pour le crédit d'un montant de : \_\_\_\_\_

plus les intérêts de : \_\_\_\_\_  
que VITA lui a accordés pour le financement de son projet.

Pour cet acte, je me considère codébiteur de Mr. \_\_\_\_\_

\_\_\_\_\_ et par conséquent m'engage, à rembourser VITA en cas de non paiement par l'avalisé.

En cas de conflit, le Tribunal de 1ère instance de N'Djamena sera seul compétent.

Fait à N'Djamena, le \_\_\_\_\_ 19..

Pour VITA.

Pour la caution

Lu et Approuvé, bon pour  
engagement de Caution solidaire à concurrence de

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Certification matérielle de la signature  
de la caution.

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VITA/PEP PROJECT: INCOME AND EXPENSE REPORTJANUARY 1 - SEPTEMBER 30, 1987INCOME

A.I.D. FUNDS CALLED FORWARD.....	\$351,002
INTEREST INCOME ON LOANS.....	18,066
USA FOR AFRICA GRANT.....	124,645
PL 480 FUNDS.....	<u>600,000</u>
TOTAL.....	\$1,093,713

EXPENSES

PERSONNEL SALARIES.....	\$162,144
ALLOWANCES.....	51,512
TRAVEL AND PER DIEM.....	11,811
EQUIPMENT & SUPPLIES.....	7,662
OTHER DIRECT COSTS.....	27,288
OVERHEAD.....	<u>90,585</u>
TOTAL.....	\$351,002
	=====

INCOME EARNED ON VITA/PEP LOANS  
(thru 30 June 1987)

		N'Djamena Loans	Bongor Loans	Total
1984	3Q	\$ 3.73	0	
	4Q	\$ 128.49	0	
<u>1984 Total</u>				\$ 132.22
1985	1Q	\$ 516.77	0	
	2Q	\$ 1,447.67	0	
	3Q	\$ 2,800.81	0	
	4Q	\$ 4,168.88	0	
<u>1985 Total</u>				\$ 8,934.13
1986	1Q	\$ 4,118.63	0	
	2Q	\$ 5,206.08	\$ 3.35	
	3Q	\$ 3,758.32	\$12.59	
	4Q	\$ 3,369.43	\$ 6.14	
<u>1986 Total</u>				\$16,47.54
1987	1Q	\$ 7,138.53	0	
	2Q	\$ 5,355.36	\$ 8.82	
<u>1987 Total</u>				\$12,502.71
<b>TOTAL</b>		<b>\$38,012.70</b>	<b>\$30.90</b>	<b>\$38,043.60</b>
		=====		

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ESTIMATE OF DIVISION OF OPERATING COSTSBETWEENNORMAL BANKING COSTS AND BUSINESS ADVISORY AND TECHNICAL ASSISTANCE COSTS

(as of September 30, 1987)

TOTAL OPERATING COSTS

Expenditure on Local Staff and Facilities	\$1,358,683
Expenditure on Expatriate Staff and VITA Home Office Support and Consultancies	\$ 530,551
	\$ 828,132

TIME ALLOCATION

## I. Normal Banking Activities

A. Local Expenditure (40%)	\$ 212,220
B. Expatriate Expenditure (47.5%)	\$ 393,363

## II. Business Advisory Assistance

C. Local Expenditure (60%)	\$ 318,331
D. Expatriate Expenditure (52.5%)	\$ 434,769

Cost of Normal Banking Activities: A + B	\$ 605,583
Cost of Business Advisory Activities: C + D	\$ 753,100

Proportion of Total Costs, Normal Banking Activities	44.6%
Proportion of Total Costs, Business Advisory Activities	55.4%

Cost per Dollar Lent, Normal Banking Activities	\$ 1.02
Cost per Dollar Lent, Business Advisory Activities	\$ 1.27
Total Cost per Dollar Lent	\$ 2.29

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VITA/PEP FINANCIAL  
ACTUALS AND FORECASTS  
1984-93  
CASE ONE AND CASE TWO

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VICTORIA 15 YEAR BUDGET PROJECTION - CASE ONE

LINE	ITEM	ACTUAL AND ESTIMATED					ESTIMATED					TOTAL
		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	
I	Personnel Five Year Plan	82620.67	123267.97	212670.84	362739.15	341321.00	228560.00	248585.00	293727.00	304224.00	234646.00	2332369.63
II	Allowances Five Year Plan	24617.22	68897.70	58822.36	193582.99	79620.00	94980.00	104390.00	114029.00	126312.00	138943.00	1005114.27
III	Travel/Per diem Five Year Plan	7257.22	9928.77	18534.87	69786.27	56811.00	17880.00	28820.00	25798.00	22627.00	24898.00	288644.33
IV	Equip/Supplies/ Materials Five Year Plan	23181.86	19748.64	63818.76	112674.69	25643.00	16426.00	18869.00	19875.00	21863.00	24849.00	345348.15
V	Other Direct Costs Five Year Plan	9886.48	38182.37	47683.27	58456.17	89331.00	118588.00	121558.00	133783.00	147876.00	161783.00	989113.23
VI	Overhead Five Year Plan	37915.13	78848.38	99744.83	221285.88	288847.00	41745.00	54986.92	58178.77	55589.00	61148.00	917438.83
VII	Contingency Five Year Plan				131448.38	35842.00	28888.00	22888.00	24288.00	26628.00	29288.00	389388.38
VIII	Subtotal of Operations Five Year Plan	184797.74	329997.83	581194.13	1149884.57	857415.00	529159.00	617598.92	678384.77	784311.00	774741.00	6319483.96
IX	Loan Fund Five Year Plan	91286.88	298958.88	128457.88	138888.88	258888.88	288888.88	313688.88	351222.88	393388.88	432718.88	2661543.88
X	Total Expenditures	276083.74	628956.71	709651.13	1279884.57	1107415.00	809159.00	931198.92	1021536.77	1097691.00	1207459.00	8980946.96
	Ratio of Operating Expenditures to Loan Fund	2.03	1.13	3.98	8.83	3.43	1.89	1.97	1.91	1.79	1.79	2.37
	Percentage of Loan Fund to Total	33.85%	46.86%	20.40%	10.16%	22.58%	34.68%	33.68%	34.38%	35.84%	35.86%	29.64%
	Percentage of Operations Exp. to Total	66.95%	53.14%	79.60%	89.84%	77.42%	65.48%	66.32%	65.62%	64.16%	64.16%	70.36%

VITA/PEP LOAN FUND ACTIVITY PROJECTIONS 1988-1993

CASE ONE

Loan Sizes:

Bongor-type rural credits: aver. 80,000 FCFA ÷ 300/8 = 8 267 each  
 PEP "Greater N'Djamena"-type loans = 8 5,000 each  
 Larger, Co-financed Loans = 8 28,330 each

Projected N° of loans issued (w. est. 12%/yr incr.):

Reflow Scenarios 1,2,3 (w. 8 372,000 Bal.For.)

	Bongor	PEP	Co-Fin	Annual Value	1 (4M FCFA/mth) ÷ 12%/yr.incr)	2 (5M FCFA/mth) ÷ 12%/yr.incr)	3 (5M FCFA/mth) ÷ 15%/yr.incr)
1988	150	25	3	8 250,000	8 160,000	8 200,000	8 200,000
1989	168	28	3	8 280,000	8 179,000	8 224,000	8 230,000
1990	188	31	4	8 313,600	8 200,704	8 250,880	8 264,000
					(+ 8 250,000)		
1991	210	35	4	8 351,232	8 224,788	8 280,986	8 304,175
1992	236	39	5	8 393,380	8 251,763	8 314,704	8 349,800
					(+ 8 300,000)	(+ 8 225,000)	(+ 8 100,000)
1993	264	44	5	8 432,718	8 281,975	8 352,468	8 402,270
	<u>1216</u>	<u>202</u>	<u>24</u>	<u>8 2,020,9308</u>	<u>8 1,670,230</u>	<u>8 1,995,038</u>	<u>8 2,122,245</u>
					+ 8 550,000	+ 8 225,000	+ 8 100,000
					= 8 2,020,9308	= 8 2,020,9308	= 8 2,020,9308
					+ 8 199,300 Bal.	+ 8 199,108 Bal.	+ 8 201,315 Bal.

Please note that these projections include the second and last year of the Phase II USAID grant (1988), as well as an additional five year period (1989-1993 inclusive).

In all cases, a minimum of approximately \$200,000 was projected as balance forward at the end of the five year period to ensure loan fund continuity.

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VITA-BEL 10 YEAR BUDGET PROJECTION - CASE TWO

LINE	ITEM	ACTUALS		ACTUAL AND ESTIMATED	ESTIMATED						TOTAL	
		1984	1985	1986	1987	1988	1989	1990	1991	1992		1993
I	Personnel Five Year Plan	82650.67	123267.97	212670.84	262739.15	341321.00	228560.00	260775.00	293727.00	304324.00	334646.00	2552369.63
II	Allowances Five Year Plan	24817.22	68897.70	58822.36	193582.99	79620.00	94900.00	104390.00	114829.00	126312.00	138943.00	1005114.27
III	Travel/Per diem Five Year Plan	7257.22	9920.77	10534.87	69786.27	36811.00	17000.00	20020.00	25790.00	22627.00	24890.00	200444.33
IV	Equip/Supplies/ Materials Five Year Plan	23181.86	19740.64	63810.76	112674.69	25643.00	16426.00	10869.00	19875.00	21063.00	24049.00	345340.15
V	Other Direct Costs Five Year Plan	9886.44	38182.37	47683.27	58456.17	89331.00	118500.00	121550.00	133785.00	147876.00	161783.00	989113.33
VI	Overhead Five Year Plan	37915.13	78868.38	99746.83	221285.88	208847.00	41765.00	54984.92	58178.77	85589.00	61140.00	917438.83
VII	Contingency Five Year Plan				131448.38	55842.00	20000.00	22000.00	24200.00	26620.00	29283.00	389384.38
VIII	Subtotal of Operations Five Year Plan	184797.74	329997.83	581194.13	1149884.57	857415.00	529159.00	617598.92	678386.77	784311.00	774741.00	6319483.94
IX	Loan Fund Five Year Plan	91246.00	298958.48	128457.00	138888.00	318000.00	356500.00	489975.00	471471.00	542192.00	623521.00	3354372.00
X	Total Expenditures	276043.74	628956.31	709651.13	1279804.57	1167415.00	885659.00	1027573.92	1141775.77	1246503.00	1398262.00	9673855.94
	Ratio of Operating Expenditures to Loan Fund	2.03	1.13	3.90	8.85	2.77	1.48	1.51	1.42	1.38	1.24	1.88
	Percentage of Loan Fund to Total	33.05%	46.86%	20.40%	10.14%	26.55%	40.25%	39.90%	41.29%	43.50%	44.59%	34.67%
	Percentage of Operations Exp to Total	66.95%	53.14%	79.60%	89.84%	73.45%	59.75%	60.10%	58.71%	56.50%	55.41%	65.33%

VITA/PEP LOAN FUND ACTIVITY PROJECTIONS 1988-1993

CASE TWO

Loan Size:

Bongor-type rural credit: aver. 120,000 FCFA @ 300/6 = \$ 400 each

PEP "Greater N'Djamena"-type loans = \$ 6,000 each

Larger, Co-Financed Loans = \$ 33,330 each

Projected N° of loans issued (w. est. 15%/yr incr.):

Reflow Scenarios 1,2,3 (w. \$ 372,000 Bal.For.)

	Bongor	PEP	Co-Fin	Annual Value	1 (4M FCFA/mth) @ 12%/yr.incr)	2 (5M FCFA/mth) @ 12%/yr.incr)	3 (5M FCFA/mth) @ 15%/yr.incr)
1988	150	25	3	\$ 310,000	\$ 160,000	\$ 200,000	\$ 200,000
1989	173	29	4	\$ 356,500	\$ 179,000	\$ 224,000	\$ 230,000
					(+ \$ 200,000)	(+ \$ 200,000)	(+ \$ 150,000)
1990	198	33	4	\$ 409,975	\$ 200,704	\$ 250,880	\$ 264,000
					(+ \$ 250,000)	(+ \$ 200,000)	(+ \$ 150,000)
1991	228	38	5	\$ 471,471	\$ 224,788	\$ 280,986	\$ 304,175
					(+ \$ 300,000)	(+ \$ 100,000)	
1992	262	44	5	\$ 542,192	\$ 251,763	\$ 314,704	\$ 349,800
					(+ \$ 350,000)	(+ \$ 300,000)	(+ \$ 250,000)
1993	302	50	6	\$ 623,521	\$ 281,975	\$ 352,468	\$ 402,270
					(+ \$ 250,000)	(+ \$ 200,000)	(+ \$ 350,000)
	1313	219	27	\$ 2,713,6598	\$ 1,670,230	\$ 1,995,038	\$ 2,122,245
					+ \$ 1,350,000	+ \$ 1,000,000	+ \$ 900,000
					= \$ 2,713,6598	= \$ 2,713,6598	= \$ 2,713,6598
					+ \$ 306,571 Bal.	+ \$ 281,379 Bal.	+ \$ 308,586 Bal.

Please note that these projections include the second and last year of the Phase II USAID grant (1988), as well as an additional five year period (1989-1993 inclusive).

In all cases, a minimum of approximately \$300,000 was projected as balance forward at the end of the five year period to ensure loan fund continuity.