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EVALUATION OF THE NATIONAL DEVELOPMENT FOUNDATION OF BELIZE

Prepared for:

Agency for International Development
USAID/Belize
(Contract No. 0619-C-00-7038-00)

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EXECUTIVE SUMMARY

The first phase (1983-86) of the National Development Foundation of Belize (NDF/B) began through the efforts of a group of local private sector leaders with the assistance of the Pan American Development Foundation (PADF). Initial funding was provided in 1983 by USAID with an OPG grant of $142,000 through PADF and a joint USAID/GOB local currency grant of $388,000 equivalent.

This evaluation covers the period September 1986 to March 1988, and focuses on three principal areas - analysis of the institution, the impact of the program on the Small Scale Enterprise borrowers, and the relationship of the institution with other Belizean and international organizations. The impact on the borrowers was measured by conducting a survey of a random sample of borrowers. Data for the other two areas were collected through interviews and examination of documents.

In the first year of the second phase (1986/87) NDF/B did not meet any of the measurable objectives it set for itself. However, 70% of the program goals for the first quarter of 1987/88 were met or exceeded, which effectively improved 40% of the indicators for the five quarters ending December 1987. In general, this shows that NDF/B accelerated efforts to meet its goals for the second year. For the first five quarters of the second phase, NDF/B exceeded direct beneficiaries, indirect beneficiaries, and loan goals. However, it was below target with respect to the expected number of women beneficiaries; the number of existing jobs protected; new jobs created; new businesses assisted; and the loan size.

Progress has been made in meeting four of the five goals of the institutional development plan - strengthening existing and developing new linkages, enrichment of management and staff, improvement of the income position and strengthening of the Board. The fifth goal, local fundraising, which was exceeded by 10.7% in the first phase, has fallen short by 35.7% so far in the second phase. This has been and continues to be one of the most difficult goals to achieve due to the limited number of potential donors.

NDF/B now serves a larger variety of clients, yet the main focus is still on small and micro entrepreneurs. The target group has been expanded and the maximum loan size has been increased. The average cumulative loan size ($1,608) is actually less than it was at the time of the last evaluation ($1,618) of August 1985.

NDF/B charges a nominal add-on interest rate of 12%, or an effective rate of approximately 20%.[1] Although this rate is higher than nominal bank rates, it is justified by higher risk and the high cost of follow-up technical assistance/monitoring and training.

Moreover, borrowers are more concerned with the ability to obtain credit than with the interest rate level. Collateral arrangements are very flexible, in spite of stated policy, and are made on a case-by-case basis. Most micro loans ($250 to $500) are made on a character basis alone, since these clients usually have no real collateral. The loan processing procedure has been streamlined by reducing processing time and pre-selecting only those clients most likely to be approved by the Loans Committee, which has rejected only 5% of the total applications received.

The current philosophy of portfolio management is to diversify and reduce risk. This is done by making loans to borrowers and carefully selected new clients. Making a limited number of larger loans and in various geographic areas and categories also contribute to risk diversification.

The current financial situation of NDF/B is healthy, especially as compared to some of the other NDFs. Liquidity is rather high and could be reduced. Net worth has increased by obtaining grants, thereby maintaining a favorable debt to equity ratio. NDF/B should continue to seek grants (instead of loans) to maintain this favorable situation. Additional equipment (e.g. computer, electric typewriters, etc.) should also be purchased to allow the staff to become more productive, particularly as the portfolio size expands. The book value of assets should be doubled.

NDF/B's operating level of expenses is unrealistically low, since it is currently understaffed, and will require budget support to bring it to a realistic level. In order to meet its portfolio projections and eventually become self-sufficient, NDF/B will also need additional capital funding to have a portfolio level that will generate the needed income. NDF/B will also have to explore the possibility of other income generating projects to cover expenses not covered by interest income.

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1 The exact effective rate depends on the term and loan amount.

NDF/B's staff has high morale, is highly motivated, and is efficient. However, the current level of staffing is too low for the current portfolio level and certainly inadequate for an expanded portfolio. NDF/B plans to hire one new FEO and add two business counselors who will relieve the FEOs of the business training duties.

The current arrears rate of 9.8% is lower than those of some other NDFs and local NGOs. The rate would be lower if NDF/B followed the practice of writing off its bad debts. The reserve for bad debts should be increased so as to cover the total amount of loan balances of doubtful collection.

The technical assistance and training (TAT) component is of utmost importance because it provides SSEs with much needed business guidance through both individual and group sessions. The acceptance of TAT is a requirement for obtaining a loan, and, although not always enforced, has been an important factor, along with follow-up monitoring, in maintaining a low arrearage rate. Borrowers have indicated that they would like to have the seminars offered more frequently.

It is estimated that the potential number of SSE clients qualifying for NDF/B financing seeking a loan is beween 5,339 and 6,514. This represents a potential credit demand of between $8.4 and $10.2 million based on the current average loan size. Total loans disbursed by NDF/B to December 1987 was 545 totalling $876,000, or less than 11% of the estimated demand. This suggests that there is a great potential for NDF/B credit expansion.

The analysis of the clients' responses in the survey indicates that NDF/B businesses are quite viable as measured by their profitability level and the fact the repayment of the loan does not seem to be a burden to most of them. In addition, the standard of living showed improvements in the areas of housing, education, health care, food security, and ability to save. They demonstrated adequate to high levels of entrepreneurial capability. They showed initiative, creativity, ability to diversify into new products and new markets for their products, and ability to improve the quality of their product(s). On the other hand, these clients demonstrated a low to moderate level of business skills. Only 46 percent of the clients attended a training seminar from NDF/B, and only 15 percent maintained records in a consistent although inadequate manner. Those who attended an NDF/B seminar indicated an improvement in their attitude towards their businesses and in their record keeping, budgeting, and product pricing skills; they also expressed a need for more training in these areas as well as marketing.

Our principal conclusions are that NDF/B is a strong institution, characterized by: good leadership; a community base of support; networks with similar organizations in the country, with appropriate government entities, and with international organizations; the ability to evolve, grow and adapt to changing situations; and a diversified portfolio of financial support and sources of income. Nevertheless NDF/B will not be able to achieve self-sufficiency by 1990 without the addition of income generating activities to supplement interest income. The program impact on the borrower SSEs has been generally favorable based on financial and economic indicators.

The following are our major recommendations, which relate to current administration and operation as well as areas for future endeavors.

1. NDF/B should strive to maintain its equity and should continually seek out grant funds rather than loan funds to finance assets or to increase the Revolving Loan Fund. Long term debt should not exceed 30% of net assets based on a comparison with other NDFs. NDF/B

2. NDF/B should enter into additional alternative income generating activities (including those with other NGOs) to supplement interest income. NDF/B

3. To support a higher portfolio level -- which will be needed to achieve sustainability -- the Foundation should consider increasing its loan size to some borrowers. NDF/B

4. NDF/B should consider the possibility of joint financing of loans with commercial banks. NDF/B

5. NDF should request advances from USAID to cover operating expenses to allow it to estimate coverage of expenses more accurately.

6. Our projections indicate that USAID should provide additional funding through 1990 of $252,000 to $285,000 to cover operating expenses, and additional funding of $110,000 to $385,000 for the Revolving Loan Fund in order to achieve the $400,000 yearly income in the portfolio level as projected in the TYP or an expanded level for some 300 loans per year. NDF/B

7. NDF/B should increase the frequency of business management skills seminars with greater emphasis on record keeping and marketing and enforce the requirement that clients have this training before receiving the loans.

8. Sector studies of certain business categories such as furniture and woodworking and construction should be considered by NDF/B in order to identify production constraints and determine a lending policy for these subsectors.

9. Market competition and marketing considerations should be more carefully evaluated to avoid project failures. Reinforcement of the capacity to evaluate agribusiness is necessary.

10. A countrywide update of the previous survey (Mintz) should be done to assess the current status and needs of small and micro enterprises.

EVALUATION OF THE NATIONAL DEVELOPMENT FOUNDATION OF BELIZE

I. INTRODUCTION

This evaluation was performed at the request of the USAID Mission in Belize to fulfill the requirement for a mid-term evaluation. The evaluation focused on the period from August 1985 to March 1988. The analysis included the last part of Phase I of the project (1983-86) and the first part of Phase II (1986-89). The evaluation is intended to serve as a useful vehicle for NDF/B in its program planning.

The evaluation team was in Belize from March 14 to 31, 1988. The work of the team was facilitated by the cooperation received from the staff and management of the NDF/B in sharing of information, preparation of reports, and assisting with the survey of borrowers. Also the staff of NDF/B made a significant contribution to the preparation of the questionnaire used in the survey of borrowers.

The original draft scope of work (Annex A) for the evaluation was discussed with both USAID/Belize and the staff of NDF/B. Revisions were made as a result of these meetings. Some changes in the order of subjects have been made to make this a more readable report. In addition, a preliminary draft of the evaluation report was presented to the Board of Directors, who provided the team with comments and suggestions. These have been incorporated as appropriate throughout this report.

The evaluation team was assisted by Dr. Michael Seepersaud, who was contracted directly by the NDF/B. Dr. Seepersaud has worked with several national development foundations in the Caribbean, and helped put the NDF/B in that context.

II. OBJECTIVES OF EVALUATION

The objectives of this evaluation are to:

1) Assess the institutional efficiency of NDF/B.

2) Assess the program impact on the intended target group.

3) Assess the prospects for NDF/B self-sufficiency, and recommend ways to enhance NDF/B financial viability.

4) Assess the NDF/B relationship with other organizations (both public and private sector) in the context of perspectives for its future development and growth.

5) Recommend areas on which future AID assistance should focus.

III. BACKGROUND

A. Evaluation Methodology

This evaluation focuses on three principal areas -- the institution (NDF/B), the impact of the program on the borrowers (SSEs), and the relationship of the institution to other Belizean and international organizations. The data for the institutional analysis were collected in interviews with the staff and Board members (both current and former) of NDF/B, borrowers, and other key persons outside the organization.

The impact on the SSEs was measured by conducting a survey of a sample of borrowers, using a questionnaire developed in conjunction with NDF/B staff (Annex B). The survey was conducted in areas with the greatest concentration of NDF/B program activity -- Belize City, Orange Walk town, and Cayo district. The sample was drawn randomly for each area in an attempt to get a representative cross section of borrowers. To maximize objectivity, the FEO who interviewed clients was not the representative for the respective area. The sample size was 48, representing 11% of current borrowers. By sampling the three main areas of borrowers, a fairly representative sample was obtained. Lack of time constrained the collection of data from a larger sample, which would have more closely represented the diversity of borrowers. Also, in the Cayo District, where 60% of the borrowers are farmers, a larger sample could not be obtained due to the time required in locating farmers who were usually in their fields far from road accessibility.

The data for analyzing external relationships were collected through interviews with representatives of various organizations, both NGOs and GOB representatives as well as international agencies both in Belize and in Washington, D.C. The time devoted to interviews with other NGOs in Belize was particularly important in determining ways in which the NDF/B might collaborate with them and possibly expand its program scope. A list of all persons interviewed by the team is presented in Appendix C.

It should be noted that the most recent figures available are used wherever possible. In the cases where comparisons complete years are made, the figures for the end of the complete fiscal year (October to September) are used. Fiscal year figures also form the basis for any projections.

B. Economic Background

1. Recent Economic Performance

Belize is a small, open economy endowed with extensive productive land and other unexploited natural resources. The main economic activity is agriculture, accounting for 19 percent of GDP, 30 percent of employment and over 75 percent of merchandise exports. Nearly half of agricultural value added and agricultural exports are derived from sugar. Belize's gross domestic product (GDP) per capita of US$ 1,000 was one of the highest in Central America in 1986.

Industry, including construction and utilities, accounts for about 18 percent of GDP and employment, the major industries being sugar refining and citrus processing, and an export oriented garment factory. The services sector, mainly trade and tourism, public administration and transport, constitutes about 40 percent of GDP and 30 percent of employment.

During the 1970s, the country's GDP grew steadily at an average rate of about 5 percent per year. This growth resulted from the expansion of the sugar and banana industries, the establishment of a garment factory, and other industries such as flour milling, fertilizer mixing, and animal feed production. The construction of the Northern Highway and the Belize City Port also contributed to this outcome.

In the early 1980s the economy was affected by a deterioration in the terms of trade and the reduction of the U.S. sugar quota. This was compounded further in 1985, with the closure of one of the two sugar refining factories and the loss of 700 jobs. Thus, GDP growth during 1981-85 averaged only 1.2 percent per year, and unemployment became a serious issue. Two favorable developments, however, have been the significant increase in citrus and garment exports, due to improved prices and market opportunities in the U.S.

In 1986 the primary sector declined further in spite of an improvement in the world market price for sugar. However, the secondary sector recovered markedly, particularly construction and services. As a result, real GDP growth was estimated at 4 percent. In 1987 the growth of real GDP is estimated to have accelerated somewhat, to about 4.8 percent, mainly as a result of widespread recovery in the primary sector and an increase in trade and tourism activities.

The developments in the export sector during the early 1980's led to a depletion of gross official reserves. Furthermore, during 1983-84 there was an accumulation of arrears on external debt service payments, and the Government introduced an adjustment program from mid-1984 to mid-1986 which, supported by an IMF Stand-By arrangement, resulted in a reduction of the balance of payments deficit and the elimination of the arrears. The trade deficit was financed primarily with foreign aid, foreign investments, and substantial remittances from Belizeans living abroad.

Public sector finances also improved as a result of the program with public savings reaching 5.5 percent of GDP, the highest level in over seven years. Public sector investment, which has remained low, is expected to improve with an increased tax effort.

The country's reduced foreign exchange earnings and tight credit policies have resulted in a forced contraction of imports. The economy, however, depends heavily on imported foodstuffs, which in 1986 accounted for 25 percent of total imports. Imports of fuels, manufactured goods, and machinery make up 50 percent of the import bill.

Domestic inflation, as measured by the average change in consumer prices, decelerated from about 6 percent in 1982 to slightly less than 1 percent in 1986, reflecting mainly declining inflation of its trading partners and reduced petroleum prices. In 1987 inflation has picked up to an annual average increase of about 3 percent as a result of higher import prices.

2. Development Constraints

Belize's major development constraints have been its inadequate infrastructure; insufficient medium and long term financing; the small market size; institutional factors and fiscal policies; and a shortage of qualified labor. The inadequate infrastructure -- roads, ports, tourist facilities-- has slowed down the diversification of the country's production. The lack of medium and long term financing has slowed the development of non-traditional activities particularly in the manufacturing sector. The small size of the domestic market limits the development of light industry, but favors the development of small scale export oriented and import substituting industries which could be highly productive if appropriate credit and technical assistance were made available.

Institutional factors and fiscal policies such as high corporation taxes hinder the implementation of projects and high electricity, communications, and water costs have discouraged foreign investment.

3. Development Strategy

The Government's Five-Year Macro-Economic Development Plan for 1985-1989 is aimed at stimulating the economy by promoting the development of export activities in five priority areas: agroindustry, tourism, fisheries, forest-based industries, and manufacturing. The main objective of the plan is to promote product and market diversification. Another objective is to reduce unemployment by encouraging the development of small businesses and cooperatives and by encouraging labor intensive activities.

The Government maintains that the thrust of economic growth should come from the private sector. Accordingly, it is determined to provide the economic and political climate to encourage private sector investment, both domestic and foreign. It has granted tax concessions and incentives, by establishing minimal exchange controls, maintaining a liberal trade policy, and providing guarantees against expropriation.

In its effort to promote economic growth through the support of the private sector, the Government announced recently some policy measures aimed at stimulating Belizean development opportunities in the productive sectors. Small business will be able to benefit from: (a) a reduction of marginal income tax rates; (b) relief from custom duties on imported machinery, equipment and supplies; and (c) reduced electricity rates. Cooperatives have also received reductions in import tariffs. While the details of these measures were not available, it is evident that the Government is making efforts to promote private sector development in Belize.

C. Historical Overview of the Project

The concept of NDF was initially discussed in early 1982 between Belizean private sector leaders and the Pan American Development Foundation (PADF), which assisted in the establishment of several NDFs in the Caribbean and Central America. In May 1982 these contacts resulted in the formation of a Steering Committee composed of Belizean private sector persons, each of whom contributed both monetary donations (to establish a small start-up fund) and time to make the concept of an NDF in Belize a reality.

The membership of NDF/B was established from a cross section of the private sector committed to the socio-economic development of Belize with an emphasis on the small scale enterprise (SSE) subsector. It was determined that small and micro entrepreneurs suffered from both a lack of access to credit (except that provided by usurers and small loans from families or friends) and a lack of business skills (including those in production, purchasing of raw materials and equipment, recordkeeping, cash flow management, and marketing). The approach to alleviate at least partially these problems was the focus of the Steering Committee in establishing the NDF -- an adaption to the Belizean context of the NDF model introduced by PADF. From the outset the philosophy was that assistance to the SSE subsector is not a charitable act, but is a way to strengthen the foundation of the private sector by providing this sector with the tools needed to grow and develop. This approach is reflected in its current motto "a help-out, not a hand-out".

The Articles and Memorandum of Association of the Foundation were legally registered on January 5, 1983 as a company limited by guarantee and not having share capital. It consisted of 14 founding members. According to the Memorandum of Association the object and purpose were:

> to promote and to encourage the development and the growth of the private sector including trade, commerce, manufacture agriculture and fisheries in Belize through the provision of business guidance, technical assistance, and non-traditional credit facilities to small entrepreneurs or to groups, and generally, to promote and encourage the development and growth of all other economic activities designed to improve the social and economic welfare of the people of Belize.

At the same time NDF/B, along with PADF, was investigating sources of funding to provide a secure financial base for its operations. As a result of these efforts, in July 1983 USAID/Belize made grants totalling $530,000 to NDF/B through PADF and the GOB. The local currency component equivalent to $388,000 was provided jointly by USAID and the GOB under the terms of the AID Balance of Payments Loan. Of this amount, the equivalent of $195,512 (BZ$388,000) was for administrative and operational costs and $192,488 (BZ$382,000) was for the revolving loan fund. The US dollar component was in the form of a $142,000 OPG grant to be administered by PADF and consisted of $80,000 for PADF travel and technical assistance (including a survey of the SSE subsector and a mid-term evaluation) and training to NDF/B, $52,000 for NDF/B commodities and vehicles, and $10,000 for international travel by NDF/B.

It was also anticipated that NDF/B would raise additional funds both locally and internationally (with PADF assistance) to cover the balance of operating costs and additional resources for the revolving loan fund. During the Pilot Phase (1983-86) NDF/B raised an additional $317,000: $174,000 from the Inter-American Foundation,[1] $83,000 from local fundraising and $60,000 from the GOB for the revolving loan fund for swine production loans.

From July 1983 to March 1984 NDF/B engaged in intensive organizational and start-up activities , including the conduct of "A Survey of Micro-Enterprises and Small-Scale Businesses in Belize" (Sam Mintz, 1983). NDF/B also recruited and trained personnel on an incremental basis; prepared operating manuals which defined personnel, loan, and other operational policies and procedures; set up the accounting system; and elected the Board of Directors from the membership and appointed the various Board committees, including the Key Loans Committee.

Institutional development was enhanced by out-of-country training opportunities for the Board and Management, direct training of the Field extension officers (FEOs) as well as ongoing, in-house, on-the-job training for the other staff.

A third USAID/Belize grant as amended was made directly to NDF/B in September 1986 for $130,000 at the same time that NDF/B was certified as an eligible non-U.S. Private Voluntary Organization (PVO).

The first loans were approved in April 1984. By the end of the first phase (September 1986) NDF/B had disbursed 270 loans for a total of $440,051 representing the protection of 342 jobs and the creation of 126 new jobs. As of December 1987 NDF/B had disbursed 545 loans for a total of $876,142 representing the protection of 758 jobs and the creation of 199 new jobs.

In the following sections of this report, comparisons will be made between NDF/B and other NDFs. This is the best basis for comparison since these organizations are similar to NDF/B in structure and function. Table 1 gives general comparative measures between NDF/B and some other NDFs in the Caribbean for the most recently audited financial year. In all cases NDF/B shows the best performance both in terms of effectiveness and program impact.

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1 $150,000 for the revolving loan fund, $20,000 for training, and $4,000 for an audit.

TABLE 1: COMPARATIVE MEASURES OF EFFECTIVENESS OF LOAN PROGRAM AMONG NDFs, AS OF LAST AUDITED FINANCIAL YEAR
(in US dollars)

	Belize	Dominica	Saint Vincent	Antigua	Saint Lucia
No. of Loans Disbursed in FY	147	77	2	24	45
Value	280,351	128,838	4,166	67,311	118,360
Average Size	1,907	1,673	2,084	2,805	2,630
Operations & Training Administration Cost	156,454	127,661	40,889	122,881	115,371
Cost per loan	966	1,658	20,445	5,120	2,564
Jobs affected	273	87	NA	29	103
Jobs per loan	1.86	1.1	NA	1.2	2.3
Admin cost per job	573	1,467	NA	4,237	NA

NA = Not available.

NDF/B currently has a staff of 11, consisting of 4 management level, 3 field extension officers (FEOs), and 4 support staff. NDF/B plans to rehire a former FEO and to hire two new FEOs. Also, two current FEOs are being trained as business counselors. NDF/B has 55 current member and a Board of 13 Directors. The Board has three committees: Executive (officers), Loans, and Fundraising.

IV. INSTITUTIONAL AND PROGRAM OBJECTIVES

The objectives established for NDF/B can be divided into three groups: 1) objectively identifiable indicators in the proposal for the second phase; 2) components of the institutional development plan in the proposal for the second phase; and 3) major recommendations made by the last evaluation (August 1985)[2] which received favorable comments from USAID/Belize and NDF/B.

The objectively identifiable indicators and the achievements for the period September 1980 to December 1987 are presented in Table 2. In general the indicators/objectives for the first year of the Three Year Plan were subsequently revised upward by NDF/B and these are shown in Table 2. In all cases these new, more difficult objectives were not met for FY 87/88. On the other hand, 70% of the program goals for the first quarter were met or exceeded, which had the effect of improving 40% of the indicators for the five quarters ending December 1987. For example, the number of direct beneficiaries projected was exceeded by 18.7%, the number of loans by 10% and of indirect beneficiaries by 24.8%. The following indicators were less than projected -- the amount loaned by 13.7%, jobs created by 13.1% and new businesses assisted by 19%.

The progress in completing the five components of the institutional development plan is as follows:

a) Enrichment of management and staff

The Managing Director has attended a number of Caribbean conferences with representatives of other NDFs and has shared ideas and experiences with them. The staff of the NDF/B has had several opportunities to receive training both in Belize and in other countries. The most recent out-of-country training was for two of the FEOs to become trained as business counselors at a

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2 "Report Evaluation of the OPG-Funded Project Establishment of the National Development Foundation of Belize (NDF/B) and Its Program to Support Small Scale and Micro-Enterprises", by Paul Prentice, Evaluator, August 30, 1985.

TABLE 2: NDF/B OBJECTIVELY VERIFIABLE INDICATORS AND RESULTS(US$)
(in U.S. dollars)

PROGRAM GOALS	3 YEAR 1986-89 PROJECTED	FY 86/87 PROJECTED	FY 86/87 ACTUAL	FY 86/87 DEFICIT/SURPLUS	FY 87/88 1st QUARTER PROJECTED	FY 87/88 1st QUARTER ACTUAL	5 QUARTERS CUMULATIVE TOTALS PROJECTED	5 QUARTERS CUMULATIVE TOTALS ACTUAL	DEFICIT/ SURPLUS	FY 87/88* PROJECTED (YEARLY)	FY 88/89* PROJECTED (YEARLY)
Total Direct Beneficiaries/ Borrowers	700	234	199	(35)	59	149	293	348	55	230	240
Women/ Direct beneficiaries	200	67	37	(30)	17	17	84	54	(30)	65	75
Indirect Beneficiaries (Dependents plus existing employees)	4,700	1,567	1,365	(202)	392	1,080	1,959	2,445	486	N.A.	N.A.
Jobs protected/saved (including clients)	1,900	634	273	(361)	159	216	793	486	(307)	650	650
New jobs created	200	67	58	(9)	17	15	84	73	(11)	100	50
New Business Assisted/ Created	150	50	41	(9)	13	10	63	51	(12)	50	60
Loans: Number	600	200	147	(53)	50	128	250	275	25	200	200
Amount	$1,200,000	$400,000	$280,351	($119,649)	$100,000	$151,240	$500,000	$431,591	($68,409)	$400,000	$400,000
Average Size	$2,000	$2,000	$1,907	($93)	$2,000	$1,182	$2,000	$1,570	($430)	$2,000	$2,000
Cumulative Amount of Loans Disbursed	$1,495,900	$695,900	$725,000	$29,100	+$795,900	$876,142	+795,900	$876,142	$80,242	$1,095,900	$1,495,900
INSTITUTIONAL GOALS:											
Membership(new)	50	17	5	(12)	4	0	21	5	16	20	15
Local Fundraising	$77,500	$26,000	$15,500	($10,500)	$6,500	$5,400	$32,500	$20,900	($11,600)	$50,000	$50,000
Staff:Management level(new) (including mid-level)	1	N.A.	+4	+3	N.A.	0			0	0	0
Operational/Field level	2	N.A.	3	N.A.	N.A.	3	N.A.	N.A.		0	0
Staff training events	12	N.A.	7	N.A.	N.A.	N.A.				12	12
Board Retreats/Program reviews	1	N.A.	0	N.A.	N.A.	N.A.	N.A.	N.A.		1	1

Notes: * From proposal - Three Year Plan(TYP)
Others(86/87) are NDF/B projections -

FIT sponsored course in St. Lucia. Office staff are being trained in the use of word processing. There are plans to have additional staff trained in the use of computer programs for record keeping and general accounting. The FEO supervisor has been selected for training in project assessment in Canada (FIT). There is, however, still a need for other training in office administration, statistics, budgeting and control.

b) Improvement of income position

This relates to continued fundraising in the international community, possible increase in interest rates, some charges for TAT passed on to borrowers, reduction of costs, and seeking donor support to subsidize the TAT component after IAF. NDF/B has received additional grants totalling $70,000 from IAF, and commitments of $33,000 from PACT and $75,000 from the Barclays Development Fund. NDF/B has not raised its interest rates, nor does it contemplate doing so. Costs have not been reduced as much as they have been held at an unrealistically low level until additional budgetary commitments are assured. At such time operating expenses will have to increase to cover the salaries of additional staff. Some charges for TAT have been passed on to participants (both clients and non-clients) but these have been minimal ($2.50 per seminar). Also, administrative costs have been passed on to borrowers by adding them to the principal of the loan. FIT has been funding the salaries of two FEOs for the past two years and has also provided funds to cover other costs of technical assistance and training.

c) Consolidation of tangible community support - local fundraising

The fundraising goal of $75,000 for the first phase of the project was exceeded by $8,000. However, the amount raised for the first five quarters of the second phase was $20,900, which is $11,600 short of the goal of $32,500 for this period. The difficulties encountered with fundraising and the new strategy being developed to address these difficulties are described below.

d) Strengthening of existing and developing new linkages - collaboration with other organizations

As is described in more detail below, NDF/B has developed formal relationships with several other private sector development organizations. Examples are the administration of loan funds for the Belize Agency for Rural Development (BARD) and for the Belize Enterprise for Sustained Technology (BEST) and the Belize Tourism and Industry Association (BTIA) while these organizations provide the specific technical inputs. A loan fund to pay for training for SSEs at the Belize Institute of Management (BIM) has been committed but not yet established.

NDF/B is also a participant in the "Group of Seven" which coordinates activities among seven NGOs, thereby avoiding the duplication of effort and facilitating the exchange of ideas. This group is in the process of becoming a formal consortium through the signature of a common "Memo of Understanding".

e) Strengthening the Board

This relates to new membership and board training and dialogue. Since the beginning of the second phase, membership has increased by five, which is 16 short of the projected 21 new members for the first five quarters. However, the Board itself has been expanded by two for a current total of 13. Although four Board members have retired, eight new members have been added. The fundraising strategy will include approaches to attracting new members, particularly from the districts.

Finally, the recommendations from the last evaluation and their status are presented in Annex D. The following is a brief synopsis of the status of the major recommendations in the Executive Summary of that evaluation:

> The pending issues between PADF and NDF/B were resolved. The Board undertook its retreat, which resulted in plans/ objectives for the third project year of the first phase. It also held a planning session in conjunction with the preparation of the Three Year Plan for the second Phase with the assistance of the evaluator, Paul Prentice. The fundraising goal of $75,000 for the end of Fiscal Year 1985 was not only met, but exceeded by $8,000 ($83,000 raised). Joint ventures have been established directly with two other NGOs (BARD and BEST) and this has allowed NDF/B to make agribusiness loans with the specialized technical assistance provided by these organizations. Relationships with two other NGOs (BIM and BTIA) have also been established and are being explored with others. The use of the CBI funds (lent through the commercial banks) by NDF/B was never authorized by USAID/Belize.

V. INSTITUTIONAL ANALYSIS

This section examines the institution of NDF/B in terms of the financial, administrative and technical aspects.

A. Financial Performance and Viability

1. Financial Policies and Mechanisms

NDF/B originally established its loans portfolio policy, criteria, and procedures in its Operating Manual (1984). Some of these items have since changed as a result of practice. The salient criteria are discussed. Portfolio management is based on the diversification of risk.

a. Loan Policy and Criteria

Originally, the target group was defined as existing poor entrepreneurs in productive sectors with business assets of $12,500 or less. However, this definition has been expanded to include service industries, some of which are retailing and distribution. The latter are eligible only if they sell local products or produce, thereby providing a marketing outlet. If imported goods are also sold, only that part of the business that serves as an outlet for local produce is supported by a loan. For example, credit may be extended for the purchase of a refrigerator to store perishables and locally bottled items. In actual fact, however, only about 8% of the amount loaned to date has been for retailing and distribution as can be seen in Table 3.

Another type of enterprise that was not originally contemplated is small scale agribusiness, which now represents about 16% of the loans disbursed to date. The expressed feeling at NDF/B is that individual agribusinesses are better borrowers than groups or cooperatives because there is a greater sense of ownership. Unfortunately, cooperatives in Belize have a stigma of being based on "hand-outs". The last evaluation stated that no agricultural loans should be made unless NDF/B adds agricultural expertise to its staff or has ready access to such expertise. Agricultural loans have become possible due to the NDF/B collaborative arrangements with BARD and BEST, which do the feasibility analysis of the projects and provide follow-up technical assistance. NDF/B administers the credit aspects of the funds granted to these two organizations.

Loans for new businesses require that the borrower have previous experience (e.g., as an apprentice). The new business borrower must show projected sales and some proof that there are potential customers such as a letter from buyers. In all cases the FEO (Field Extension Officer) will visit the area to assess the market for products himself.

TABLE 3: DISTRIBUTION OF LOANS DISBURSED BY CATEGORIES AND AREA(DISTRICT)
FOR PERIOD APRIL 1984 to DECEMBER 1987
(U.S. $000's)

CATEGORIES OF LOAN	BELIZE DIST.		O. WALK DIST. & COROZAL		CAYO DIST		S/CREEK DIST & TOLEDO		TOTALS		PERCENTAGES	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
PRODUCTION & PROCESSING												
1. Furniture & Woodwork	15	25.4	4	6.9	6	9.7	1	2.8	26	44.8	4.8%	5.1%
2. Garment & Tailoring	10	7.7	5	4.3	3	2.6	--	---	18	14.6	3.3%	1.7%
3. Shoes & Leatherwork	1	1.1	--	---	--	---	1	0.5	2	1.6	0.4%	0.2%
4. Welding & Metal Construction	2	3.8	6	13.9	--	---	--	---	8	17.7	1.5%	2.0%
												0.0%
5. Crafts & Souvenirs	5	4.2	4	4.1	2	1.8	1	0.8	12	10.9	2.2%	1.2%
6. Food Processing	38	35.4	12	21.8	17	40.3	7	8.0	74	105.5	13.6%	12.0%
7. Agribusiness	9	8.4	35	75.8	98	53.0	6	4.7	148	141.9	27.2%	16.2%
8. General Construction	--	---	--	---	--	---	--	---	--	---	--	---
9. Other Micro-Industries	19	56.7	9	23.2	9	25.8	5	8.6	42	114.4	7.7%	13.1%
SERVICES												
10. Retailing & Distribution	35	41.2	7	6.9	4	4.3	5	5.3	51	57.7	9.4%	6.6%
11. Repairs & Servicing(Mech Elect., Auto-body Serv.)	26	37.1	11	28.1	10	28.0	1	1.4	48	94.7	8.8%	10.8%
12. Other Services	54	121.3	16	32.7	8	27.8	12	45.2	90	226.9	16.5%	25.9%
13. REFINANCE	16	29.2	3	3.8	6	11.1	1	1.4	26	45.5	4.8%	5.2%
TOTAL	230	371.5	112	221.5	163	204.4	40	78.7	545	876.2	100%	100.0%
PERCENTAGES OF TOTALS	42.2%	42.4%	20.6%	25.3%	29.9%	23.3%	7.3%	9.0%	100.0%	100.0%		

All potential clients are required to have good character references and the project must have employment generation potential as well as financial viability. Clients and their families should depend totally or almost totally on the income of the business or project for which assistance is requested and the business should preferably be managed full-time by the client. The potential client should also have been unable to obtain commercial bank loans. In actual practice some potential clients have gotten bank loans for commercial purposes. In fact, the survey of borrowers shows that 18.8% (9 persons) of the sample have had a total of 13 bank loans for productive purposes.

All loans are made in lump sum disbursements except for swine projects, which are made in installment disbursements in accordance with the timing of the needed inputs. The agribusiness loans are limited to a one year term for the production of a cash crop. The loan amounts range from $250 to $12,500. The average loan size up to December 1987 was $1,608 (it is $1,570 for the last five quarters) which is a decrease since the last evaluation ($1,618). The average for FY86/87 was higher - $1,907.

The nominal interest rate charged is 12%, but this is added on to the principal and divided by the number of payments, which results in an effective rate of approximately 20% to the borrower.[3] Although the NDF/B effective rate is higher than the nominal bank rates, this is justified by two factors - higher risk and the high cost of follow-up TAT and monitoring. Also, this higher effective rate is necessary if NDF/B is to become self-sufficient.[4] In addition, NDF/B charges this rate so as to prevent clients who could qualify for bank loans from coming to NDF/B. It is also the case, as is supported by the previous evaluation and the current borrower survey, that it is more

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3 Commercial banks charge a nominal rate of 15-18% on the declining balance for non-preferred commercial customers. In addition, if payments are missed the part past due is added to the principal, effectively resulting in paying interest on interest. NDF/B does not compound or capitalize missed payments.

4 Other NDFs charge lower rates of interest, but their ability to become self-sufficient is consequently less:

NDF	Interest Rate	Type
St. Lucia	11%	Add-on
Dominica	12.5%	Declining balance
Antigua	12%	Declining balance

important to SSE borrowers to get credit (especially with business guidance included), than what interest rate they are paying. In most cases, clients cannot qualify for any credit from banks or only for consumer loans at 12% add on interest rate. Only 2 persons (4%) in the survey complained that the interest rate was too high. Borrowers are perhaps not aware of the effective rate since it is not explained as such. Only the method of calculation is explained. Finally, the calculation of loan payments and interest is much simpler using the add-on method since the amount of each is the same from one period to the next. This is more convenient, cost effective, and easier to explain to clients.

Some loans, particularly agribusiness, are given a grace period on principal to take into account production cycles plus adequate marketing time, which gives farmers an opportunity to obtain returns from selling their crops. The repayment periods range from one to five years depending on the project. The average loan term to date has been three years.

Collateral is required for the full value of the loan, but can be supplemented by a guarantor if the equipment does not cover the full value. Usually a "Bill of Sale" or some form of "retention of ownership title" for business assets which sign over ownership of the asset(s) until the loan is repaid is adequate. In actual practice only in extreme cases does NDF/B take over the asset, but taking the "Bill of Sale" impresses clients with the seriousness of the loan. In the cases where the asset is taken over to cover a defaulted loan, NDF/B does not sell the equipment, but tries to find another appropriate borrower to whom it can be transferred in lieu of receiving a cash disbursement. For micro projects (loans of $250 to $500) without assets a guarantor is required by policy. In actual practice, however, most micro loans are made strictly on the basis of the client's character. For example, even though the BARD/NDF agreement specifically provides for the application of NDF/B lending criteria, more than 20 micro loans for bean production have been made to BARD members strictly on a character basis. For loans greater than $5,000 NDF/B requires a mortgage as security by policy. Again, in actual practice, mortgage security is required only for large high risk loans. In general, then, collateral arrangements are very flexible and are made on a case-by-case basis.

If a client has trouble meeting his payments or has become delinquent for circumstances beyond his control, the repayments may be rescheduled (lengthen loan term) by the Loans Committee. In some cases refinancing is authorized if a client needs additional capital before the first loan is paid off. This is never done in cases where the client is delinquent. However, to date only 5.2% of the amount lent has been for refinanced loans.

b. Loan Processing and Monitoring

As suggested by the previous evaluation, the loan processing procedure has been streamlined. Processing time has been reduced (originally two months or more) by prescreening of applicants. Many applications are processed in one month. The average time from the survey sample was six weeks. The evaluator suggested that processing time be reduced by "training the Receptionist or the Accounts Clerk to conduct part of the initial interview with applicants and screen out those who obviously will not be given favorable consideration" and that "the FEOs should be encouraged and trained to screen out obviously marginal applicants before spending as much time with them as they currently do (i.e., filling out all of Part One, making site visits)".

The current procedures incorporate these suggestions. The process continues through eight steps where at three steps the application may be referred back to the assigned field officer for more information or rejection. The process begins with a preliminary screening by the Receptionist and Accounts Clerk to determine whether the potential client, his enterprise and proposed project fall within the target group. If not, the application process ends there. If so, the next step is for the FEO (assignment to an FEO is based on the location of the potential client) to interview the potential client to fill out Part One of the application which gathers preliminary data and is a type of technical assistance in that it helps the potential client further define his project.

If the project as further defined is still within the purview of NDF/B, the application is referred to the Loans Portfolio Committee (consists of the Managing Director, Loan Officer and the FEOs) weekly meeting which either recommends proceeding to Part II or closing the case. If proceeding is recommended, the FEO conducts an on-site assessment of the business and completes Part Two of the application, which goes into more detail (e.g., construction of a profit and loss statement and balance sheet, identification of training needs, etc.). This is the second provision of technical assistance, which helps the potential client assess his/her real and immediate business needs and problems. The final assessment and recommendation is made by the Loans Portfolio Committee which presents the application to the Managing Director for final review and discussion. The application is either returned to the FEO for additional information, closed or presented for approval. The application, along with appropriate references and recommendations, is presented either to the Managing Director (requests up to $500) or the Loans Committee of the Board of Directors. Action taken is: deferred for additional information, declined, or approved and an approval letter is sent.

The whole process is geared to select only those best qualified applications for consideration by the Loans Committee or Managing Director (loans up to $500). Most of these were selected out before reaching the Loans Committee. The percentage of applications rejected by the Loans Committee and Managing Director is only 70 out of 678 (10.3%) which indicates that the screening has been effective.

On the other hand, NDF/B is now meeting a greater proportion of the demand as measured by loan applications. As of September 1985 the ratios of loan applications to approvals was 3.7:1 (number) and 6.4:1 (amount). As of December 1987 these ratios had dropped to 2.1:1 (number) and 3:1 (amount), which are one half and one third of the demand respectively.[5] This means that the loan policies have become more flexible, while at the same time potential clients are pre-screened more carefully to save time of both the FEOs and the Loan Committee.

The Managing Director estimates that 60% of the applications originally rejected could now be reconsidered and possibly approved. The reason is that, as indicated above, the target group has been expanded (e.g., loans being made for small tourism projects) and more character loans are being made to micro enterprises - i.e., collateral requirements are more loose.

The disbursement is done by appointment which includes a discussion with the Managing Director and/or Signing Director who "explain the Foundation's Philosophy and motivates the new client regarding the Foundation's Objectives and Targets." This is considered the third instance of technical assistance provision.

The FEO monitors the business and makes loan collections after disbursement. This includes verifying that the loan funds were properly used, determining any changes in employment and providing whatever follow-up business guidance is needed (especially record keeping and any specific business problems) This is considered the fourth instance of technical assistance.

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5 It should be noted that some of the applications approved were withdrawn by the borrowers themselves for various reasons, which means that the amount disbursed or to be disbursed was less than that approved by approximately 7% in terms of amount at both dates and by 8.6% (9/85) and 6.5% (12/87) in terms of amount.

c. Portfolio Management

The current philosophy of portfolio management is to diversify risk. This is done by making loans to previous borrowers as well as to new clients. In the survey, 10% were second or third time borrowers. Although the ultimate objective of NDF/B is to "graduate" its clients to eligibility for commercial bank loans, the current approach is to keep these borrowers until they will graduate on their own by requiring loans larger than the NDF/B can provide. By then they will have received more than adequate training and technical assistance and will have the collateral required by the banks. Keeping these lower risk clients (rather than forcing them to go to the banks after the first loan is paid off) allows NDF/B to also expand its lending to more higher risk clients such as those wishing to start a business. This is a reasonable approach and the same situation is found among other NDFs in the Eastern Caribbean as indicated by the following quote from an evaluation done in 1987:

> One dilemma facing the NDFs concerns their mandate to "graduate" successful clients to the commercial banks at the same time that the NDFs are expected to improve their own financial performance. The number of "graduates" is an important measure of the success of the NDF; but the NDFs are reluctant to send away their best clients (those with the largest loans and best repayment records), as such clients yield the highest incomes and incur the fewest costs. In fact, many clients are themselves unwilling to switch to the commercial banks, as the latter are much more demanding in terms of security and repayment, and have little or no (technical) assistance to offer. Most of the potential graduates interviewed by the evaluation team would not willingly leave their NDF unless their borrowing needs exceeded the NDF's loan ceiling.[6]

Risk is also diversified by making larger loans. As of the last evaluation, the largest loan actually made was only $5,000. Since then the maximum loan size has been increased to $12,500 and 26 loans have been made in the range of $5,000 to $12,500, representing 4.8% of total number of loans and 24.9% in terms of total amount disbursed. In actual practice two loans have been made which exceed the maximum, in amounts of $12,595 and $14,560. This has increased the average loan size ($1,907) for loans disbursed in the last full financial year, as was recommended in

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6 "Evaluation of the RDO/C Private Sector Projects: Small Enterprise Cluster", prepared by Louis Berger International, Inc., January 1988 for USAID, RDO/C, p. 25.

the previous evaluation. However, the average is still slightly lower than all but one of some other NDFs for the same financial year as can be seen in Table 1. At the other end of the scale 174 loans have been made in the range of $250 to $500 representing 31.9% of the number of loans and 7.5% in terms of amount. The largest percentage of loans in both number (47.3%) and amount disbursed (36.3%) is in the mid range of $501 to $2500. These loan distribution figures are shown and presented graphically in Table 4 and Figures 1 through 4. The cumulative average loan size ($1,608) and for the last five quarters ($1,570) have decreased since the last evaluation ($1,618). This all shows that NDF/B is still serving the smaller entrepreneurs in that almost 80% of the borrowers have received loans under $2,500.

There is also a diversification by geographic location and category of business. The percentage of loans in Belize City has decreased from 45% to 42% (both number and amount) from 1985 to 1987. There are 12 categories of loans with agribusiness having the largest percentage by numbers (27.1%) and other services the largest by amount (16.5%) The distribution of loans disbursed by category and geographic location as of December 31, 1987 is shown in Table 3.

2. <u>Financial Situation</u>

The financial situation of NDF/B can be described as healthy, as indicated in Table 5. This table shows that NDF/B has maintained a very liquid portfolio with little use being made of credit (i.e., overdraft). This is a good financial policy in the context of the financial strains that similar foundations experience in terms of awaiting reimbursements of expenditures from donor agencies. NDF/B's working capital increased 58% from 1984 to 1987, and the liquidity ratios (i.e., current and acid) are rather high. By comparison, some NDFs in the Eastern Caribbean run a negative working capital and a significant bank overdraft. Table 6 summarizes the financial situation for selected foundations in the Eastern Caribbean as of the last audited financial statement. It will be noted that NDF/B's indicators of liquidity (current ratio and acid ratio) are significantly better (higher) in relative terms. However, there is room for prudent use of short term credit to finance the growth of NDF/B. Therefore, it should be expected that the liquidity position of NDF/B would decline to acceptable levels (around 2:1 for both ratios) in the future.

TABLE 4: DISTRIBUTION OF LOANS BY RANGES OF AMOUNTS AS OF 12/31/87
(in U.S. Dollars)

Source of Funding	250-500	501-2,500	2,501-5,000	5,001-12,500	TOTAL
USAID/GOB	13,731	165,691	141,603	68,410	389,436
IAF*	14,901	95,316	57,103	46,611	213,930
GOB Loan	10,140	31,743	33,734	98,481	174,097
GOB Swine	865	25,272	41,476	0	67,614
BARD (IAF)	1,373	0	0	0	1,373
BEST (IAF)	0	0	0	5,000	5,000
Valley of Peace (IAF)	24,692	0	0	0	24,692
TOTALS	65,702	318,022	273,917	218,502	876,142
Number	174	258	87	26	545
Average	378	1,233	3,148	8,404	1,608
Maximum	548	2,500	5,000	14,560	14,560
Minimum	250	505	1,590	5,118	250
Percentage (Amount)	7.50	36.30	31.26	24.94	100.00
Percentage (Number)	31.93	47.34	15.96	4.77	100.00

*Includes funds for tourism loans

Amount of Loans Disbursed by Size
as of 12/31/87 (US$)

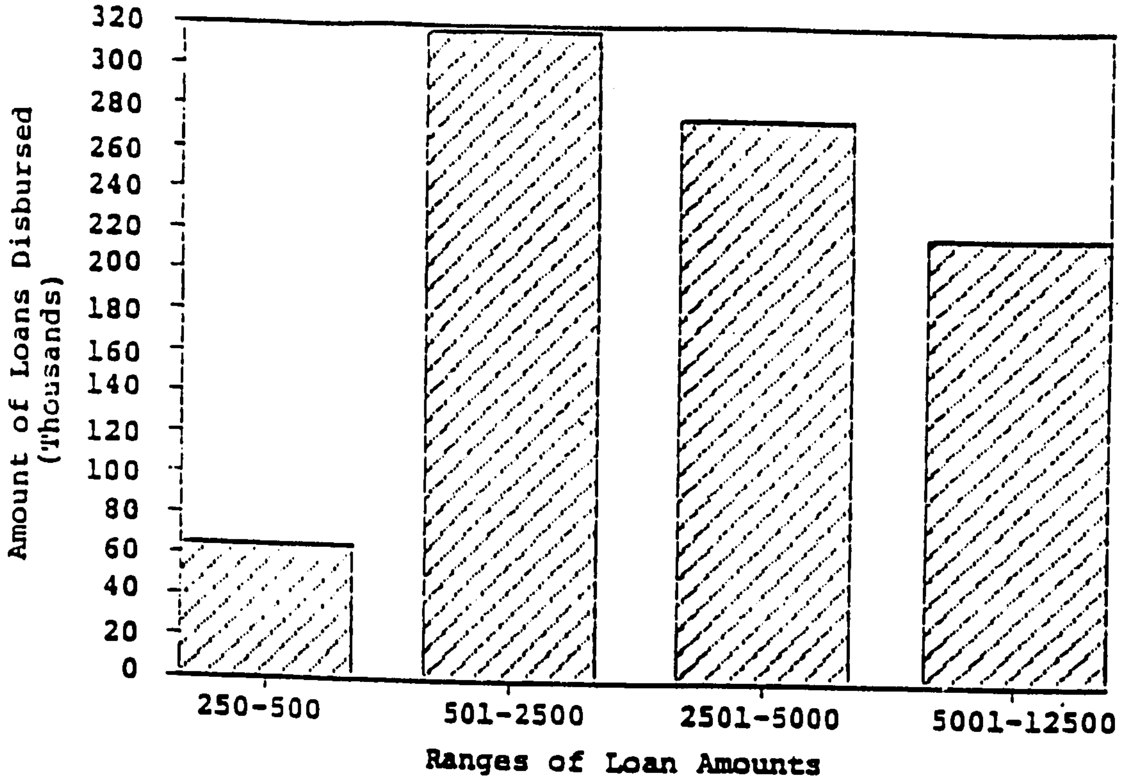

Figure 1

Number of Loans Disbursed by Size
as of 12/31/87 (US$)

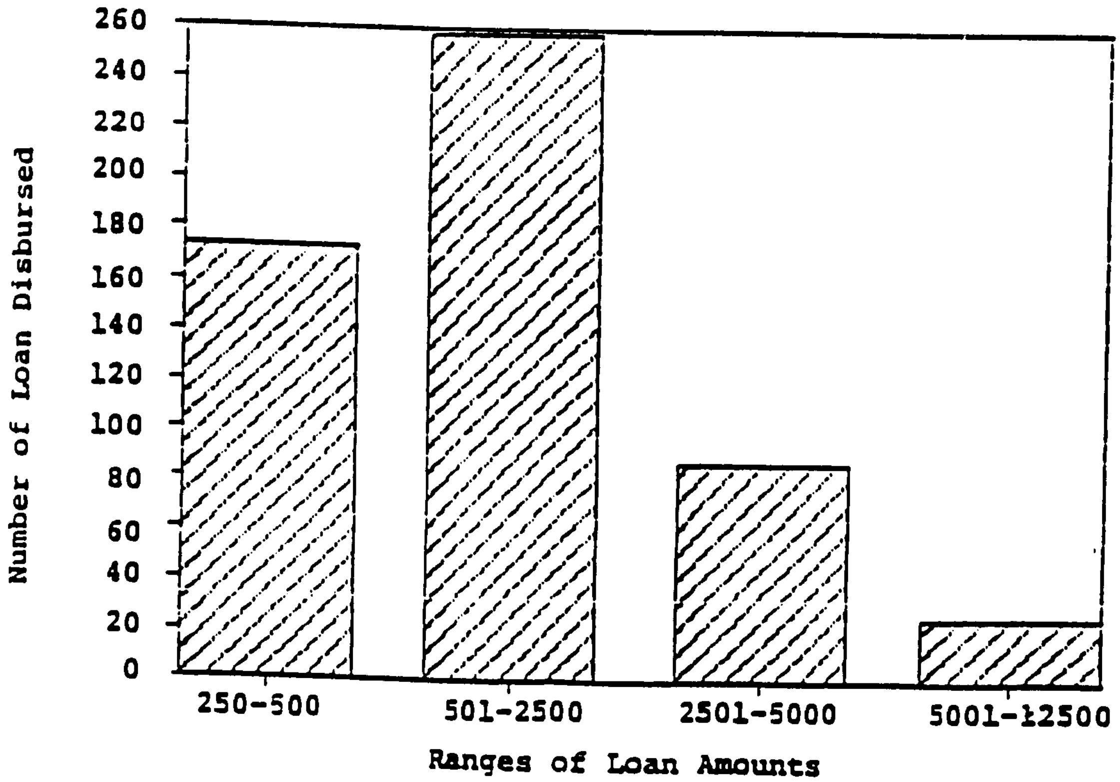

Figure 2

Amount of Loans Disbursed by Size
as of 12/31/87 (US$)

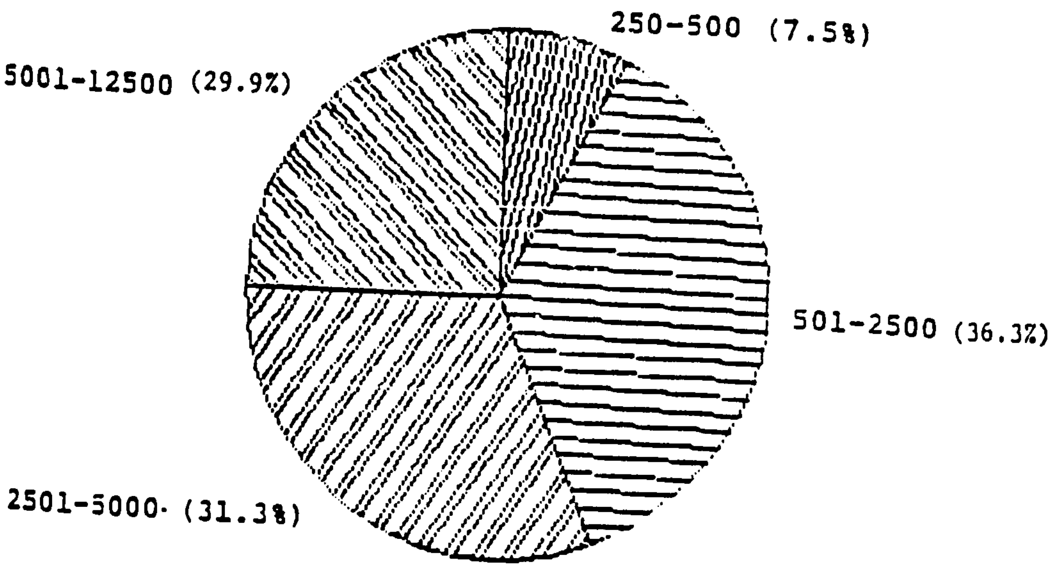

Figure 3

Number of Loans Disbursed by Size
as of 12/31/87 (US$)

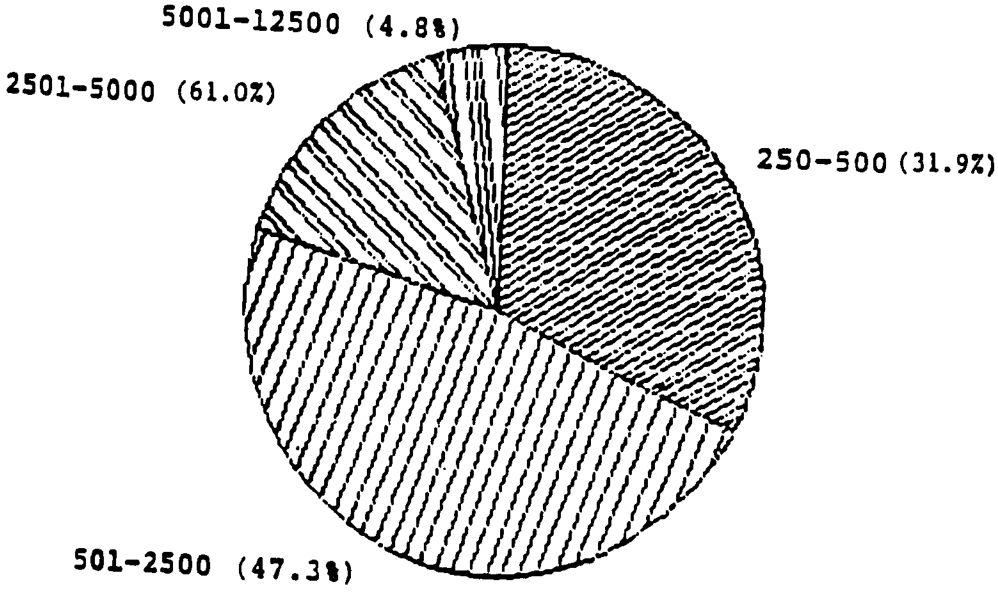

Figure 4

TABLE 5: NDF/B FINANCIAL INDICATORS, 1984 - 1987 (US$)
(in U.S. dollars)

Indicators	1984	1985	1986	1987
Working Capital $	14,245	15,966	18,719	22,510
Current Ratio	84:1	2:1	167:1*	69:1
Acid Ratio	81:1	2:1	154:1*	67:1
Net Worth ($'000) (Equity)				
a) including non-operating Grants (NOGs)	386	266	408	601
b) excluding non-operating Grants	32	72	46	61
Debt:Equity				
a) equity includes NOGs	0	0	2.5%	36.3%
b) equity does not include NOGs	0	0	22%	264%

Source: Calculated from Audited Financial Reports.

*This ratio is the result of a soft loan from the Government of Belize.

ASSUMPTIONS:

1. Working capital excludes cash restricted for lending and not available for current expenditures.

2. Soft terms of GOB loan ignored in computing Debt/Equity ratio.

TABLE 6: COMPARATIVE FINANCIAL INDICATORS SELECTED OF NDFs (US$)
(in U.S. dollars)

Indicator		Belize	Dominica	Saint Vincent	Antigua	Saint Lucia
Working Capital		$22,510	37,364	8,446	28,542	10,693
Current Ratio		69:1	2.4:1	3.6:1	2:1	1.2:1
Acid Ratio		67:1	2.3:1	3.4:1	1.6:1	1:1
Net Worth ($'000)						
a) including non-operating Grants		601	431	59	133	190
b) excluding non-operating Grants		61	46	36	23	-
Debt:Equity	a)	36.6%	14%	20%	7%	5%
	b)	264%	128%	33%	42%	-

Source: extracted from published audited financial reports:

- Belize: September 30th, 1987.
- Dominica: December 31st, 1986.
- St. Vincent: December 31st, 1986.
- Antigua: December 31, 1986.
- St. Lucia: March 31st, 1987.

The net worth of NDF/B has increased steadily over the years. Inclusive of non-operating grants this increase was 57% since 1984 and 91% exclusive of non-operating grants. In 1987 90% of net worth was in the form of non-operating grants for loan funds and capital acquisition (purchase of fixed assets). These funds revert to the equity of NDF/B when restrictions imposed on their use have been met or the grant period has expired. The level of dependence on grant funds to meet non-operating cost is a common feature of all foundations, as is their relationship with net worth. NDF/B will have to develop alternative income generating strategies if this dependence is to be reduced.

NDF/B has also maintained a favorable debt to equity ratio, even if the 1987 GOB loan is included. NDF/B should strive to maintain its equity and should continually seek out grant funds rather than loans.

Long term debt should not exceed 30% of equity based on a comparison with other NDFs. Although NDF/B's ratio is high when compared with other foundations due to the GOB loan, the other NDFs shown will soon approach this level since they are seeking soft loans from the Barclays Bank Development Fund. Dominica and Antigua have already received this loan so their debt/equity is currently higher than in the last audited report (figures not yet available).

3. Financial Viability/Self-Sufficiency

The concept of self-sufficiency is relatively recent. Originally, NDFs were not intended to be self-sufficient since this could not supported by the type of clients. However, the need to reduce the dependence on externally generated funds and the financial limitations now imposed on traditional donors have made it mandatory to create conditions that would at least reduce the dependence on external funding.

At the 1987 level of operations, NDF/B had a self-sufficiency level of 41 percent, calculated as follows, based on audited figures:

Total expenditures	$156,454
Income generated:	63,501
interest income from loans	47,434
administration fee	5,537
other income	310
local fundraising	10,400
Self-sufficiency rate ($63,501/$156,454)	41%

In the opinion of the evaluators, the above expenditure level is not realistic for current levels of operation. The Foundation is understaffed and lacks modern office equipment. More realistic expenditure levels derived from the 1988 budget are projected through 1990 in Tables 7 and 8. The tables also show the expected revenue levels and self-sufficiency rates based on the following two scenarios:

(1) NDF/B will achieve the goals set by the TYP, namely that 200 additional loans will be made each year for a total of $400,000, and an average loan size of $2,000, and will continue to lend 200 additional loans in 1990.

Table 7. Scenario 1: Revenue and Expenditure, 1986/86-1989/90
(Thousands of US$)

	Actual	----------Projected----------			
	1986/87	1987/88	1988/89	1989/90	Total
REVENUE	174.8	260.0	130.1	117.9	508.0
Interest Income	47.5	70.4	97.1	109.9	
Administrative Fees	5.5	10.4	8.0	8.0	
Local Fundraising	10.4	39.6	25.0	0.0	
Donors:	111.4	139.6	0.0	0.0	
USAID Operations Fund	102.8	97.0			
IAF	2.4				
FIT	6.2	9.6			
PACT		33.0			
CURRENT EXPENDITURE	156.5	248.2	247.6	264.4	760.2
Fixed Costs		136.2	136.2	136.2	
Administrative & Office		112.6	112.6	112.6	
Operational		23.6	23.6	23.6	
Variable Costs		68.5	88.9	109.3	
Operational		40.3	52.3	64.3	
Tech. Assistance & Training		28.2	36.6	45.0	
Bad Debts	14.0	32.0	12.5	8.9	
Interest	2.0	7.5	7.5	7.5	
Computer Install. & Training		4.0	2.5	2.5	
Surplus/(Deficit)	18.3	11.8	-117.5	-146.5	-252.2
SELF-SUFFICIENCY RATE	40.5	48.5	52.5	44.6	

Sources: NDF/B: "Quarterly Statistical Reports",
"Financial Statements" for years ended 1986 and 1987,
"Budget Analysis Summary", 1986/87, 1987/88, and
"Funding Schedule".

Table 8. Scenario 2: Revenue and Expenditure, 1986/87-1989/90
(Thousands of US$)

	Actual	------------Projected------------			
	1986/87	1987/88	1988/89	1989/90	Total
REVENUE	174.8	257.2	140.9	147.2	545.3
Interest Income	47.5	68.4	103.9	135.2	
Administrative Fees	5.5	9.6	12.0	12.0	
Local Fundraising	10.4	39.6	25.0		
Donors:	111.4	139.6	0.0	0.0	
USAID Operations Fund	102.8	97.0			
IAF	2.4				
FIT	6.2	9.6			
PACT		33.0			
CURRENT EXPENDITURE	156.5	244.6	280.0	306.1	830.7
Fixed Costs		136.2	140.3	144.5	
Administrative & Office		112.6	116.0	119.5	
Operational		23.6	24.3	25.0	
Variable Costs		68.4	99.2	129.9	
Operational		40.3	58.4	76.5	
Tech. Assistance & Training		28.2	40.8	53.4	
Bad Debts	14.0	28.5	30.5	21.7	
Interest	2.0	7.5	7.5	7.5	
Computer Install. & Training		4.0	2.5	2.5	
Surplus/(Deficit)	18.3	12.6	-139.1	-158.9	-285.3
SELF-SUFFICIENCY RATE	40.5	48.1	50.3	48.1	

Sources: NDF/B: "Quarterly Statistical Reports",
"Financial Statements" for years ended 1986 and 1987,
"Budget Analysis Summary", 1986/87, 1987/88, and
"Funding Schedule".

(2) NDF/B will expand its operations and grant 300 additional loans per year in 1989 and 1990 with the average loan size maintained at around $2,000.[7]

Revenue from interest on loans is 12 percent of the average portfolio level, administrative fees are 2 percent of the loans disbursed and local fundraising is assumed to meet the goal levels of the TYP. All the adjustment to the goal levels not met during 1987 are assumed to take place in 1988. The funding by donors is the approved funding for the years indicated as of March 1988. Other donors could include the EEC, CIDA, and CDB, but no information is yet available as to the possible amounts.

Fixed and variable costs are derived from the budget. (See Annex E for calculations). The former are assumed to remain constant through 1990 under scenario 1, and increase by 3 percent under scenario 2 due to the expanded operations. Variable costs are assumed to vary with the client level (80 percent of total loans disbursed) under both scenarios. Bad debts expense is estimated at 10 percent of the yearly increase in portfolio level. Interest expense on the loan funds are estimates based on the total NDF/B debt.

Under scenario 1 there is a small surplus in 1988 and deficits of $118,000 in 1989 and $147,000 in 1990 (a total deficit of $252,000), mainly due to the absence of donor funds. Under scenario 2 there is a small surplus in 1988 and deficits of $139,000 in 1989 and $159,000 in 1990 (a total deficit of $285,000).

The self-sufficiency rate is the ratio of NDF/B's own income over the current expenditure level. Under the assumptions of scenarios 1 and 2, the levels compare quite favorably with those of Dominica (30 percent), Antigua (6 percent) and St. Vincent (4 percent).

Projected portfolio and financing needs are shown in Tables 9 and 10. The portfolio outstanding is equal to the initial portfolio plus new loans less repayments.[8] Loan repayment is assumed to be 34

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7 The estimated number of loans for 1988 is 253, as in scenario 1, since 128 loans had already been granted during the first quarter alone.

8 The following formula was used to estimate the outstanding portfolio level:

$$Pt = Pt\text{-}1 + L - r(Pt + Pt\text{-}1)/2 \quad \text{where,}$$

Pt = outstanding portfolio level in period t
Pt-1 = outstanding portfolio level in period t-1
L = amount of new loans
r = repayment rate

Table 9. Scenario 1: Projected Portfolio and Financing Needs, 1986/87-1989/90
(Thousands of US$)

	Actual 1986/87	Projected 1987/88	1988/89	1989/90	Total
No. of Loans	147	253	200	200	653
Loan Disbursements	280.5	519.5	400.0	400.0	1,319.5
Portfolio Outstanding	426.5	746.5	871.5	960.0	
FINANCING	300.2	474.4	475.1	311.4	1,260.9
Loan Repayments	120.2	199.4	275.1	311.4	785.9
Grants and Loans Commited:	180.0	275.0	200.0	0.0	475.0
GOB/USAID	150.0	100.0			100.0
IAF	30.0	40.0			40.0
Barclays		75.0			75.0
BIM			200.0		200.0
BARD		30.0			30.0
BEST		30.0			30.0
Surplus/deficit(-)	19.7	-45.1	75.1	-88.6	-58.6
Additional Financing Needs:					
Repayment of Principal				-51.0	-51
Financing surplus/deficit(-)	19.7	-45.1	75.1	-139.6	-109.6
Memorandum Items:					
Average Loan Size	1.9	2.1	2.0	2.0	
Cummulative Number of Loans	417	670	870	1070	
Number of Clients	334	536	696	856	

Sources: NDF/B: "Quarterly Statistical Reports",
"Financial Statements" for years ended 1986 and 1987,
"Budget Analysis Summary", 1986/87, 1987/88, and
"Funding Schedule".

Table 10. Scenario 2: Projected Portfolio and Financing Needs, 1986/87-1989/90
(Thousands of US$)

	Actual	Projected			
	1986/87	1987/88	1988/89	1989/90	Total
No. of Loans	147	253	300	300	853
Loan Disbursements	280.5	480.7	600.0	600.0	1,680.7
Portfolio Outstanding	426.5	713.2	1018.6	1235.3	
FINANCING	300.2	468.7	494.4	383.2	1,346.3
Loan Repayments	120.2	193.7	294.4	383.2	871.3
Grants and Loans Commited:	180.0	275.0	200.0	0.0	475.0
GOB/USAID	150.0	100.0			100.0
IAF	30.0	40.0			40.0
Barclays		75.0			75.0
BIM			200.0		200.0
BARD		30.0			30.0
BEST		30.0			30.0
Surplus/Deficit(-)	19.7	-12.0	-105.6	-216.8	-334.4
Additional Financing Needs:					
Repayment of Principal				-51.0	-51.0
Financing surplus/deficit (-)	19.7	-12.0	-105.6	-267.8	-385.4
Memorandum Items:					
Average Loan Size	1.9	1.9	2.0	2.0	
Cummulative Number of Loans	417	670	970	1270	
Number of Clients	334	536	776	1016	

Sources: NDF/B: "Quarterly Statistical Reports",
"Financial Statements" for year ended 1986 and 1987,
"Budget Analysis Summary", 1986/87, 1987/88, and
"Funding Schedule".

percent of the average loan portfolio and is based on past NDF/B experience (average loan term of three years). Under scenario 1, there is a surplus in 1989, and as the funding sources run out a financing gap of $140,000 is shown for 1990 (a total of $110,000). Under scenario 2, a financing gap of $12,000, $106,000 and $268,000 is shown for 1987, 1988 and 1990, respectively (a total of $385,000). Loan principal payments by NDF/B on Government and Barclays Bank loans become significant in 1989 and 1990.

Thus the total financing needs, for current expenditures and loan fund, through 1990 for the projected loan and portfolio levels are:

	Scenario 1	Scenario 2
Current expenditures	$252,000	$285,000
Loan fund	110,000	385,000
Total	362,000	670,000

The results indicate that NDF/B could not become self-sufficient, (i.e., cover its administrative and operating costs from income alone) by 1990 at the projected annual levels of new loans and portfolio. Other income generating activities such as the ones discussed later will be required to supplement NDF/B's income.

The financing needs would be even greater if the Foundation were to expand its lending operations to keep up with demand. Total demand for loans was 2.5 times greater than supply as of December 1987, and has been growing at a rate of 41 per cent per year. To keep up with this growth in new demand, the number of loans would have to be 357 in 1989 and 503 in 1990.

In order for the Foundation to become self-sufficient from interest income alone, a greater loan portfolio would be required. Under the assumptions of scenarios 1 and 2, the following portfolio levels would be required to sustain the given expenditure levels at the current 12 percent interest:

	1989 (Thousand of US$)		1990	
	----Scenario---		---Scenario---	
	1	2	1	2
Fixed costs	136.2	140.3	136.2	144.5
Variable costs (adjusted by the client level)	88.9	99.2	109.3	129.9
Other	22.5	40.5	18.9	31.7
Less:				
Adm. fees & local fundraising	33.0	37.0	8.0	12.0
Required income	214.6	243.0	256.4	294.1
Required portfolio (reqd. income/.12)	1,788	2,025	2,137	2,451
Projected portfolio	872	1,019	960	1,235

Clearly, the loan fund will have to increase considerably, for current expenditures to remain at the projected levels. The required portfolio levels means that the Foundation would have to at least triple the average loan size, which would be unrealistic considering the type of clients the Foundation serves. Alternatively, the Foundation could become self-sufficient by maintaining the current portfolio levels of scenarios 1 and 2, but cutting back on the expenditures. Neither alternative seems feasible.

In the opinion of the evaluators, the Foundation should consider reducing the average cost per loan by increasing the loan size to a few borrowers. The second window option should be explored further, since this would help broaden the target group to include larger businesses, for which a higher loan ceiling may be required. NDF/B should also explore alternative income generating activities.

4. Sources of Funds

The goal of $75,000 in local fundraising for the first phase was exceeded by $8,000 through a concerted campaign. The goal for the second phase is $77,500. As of the end of the first year, (1987) $15,500 had been raised ($1,000 collected and $14,500 pledged) which is 20% of the total and 59.6% of the amount ($26,000) projected for that year. Local fundraising has been difficult since the sources for private sector donations are a few large businesses in Belize City which are approached for funds by many organizations. One approach which is being considered by the Board is to focus more on potential donors in the other districts of the country, particularly those of greater program activity such as Cayo, Orange Walk and Corozal, as well as to try to develop contacts with new donors in Belize City. The current fundraising strategy is the direct approach through personal contacts by Directors on a one-to-one basis as well as in small groups organized in a social setting in Belize City and district towns (assigned to Directors living in the respective areas). The membership base is currently 55, which is an increase of 10% since the end of the first phase yet 16 short of the projected level for December 1987. Members contribute funds on an intermitent basis.

In order to cover projected expenditure at the more realistic levels discussed in the last section and to complement fundraising efforts for operating grants, NDF/B should develop alternate income generating activities in conjunction with other NGOs (both current and potential collaborators). NDF/B could identify needs and coordinate projects development in the production and marketing areas. Products could be sold domestically or exported with the assistance of the Belize Export and Investment Promotion Unit (BEIPU).

NDF/B has chosen to be reimbursed for eligible expenditures under the current operating OPG from USAID rather than getting cash advances which are then liquidated (as is allowed by the current grant and is the case for all other NGOs receiving USAID assistance). This has made it difficult to budget at a reasonable level. Consequently, NDF/B has forgone the hiring of additional staff.

The Revolving Loan Fund (RLF) is in danger of being decapitalized since more is being disbursed in loans than is received in repayments (reflows). In 1986 the ratio of disbursements to reflows was 2.4:1 and in 1987 it was 2.3:1. The difference has been made up by grants from IAF ($220,000 since 1985) as well as a local currency loan from the GOB ($160,000 since 1986). As of December 31, 1987 there were $133,000 in loans approved but not disbursed (48 loans) due to lack of funds. There was also an additional $86,000 in applications still in process.

Additional funds available to be administered by NDF/B are $40,000 for farmers' cooperatives in the Valley of Peace (100% disbursed) and $30,000 to support small tourism projects (80% disbursed) both from IAF, $30,000 from the Belize Enterprise for Sustained Technology (BEST) (50% disbursed) and $30,000 from the Belize Agency for Rural Development (BARD) (25% disbursed) both for agribusiness. In all cases these loans are targeted only for specific groups and are not available to meet the general loan demand from other types of enterprises.

Possible additional sources of funding for NDF/B are as follows. There is $200,000 available for training loans from USAID/GOB through the Belize Institute of Management (BIM) which has not yet been disbursed to NDF/B since the Board of BIM has not given priority to the use of these funds. This is available under the Training for Employment and Productivity (TEP) project and was to have established a fund at NDF/B for loans for training at BIM.

NDF/B could leverage its own capital through joint financing of loans with commercial banks. It could consider selling a "package" of its best graduates to a bank in exchange for fresh funds, for the equivalent amount of the loaned funds, which it would use to expand its operations. NDF/B would be responsible for collecting the graduates' loans. The proportion of the risk and interest would be subject of negotiation. The Belize Bank for Commerce and Industry and the Atlantic Bank have expressed some interest in joint financing with NDF/B.

A $500,000 line of production and marketing credit will possibly become available under USAID's Livestock Development II Project. The funds are to be used to finance small livestock growers or entrepreneurs engaged in livestock related enterprises who have difficulty in obtaining production credit on a timely basis from commercial banks.. Related technical assistance in the expansion of livestock enterprises will also be provided. This line of credit is specifically targeted for lending by NDF/B and/or the Development Finance Corporation (DFC).

Another potential source of local funding for the RLF is the mobilization of capital from the borrowers themselves. Currently the members of NDF/B are business leaders from the private sector, who also make donations. Second and third time borrowers as well as borrowers for large sums (e.g., in excess of $5,000) could be required to capitalize part of their loan (repay more principal than they borrow). These funds would be treated as additional capital to increase the size of the RLF. If 10% of each new loan to these borrowers were capitalized, then an estimated $14,000 could mobilized over the term of these loans (or $42,000 in three years), assuming that 35% of the $400,000 in new loans projected each year will be to large and/or repeat borrowers.[9] This would be their contribution to the Foundation and would allow them to become members, thereby expanding the membership base to include those who had already benefitted and who are convinced of the value of the program. These borrowers could also then be eligible for election to the Board of Directors. They would give the Board the perspective of the SSEs and of the practical side of being a borrower. These insights would be particularly useful when the Board is formulating policies.[10] This would be a particularly important feature if the NDF/B wants to

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9 This percentage is estimated based on the fact that 25% of the loans to date have been in excess of $5,000 (see Table 4). An additional 10% is added to account for non-large repeat borrowers.

10 This suggestion ties in with that made in the last evaluation to form an advisory committee of current and/or ex-clients to assist in NDF/B forward planning.

continue lending to former borrowers before they graduate to commercial bank loans. These clients would continue to be members even after graduation and could therefore be asked for additional voluntary contributions.

5. Loan Portfolio Quality

The arrearage rate (principal amount in arrears/current outstanding portfolio balance) was 9.8% as of Septmeber 1987 and also as of December 1987.[11] However, of this amount 98% is over 90 days past due as of December 31, 1987. Therefore, another calculation should perhaps be considered which measures potential loss. This is the delinquency rate which is the balance on loans with arrearages past 90 days/total outstanding portfolio value. The value of this ratio is that it measures the potential amount of loans that cannot be collected. As of December 1987 this ratio was 16.4%. This rate is relatively high mainly because NDF/B has never written off any bad debts. However, it plans to start with that practice soon. NDF/B has established a bad debt reserve of 5% of loans each year to cover such write offs. Currently (March 1988) this reserve totals $36,254, which is only 38.7% of the balances of the loans with these arrearages. Therefore, it may be prudent for NDF/B to increase the yearly allowances for bad debts (expense item) to more closely reflect the potential losses. Some of the other NDFs have written off bad debts sooner so their arrearage rates may appear better. No information is available from other NDFs on delinquency rates. If this data were available, it might very well show higher rates.

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11 NDF/B has been calculating the arrearage rate differently than that of other NDFs. That is, NDF/B divides principal in arrears by the amount disbursed in loans since program inception, which produces a rate of 6.4% (as of December 30, 1987) for amounts more than 30 days past due and 6.2% for amounts more than 90 days past due. The other NDFs divide the arrearages of both principal and interest by the outstanding portfolio balance as of the same date as can be seen from Table 11. In order to make NDF/B's rate comparable with the other NDFs, the second method was used to obtain the two 9.8% rates for NDF/B mentioned in the text above. These rates were calculated by dividing only the principal amount in arrears by portfolio balance since the amount of interest payments in arrears at these dates was not available. It should be noted, however, that the amount of interest in arrears is probably minimal since based on the survey of borrowers and discussions with NDF/B staff, interest payments are almost always kept up to date even if principal payments have fallen behind. This, of course, compares favorably with the other NDFs shown in Table 11, all of whom have both principal and interest payments in arrears.

A comparison of arrearage rates of other NDFs as of September 1987 is presented in Table 11. Even without write-offs, NDF/B's rate is not out of line with the other NDFs and, as was stated in the last evaluation, still reflects "a favorable position for a financial institution lending to micro and small-scale businesses" (which are higher risks than larger scale enterprises). Although current data on the loan arrearages at the Development Finance Corporation and the Belize credit union system were not available (requested but not received), the last evaluation indicates that at that time the DFC had a rate of 30% to 34% and the Belize Credit Union League implied that the rates of its member credit unions were also rather high. Help for Progress, another NGO, indicated a 50% arrearage rate on loans to agricultural cooperatives. The rates at commercial banks tend to be lower, but their clients are also much lower risk (larger businesses) with the mortgageable collateral required.

C. Administrative Efficiency and Strength

1. Organizational Structure

The management style of the Managing Director has changed since the inception of the program. At first, control was centralized. This was necessary in the early stages of development to assure an adequate building and staffing of the organization. Now that operational experience has been gained, some of this control is being decentralized by giving more responsibility to mid-level management. A management team has been formed consisting of the Loans Officer/Deputy Managing Director, FEO Supervisor (operations), Office Manager (administration) and the Managing Director. This team meets regularly to discuss issues and to do short term planning. This delegation of responsibility has freed the Managing Director to focus more on policy development (along with the Board) and public relations/fundraising, leaving the daily operations to the other members of the management team. An organization chart has been developed reflecting these new levels of responsibility. There is also a delegation of authority to the Loans Officer in that he has full authority to sign checks and make decisions in the absence of the Managing Director.

One of the most notable features of the staff is its high level of morale and satisfaction and dedication to work. Several staff members expressed the philosophy and purpose of the organization as one of the reasons for enjoying their work. The level of satisfaction is reflected in the low level of staff turnover. Of the eight persons interviewed half have been with NDF/B for 3 years or more. The dedication to the philosophy of the Foundation was also reflected in the current Board members interviewed.

TABLE 11: COMPARISON OF NDFs LENDING PROGRAMS
(in U.S. dollars)

Arrearage Country	No. of Loans (1)	Amount (2)	Average Size (3)	Amount Outstanding (4)	Amount in Arrears (5)	Rate (6)
Antigua	70	207,213	2,960	125,065	3,276	3%
Barbados	87	316,082	3,633	296,445	11,179	4%
Belize	417	724,902	1,738	449,187	43,590*	9.8%
Dominica	491	605,576	1,233	181,727	26,250	14%
Grenada	191	385,081	2,016	28,803	27,044	9%
St.Kitts	232	335,639	1,447	179,743	8,591	5%
St.Lucia	117	271,388	2,320	163,945	9,960	6%
St.Vincent	30	42,779	1,426	12,338	1,331	11%
W.I.D.	242	351,497	1,452	155,638	9,791	6%
TOTAL	1,460	2,515,255	1,723	1,403,753	97;422	7%

*Principal only

Notes

(1) No. of loans disbursed since the inception of operations.
(2) Principal amount disbursed since inception of operations.
(3) Average size of loans disbursed.
(4) Principal amount outstanding at 30 September 1987.
(5) Amount of principal and interest in arrears over 30 days at 30 September 1987.
(6) Amount in arrears over 30 days as a percentage of principal outstanding at 30 September 1987.

Source: SEAP/RCU, In Louis Berger International, 1988, op. cit., p. 2.

2. Staff Productivity and Efficiency

One measure of staff efficiency is the number of loans extended per year/number of field officers. For 1985/86 the ratio was 13 and 88 for 1986/87. Another ratio is the total costs per loan (cumulative) which was $847.50 and $375.19 respectively for these dates. The average processing time has decreased from two months to six weeks (survey data). This indicates greater staff efficiency.

The three FEOs have a an average of 136 clients each (102 if the FEO supervisor is added as an acting FEO). Depending on factors such as concentration of clients, the ideal number would vary, but an reasonable case load according to two FEOs is 50 if visited twice a month or 100 if visited once a month. Thus it is obvious that the current FEOs are strained to the limit. If it is assumed that the number of loans outstanding will increase by 200 per year (assuming additional capital becomes available), there will be 800 cases by the end of Phase II (400 current + 600 new loans - 200 repaid), the NDF/B would need eight FEOs if the ideal case load were 100. This load may be possible if business counselors are brought on who would focus exclusively on business guidance. The FEOs would then do only project assessment, monitoring and collection. The current plan is to hire two new FEOs when funding becomes available. Two of the current FEOs have gone for training as business counselors (Foundation for International Training).

Although the current staff is well qualified and efficient, additional staff training needs which were indicated include office administration, computer training, project assessment, supervisory and management skills.

One area that needs attention, particularly as the loan portfolio grows, is the addition of computer capability for accounting, statistics, budgeting and control. Since all of these are now done manually, this would free up staff time and would make an expanded portfolio more manageable. Currently NDF/B has an Apple computer system. A logical first step would be to computerize the accounting system and the portfolio records. Some training is now being given to staff in word processing.

A pending offer exists from the Bank of Nova Scotia to provide training free of charge for NDF/B staff in areas such as record keeping, interest rate computation, generation of reports, credit checks, etc. all of which are an important complement of any loan program regardless of the type of institution. Banks are the best qualified to assist non-traditional credit institutions in these areas. This is not to suggest at all that NDF/B should become like a bank, rather that there are some valuable operational and administrative skills that could be learned from bank officials. It could also give NDF/B further insights into what makes a client "bankable".

3. Internal Inspection and Control Procedures

An extensive management information system exists. It consists of financial reports prepared monthly, quarterly and yearly. Also, statistical reports on the loan portfolio are prepared quarterly. Both are presented to the Managing Director who submits quarterly summary reports to the Board of Directors. The reports are made possible by a good record keeping system.

Accounting and control procedures are well documented. The accounting system is spelled out in the operations manual. Expenditures are controlled by properly authorized payment vouchers. Records of financial transactions are comprehensive, readily available and current.

External audits are done yearly. All have rated NDF/B favorably. The auditors have confirmed on several occasions that the foundation has kept proper books of accounts, that all transactions have been supported by objective, verifiable evidence, and that loans are substantiated by promissory notes. In addition, the auditors have also confirmed that NDF/B has complied with the conditions of the USAID OPG.

An important control is the budgeting process. This is monitored against actual expenses, but no adjustments have ever been made, even if income is available. Expenditures have been under budget due to management philosophy to incur only expenses which can be covered by available income and operating grant funds received or assured. For example, for the first quarter of 1987/88 expenditures were $10,500 under budget. For the purpose of budgeting, Technical Assistance and Training costs are kept separate since NDF/B believes it will not be able to achieve self-sufficiency in this area. These costs are now funded by IAF and FIT.

D. Technical Assistance and Training (TAT)

The TAT component of the program is the most important aspect in that it provides SSEs with much needed business guidance on both an individual basis and in group seminars. The acceptance of TAT is required of potential clients in order to qualify for a loan.

1. The Need for TAT

In 1985 NDF/B stated that at the application stage "potential clients are so interested in minimizing problems to assure that they get financing that business guidance needs are downplayed, and, when proffered, is accepted only verbally in most cases. This 'halo effect' is also fostered by the institutional incentive for FEOs to focus on loans." NDF/B submitted a proposal to FIT so that it could contribute to small business development by starting an organized effort to build micro entrepreneurs' skills. This resulted in funding for two additional FEOs (now a total of three) and training materials and courses for trainers, both for individual counseling and group seminars.

Since 1985 NDF/B has increased its efforts to provide training to its clients. Initially, a complete round of group training sessions countrywide were implemented only to identify the needs for TAT and sell the program to present and potential clients. In addition, specialized needs for training and technical assistance of each potential client are also established at the time the application is taken by the FEO. This results in the FEOs giving client-specific individualized training as part of their monitoring duties in the field. No other institution gives this same training at the same level.

2. Provision of Training

Training of borrowers is provided in group seminars, and attendance is a requirement for receiving a loan. The instruction is in certain basic business areas such as record keeping, marketing, pricing, cost control, etc. The seminars are given once or twice a year in each geographic area. The seminars are problem-oriented and practical, and encourage group discussion, as well as being tailored to the needs of SSEs. Each participant pays a token fee of $2.50 per day.

During the survey some borrowers indicated that they had not yet attended these group seminars because they had not been offered in their areas as of the time of loan disbursement. Other borrowers indicated a willingness to participate in the seminars as "living case studies" to share their experiences, problems, solutions, successes, etc. with new clients.

3. Provision of Technical Assistance

The technical assistance consists of business guidance in the same areas as the seminar, but on an individualized basis from the FEOs to their clients. T.A. is provided on four occasions: during screening as an outcome of the needs assessment process; during the completion of the application as part of the business analysis procedures (e.g., constructing a balance sheet and profit/loss statement, neither of which most clients have any concept of before this); at loan disbursement, focusing on loan repayment and the project's viability; during loan monitoring (on-going) by FEOs which helps assure success of the business and assists in preventing arrears. During the survey borrowers expressed satisfaction with the latter type of on-going individualized assistance, but a few indicated that they desire more frequent visits from the FEOs. The frequency of FEOs' visits is determined by the repayment situation of the borrower (i.e., those most seriously in arrearage are visited the most frequently).

NDF/B plans to modify the FEO situation. Two current FEOs are receiving training from FIT to be full time business counselors. If funding becomes available, it is planned to hire two new FEOs. (One former FEO was rehired after the evaluation). Under this plan FEOs will do only project assessment, monitoring and collection. The business counselors will provide the business guidance training, but it will be given in groups in each region rather than individualized. If problems occur with individual SSEs they will be addressed by the FEOs, but most of the guidance will now be done at the seminars. Having two full-time counselors will mean that presumably these seminars will be given more frequently than is now the case. The possibility of bringing together groups of SSEs in the same category of business has been discussed as a way to share experiences in common.

Indirect technical assistance related to specific types of enterprises has been given through collaborative arrangements with other NGOs such as BARD and BEST. As indicated, NDF/B has received revolving funds for loans to clients of these organizations. These are discussed in the next section.

4. Results of Training and Technical Assistance

One of the results of the TAT has been improvement in the attitude of clients towards their businesses and determining what their real training needs are. This is confirmed by the survey results as presented below. From the survey of NDF/B clients the team learned that the clients who attended NDF/B training sessions were making use of the training. All clients saw the benefit of training and wished that the seminars could be offered more often. However, NDF/B does not, in practice, enforce the requirement of receiving technical assistance before granting a loan.

The results are perhaps best summarized in the following statement from NDF/B: "The highest dividend return for our TAT to our clients include attitudinal changes towards credit and repayments; responsibility and ambition; acceptance of self-development through paid assistance in preference of charity handouts, etc. - all of which have insured our low arrearage rate."

5. Future Prospects for Training

According to the government representative at the Belize Vocational Training Centre, a GOB-run vocational training facility for high school age students, many graduates wish to start their own business, but they lack (and cannot obtain from the banks) the start-up capital. It has been suggested that since these students have the willingness to work and the technical expertise, that business training plus small start-up loans from NDF/B would be a feasible complement to give these graduates the chance to start new enterprises. Additional follow-up skill training could be provided as needed. Such a program could be coordinated through the BIM under the Training for Employment and Productivity Project (TEP) of USAID.

A potential source of skill training in specific vocational areas for NDF/B clients (or potential clients) is the Belize Technical College, also run by the GOB. This college gives specialized evening classes to upgrade vocational skills. Specialized courses could be set up for NDF/B clients tailored to their specific needs and thus be more intensive.

Finally, other potential sources of specialized skill training in other parts of Belize are the vocational schools in Orange Walk and Benque Viejo del Carmen and the Escuela Mexico in Corozal as well as the Belize School of Agriculture (Central Farm) for agricultural training.

E. External Relationships

1. Belizean

a. Public Sector

The GOB (both the current and former governments) has been very supportive of NDF/B. Originally the GOB provided a local currency grant equivalent to US $388,000 jointly with USAID to cover operating costs and to set up a revolving loan fund. In addition, the GOB provided a loan of $60,000 for the production of swine. In the second phase the GOB has committed to provide another $400,000 - a $200,000 loan to supplement the revolving loan fund ($100,000 has been received) and a $200,000 grant to make loans for training provided through BIM. The Prime Minister and/ or other high level government officials have been present at all major NDF/B events and have always expressed their support. However, after discussions with government officials it seems unlikely that the GOB will provide any additional funding to NDF/B. The GOB has cut its budget by 21% for FY88. Also the GOB position is that NDF/B is now firmly established, having successfully passed through its pilot/start-up phase, and should be looking for ways to become self-sufficient.

b. Private Sector

NDF/B is administering loan funds for three other NGOs - BARD, BEST and the Belize Tourism Industry Association (BTIA).

The $30,000 loan fund for BARD was established with a grant from IAF. NDF/B processes the loan applications on referral from BARD, which identifies the agribusiness projects for BARD members, which are all cooperatives. To date loans have been only short term (e.g., corn, beans, peanuts, broilers, etc.). Since only half the funds have been used, BARD will now recommend that medium projects also be financed (e.g., swine). They feel there has been less demand because the lending criteria are too strict, particularly for collateral. A 3% up front fee is charged for T.A. which goes to BARD. The entire 12% interest income goes to NDF/B. BARD provides "hands-on" T.A. in agricultural production and some record keeping. They would prefer that NDF/B provide more follow-up and T.A. in record keeping, the lack of which they attribute to too many cases per FEO.

The $30,000 loan fund for BEST was also established with a grant from IAF. They also send referral clients to NDF/B. The loans are facilitated by less insistence on collateral since BEST shares 50% of the risk with NDF/B. BEST provides management and enterprise development training to its clients. In this case NDF/B does not have to do follow-up since BEST provides this service. All of the loan funds have been lent to papaya grower cooperatives in northern Belize. BEST buys the papayas and exports them with the assistance of the Belize Export and Investment Promotion Unit (BEIPU).

In addition, the $30,000 loan fund for BTIA was established with a grant from IAF. They send referral clients (members) to NDF/B. There have been ten loans, all for expansion and upgrading of existing businesses and 80% of the funds have been lent out. The next loan to be disbursed will overdraw the fund, but NDF/B will cover it from its regular revolving fund. The BTIA role is that of providing training in tourism to these small businesses.

NDF/B has developed a network with these NGOs and three others- Help for Progress, Belize Rural Women's Association, and the Belize Credit Union League. They are known as the "Group of Seven" and have shared ideas and experiences in an attempt to complement rather than to overlap or compete with each other. This group is in the process of being formalized through a Memo of Understanding.

NDF/B is also being supported by one of the private commercial banks (Barclays) which has committed to provide a $75,000 soft term loan from the Barclays Development Foundation.

An NGO that NDF/B might work with more closely as facilitated by the Group of Seven is the Belize Credit Union League. The business skills training received by NDF/B clients could be complemented by training in personal finance management at some of the good credit unions (e.g., Holy Redeemer, St. John's, La Immaculada, etc.) so they would invest their family drawings wisely and learn how to budget effectively for personal needs. NDF/B could encourage clients to join these CUs as a place to keep savings and address their consumer credit needs. In turn CUs would refer their members to NDF for business capital and training needs.

Still another potential arrangement for NDF/B would be with the International Executive Service Corps, which provides highly skilled retired business executives for technical assistance to clients who pay only transportation and per diem costs. It would be possible to have volunteers who came for a specific assignment stay on in Belize to offer industry specific group training to SSEs who would split the cost of only the volunteer's per diem, since the transportation would have already been paid.

2. International

a. PADF

PADF was instrumental in establishing NDF/B during the first phase by providing various types of technical assistance. They are now completely out of the picture. However, NDF/B could benefit from continued contact with them in the exchange of information and experiences. PADF has helped set up many NDFs and could act as a conduit for comparative information.

b. USAID

USAID has been very supportive of NDF/B since the outset in providing both technical assistance (through PADF) and funding (local currency grant in conjunction with the GOB). A commitment for another $200,000 for Phase II has been made, of which $130,000 has been received. There is currently a need for additional support to NDF/B for both operating expenses and increasing the size of the revolving loan fund as was discussed in Section V.A.3.

c. IAF

IAF has also supported NDF/B since 1985 with grants for the revolving fund ($220,000), training ($20,000) and an audit ($4,000).

d. Others

The Foundation for International Training (FIT) of Canada is providing funding ($95,750) for training and for the salaries of two FEOs. There is also the possibility of loan fund grants from other donors such as the UN Refugee Fund and the Caribbean Development Bank Small Enterprise Development Fund as well as the European Economic Community (EEC) and the Canadian International Development Agency (CIDA).

VI. OVERVIEW OF THE SSE SECTOR AND IMPACT OF THE PROGRAM

A. Characteristics of Belizean Small-Scale Enterprises

Belize's economy is characterized by the presence of a large small-scale enterprise sector, engaged mostly in agriculture (32%), followed by services (16%), commerce (11.2%) and to a lesser extent manufacturing (10.3%). In the last few years, commerce and services have been growing rapidly, whereas agriculture and industry have tended to lag behind. The growth in commerce has occurred as small entrepreneurs see in this activity the opportunity to make quick money, especially because of the relative strength of the currency with respect to those of its neighboring countries, which permits them to make a handsome profit on the goods purchased in Guatemala and Mexico.

The slow growth in the productive sectors can be attributed to several factors: (a) the absence of a true entrepreneurial spirit, (b) short supply of skilled labor, and (c) the absence of well-defined development policy for those sectors.

Belizean investors have not yet developed a willingness to take risks and enter the field of manufacturing. Large merchants have little interest in investing in industry and prefer to stay in their own activities. The banking community sees investment in new projects, particularly small-scale, as a risky business. According to some bankers, the lack of entrepreneurial capacity among Belizeans is a major risk component and the obstacle for the financing and success of viable development projects. Small scale productive activities have suffered for lack of financing.

The slow growth in the productive sectors has also been attributed to a short supply of skilled labor. Well-qualified labor is relatively scarce. Unlike other countries in Latin America, in Belize apprenticeship -- working to learn a skill -- is not a common practice. Apprentices usually work in their parents' shops and later inherit the business, but it is not common to find apprentices working in other businesses. Though many youngsters attend vocational schools, practical training is limited.

Although the government has formulated a comprehensive long-term policy for agriculture aimed at diversification, food security and free market, it has not done the same for manufacturing industry. Moreover, some government policies that hinder the implementation of small projects have been high corporation taxes; high electricity and water costs; and price controls. However, the Government is recently making some efforts to reduce the impact of these factors on productive investments.

In Belize, small-scale enterprises are mostly family-owned, use indigenous resources and adapted technology; are labor intensive; employ workers whose skills are acquired outside the formal educational system; operate on a small scale in often unregulated markets; and offer easy access. The rapid growth in unemployment during the last decade and recent developments in the sugar industry has promoted the proliferation of small-scale businesses in Belize. Thus many enterprises emerged out of necessity to create one's own employment despite capital constraints. This suggests that SSEs are not really enterprises in the conventional sense of profit maximization since their motivation is one of employment creation. The Labor Force Survey of 1983-84 reports that 80 percent of the businesses in Belize are own-account businesses.

Annex F, Table 1 summarizes some of the characteristics of NDF/B clients from the survey conducted by the team. Ninety six percent of the businesses were sole-proprietorships. The average number of employees per business was 1.5. The average age of the clients was 40 years with an average of 7 years in business on their own. This indicates that entrepreneurs start in business at a mature age and confirms the finding of the 1983 Mintz survey. Average asset size was $ 5,155.

There does not exist a common definition of small-scale and micro-enterprises in Belize. The financial institutions seem to use diverse criteria in their lending operations. The NDF/B has defined its target group as consisting of individuals who do not qualify for commercial credit, have assets worth $12,500 or less and have less than 10 employees.

B. Importance of the Sector and Demand for Credit

This section seeks to estimate the number of SSEs and the potential demand for credit.

There is no census data by sector in Belize nor are there statistics on the number of businesses by sector and size. Thus an attempt is made in this section to estimate the overall population of small businesses using employment statistics of the 1983-84 Labor Force Survey. Table 4 of the Survey shows total employment and the percentage of employment by own-account workers, employers, paid workers, and unpaid employees as follows:

	Number
Total employed population	40,700
Own account workers (21.9%)	8,913
Employers (5.3%)	2,157
Paid employees (64.1%)	26,089
Unpaid employees (8.7%)	3,541

The total number of businesses (own-account workers and employers) would be 11,070. Table 12 shows the distribution by sector of the total number of businesses, using the same sector distribution as the 1983-84 survey. The total number of small-scale businesses is estimated at 8,245 and was calculated by taking the proportion of licensed establishments having less than 10 employees in Belize City (93.7 percent) and applying it to the total number of businesses in each sector. This figure was obtained from the Trade Licensing Board of Belize City. While it may not be realistic to assume that the same distribution holds in each economic sector throughout the country, over all sectors it may not be far from reality. The rationale for considering the establishments having less

Table 12: Total number of SSEs in Belize, 1983/84

Sector	Total	Percent	SSEs
Total	11,070	100.0	8,245
Agriculture, forestry, fishing	3,553	32.1	3,329
Services	1,771	16.0	1,659
Mining	23	.2	
Manufacturing	1,140	10.3	1,068
Electricity, water	166	1.5	
Construction	542	4.9	508
Commerce	1,240	11.2	1,162
Banking and insurance	155	1.4	
Transport, communications	554	5.0	519
Government	1,705	15.4	
Other services	221	2.0	

Source: The estimates are based on the Belize Labor Force Survey, 1983-84.

than 10 employees is the concept of the target group used by NDF/B. It is also assumed that there are no SSEs in mining, electricity, water, government, banking and insurance, and other services.

The potential demand for credit by SSEs was estimated using the finding from the survey of NDF/B clients that 21 percent of SSEs obtained productive loans from commercial banks and/or the DFC. Thus assuming that those clients are "bankable," the remaining clients, 79 percent, would fall under NDF/B target group of clients. A rough estimate of the potential number of clients qualifying for NDF/B financing would be in the order of 6,514. Assuming an average loan size similar to NDF/B loans of $1,570 for the first 5 quarters of the TYP, the potential demand for credit by the SSE sector would be $ 10.2 million.

Alternatively using the criteria of the Mintz survey for the target group, namely, the percent of businesses who did not apply for any loans (44 percent), the percent of businesses who applied but were rejected (13 percent), and the percent of businesses who sought only informal loans (8 percent), 5,359 businesses, or 65 percent of the total estimated SSEs, would qualify for NDF/B financing. This would imply a total potential credit demand of $ 8.4 million, using the above criterion for loan size.

Total credit from NDF/B (545 loans) as of December 1987, accounts for only $ 876 thousand, and represents less than one percent of the total credit granted to the private sector by financial institutions in 1987 (Table 13). Total demand for NDF/B credit, however, was in the order of $ 3,162 thousand as of December 1987 (a total of 1,357 applications), which implies that NDF/B supplied only 27.7 percent of the amount demanded. This situation suggests that there is a great potential for NDF/B credit expansion.

C. Project Impact at the Business Level

1. Project Goals vs. Achievements

By the end of the project it is anticipated that the conditions stated in Table 14 will have been achieved. The first column indicates the goals over the cumulative length of the project; the second column shows the expected achievements as of December 1987; and the third column the actual achievements to that date. The table indicates that NDF/B was above the expected target as to the number of direct beneficiaries, the number of indirect beneficiaries, and the number of loans. However, it was below target on the expected number of women beneficiaries; the number of existing jobs protected; the number of new jobs created; the number of new businesses assisted; and the loan size. The number of direct women beneficiaries, the existing jobs protected and loan size are well below target, and NDF/B should make special effort to look into the reasons for this outcome.

Women make up 29 percent of the employed labor force in Belize, and their participation has been increasing during the last decade. However, unemployment of this group has also increased, indicating that there are insufficient employment opportunities for women compared to demand. Given this situation NDF/B should be able to aggressively promote businesses run by women in order to meet the goal for direct women beneficiaries by the end of the project period. The achievement of this goal could be facilitated through a formal collaborative arrangement (similar to the arrangements with BARD and BEST) with the Belize Rural Women's Association (BRWA), which assists women-owned businesses in the areas of production and marketing of cottage industry products.

The number of jobs protected per loan disbursed was 1.4 for the period April 1984 to December 1987, and 1.5 for the period September 1986 to December 1987, which indicates that NDF/B has made an effort to assist larger businesses. To reach the program goal of 3.2 jobs protected per loan and an average loan size of US$ 2,000, NDF/B would have to lend to still larger businesses, and this may be difficult to achieve unless NDF/Bs policies change.

Table 13: Financial System and NDF Credit to the Private Sector, 1983 to 1987
(Millions of US$)

Source	1983	1984	1985	1986	June 1987
Financial System	84.9	93.2	92.1	93.2	94.1
Commercial Banks	62.1	67.9	63.5	63.3	64.0
DFC	13.7	15.0	17.5	17.7	17.2
Credit Unions	9.1	10.3	11.1	12.2	12.9
NDF/B*					.9

* Total loans disbursed since 1984.

Table 14: Program Goals and Achievements to December 1987

		Three Year Goals through end of project	Cummulative since 1986 Projected	Actual
Number of direct beneficiaries (clients)		700	293	348
of which (women)		200	84	54
Number of indirect beneficiaries (dependants plus exist. employees)		4,700	1,959	2,445
Existing jobs protected (inc. entrepreneur/client)		1,900	793	486
New Jobs created		200	84	73
New businesses assisted		150	63	51
Loans: number		600	250	275
amount	US$	1,200,000	500,000	431,591
average size	US$	2,000	2,000	1,570

2. Survey Findings

To evaluate the impact of the project at the business level, the team interviewed 48 clients: 21 in Belize District, 20 in Orange Walk District, and 7 in Cayo District. The selection of clients for each district was random, and their distribution by business category is shown in Annex F, Table 2. Sixty percent of the clients were in the production and processing sectors and 40 percent in the services sectors.

The interviews followed a standard questionnaire format developed by the team. (Annex B). The questionnaire was designed primarily to measure the impact of the NDF/B program on (1) the financial viability of the business; (2) the level of employment; (3) the client's standard of living (4) the client's entrepreneurial capability (5) the business management skills; and (6) the client's bankability.

a. Financial Viability

The analysis of the clients' responses indicates that NDF/B businesses are quite viable as measured by their net income, working capital and business worth.

One of the objectives of the interviews was to construct financial statements of the clients in order to compare the situation at the time of application with the present situation. A quantification of the change in gross income/sales was however not possible because of inconsistent figures. Sixteen clients reported lower gross income/sales figures than at the time of application even though they were breaking even or making a small profit, their standard of living showed improvement, most of them were making their loan payments on time, and did not experience a cash flow problem. When visited for the second time these clients were asked whether their income/sales increased, remained unchanged or decreased with the loan, and 13 of them responded that their income/sales definitely increased. The reasons for the inconsistent figures could be that at the time of application the clients tend to overstate income to assure loan approval, whereas at the time of the survey, they may have understated it if they suspected the interview was for to tax purposes.

Even though a quantification of the change in net income/sales was not possible, average present net income was estimated at US$248, and the profitability ratio, net income/sales was 25 percent, which indicates a rather healthy situation. Twenty-six percent of the businesses were reinvesting their profits and expanding. Table 15 indicates that 54 percent of the clients reported an increase in income compared to the "before" situation, 23 percent reported that it did not change, and 23 percent reported a decrease. At least 60 percent of the clients reporting a decrease or no change in gross

Table 15: Performance Indicators of NDF/B Clients Surveyed, March 1988
(Sample size = 48)

Indicator	Belize number	Orange Walk number	Cayo number	Total number	Total percent
Total clients	21	20	7	48	100.0
INCOME EFFECT					
increased	11	10	5	26	54.2
did not change	4	5	2	11	22.9
decreased	6	5	0	11	22.9
EMPLOYMENT EFFECT*					
Jobs protected	37	41	14	92	100.0
male	28	25	11	64	69.6
female	9	16	3	28	30.4
Jobs created	42	8	0	50	100.0
male	41	6	0	47	94.0
female	1	2	0	3	6.4
IMPACT ON STD. OF LIVING					
Housing					
improved	8	10	4	22	45.8
did not change	13	10	3	26	54.2
worsened	0	0	0	0	0.0
Education					
improved	8	12	5	25	52.1
did not change	13	8	2	23	47.9
worsened	0	0	0	0	0.0
Health care					
improved	5	6	2	13	27.1
did not change	16	14	5	35	72.9
worsened	0	0	0	0	0.0
Food quality/quant.					
improved	10	9	3	22	45.8
did not change	11	11	4	26	54.2
worsened	0	0	0	0	0.0
Ability to Save					
improved	12	9	2	23	47.9
did not change	8	8	4	20	41.7
worsened	1	3	1	5	10.4
REPAYMENT OF LOAN					
Pays loan easily	13	13	4	30	62.5
Pays loan w/difficulty	8	7	3	18	37.5
Enough inc. after payment	19	19	4	42	87.5
Payments in arrears	9	7	1	17	35.4
Pays in advance	1	1	2	4	8.3

* The percentages refer to the number of jobs protected or created.

income/sales were engaged in new projects and was too early to judge the effect of the loan on income. The remaining 40 percent were experiencing marketing or equipment problems.

Balance sheet figures were more reliable than income figures since they are easier to verify. Table 16 shows that average working capital (current assets minus current liabilities) increased by $189, or 23 percent compared to the situation before the loan. This is a significant increase considering the fact that many businesses are reinvesting their profits and expanding. The average business worth (total assets minus total liabilities) increased by $1,645 or 39 percent compared to the situation before the loan. It must be borne in mind, however, that not all of this improvement can be said to be due entirely to the NDF/B loan(s), since there were several clients who had acquired other loans as well.

Other indicators of financial viability are stated in Table 15. Sixty three percent of the clients indicated that they are paying the loan easily and 88 percent have enough income to cover current expenses after the loan payments. However, 35 percent of the clients were behind in their loan payments, and 8 percent of them prefer to pay ahead of time. The reasons for the arrears were mainly equipment malfunction, illness, marketing problems, a missed visit from the FEO, and uncollected receivables. Many clients did not like to be in debt. For many of them the NDF/B loan was the first loan ever, and, therefore made every effort to repay it ahead of time and get out of debt as soon as possible.

b. Employment Effect

The results indicate that 85 jobs were protected, 25 percent of which account for female jobs. This implies a ratio of 1.4 jobs per loan. Thirty eight new jobs were reported, only 5.3 percent of which were female jobs.

c. Standard of Living

The standard of living showed improvements in the areas of housing (46%), education (52%), health care (27%), food security (46%), and ability to save (48%). None of the clients reported a worsening of the housing, education, health care, and food security conditions with the loan, and 10 percent reported a drop in their ability to save, which to some extent was due to business expansion.

d. Entrepreneurial Capability

The clients interviewed demonstrated, on the average, adequate to high levels of entrepreneurial capability. They showed initiative, creativity, ability to diversify into new products and new markets for their products, and ability to improve the quality of their product(s). They also demonstrated a desire to expand their businesses and some were already doing so. The fact that 69 percent

Table 16: Average Assets, Liabilities, Working Capital
Business Worth, Before the Loan and Present of NDF/B Clients Surveyed, Ma
(in U.S. dollars per person)

(Sample = 44)

	Belize	Orange Walk	Cayo	Average
SITUATION BEFORE THE LOAN				
Total Assets	6,506	2,194	3,398	4,389
current	1,393	515	168	895
fixed	5,113	1,678	3,231	3,494
Total Liabilities	367	2	0	176
current	189	2	0	91
long term	179	0	0	85
PRESENT SITUATION				
Total Assets	11,958	4,146	5,639	8,044
current	1,636	1,251	260	1,322
fixed	10,322	2,895	5,379	6,722
Total Liabilities	2,822	1,400	2,353	2,187
current	530	155	118	330
long term	2,292	1,245	2,234	1,857
WORKING CAPITAL				
before	1,205	513	168	804
present	1,106	1,096	142	992
change	(99)	583	(26)	188
BUSINESS WORTH				
before	6,139	2,191	3,398	4,213
present	9,136	2,746	3,286	5,857
change	2,997	555	(112)	1,645

of the clients interviewed made a loan for the first time, to either engage in new projects or expand their businesses, is an indication of their ability to take risks. When asked how their attitude toward borrowing changed with the loan, most replied that before the loan they did not think that they could obtain a loan, but now, they feel that they could borrow again.

Other questions addressing the entrepreneurial characteristics of the clients were: how did your attitude toward commitment to your business, the purpose of profit making, self-help, and handouts change with the loan(s)? They generally responded that they feel more committed to the business with the loan. They feel that profit is a reward for good work and should be used for reinvestment. One client answered that it is a means for starting to save. They always valued self-help and self-worth, but with the loan they felt an added sense of ambition. They were definitely negative toward handouts (free money). They felt that one should earn one's income rather than accept grants.

e. Business Management Skills

The clients interviewed demonstrated a low to moderate level of business skills. Only 46 percent of the clients indicated to have attended a training seminar from NDF, and 15 percent maintained records on a consistent manner, even though they were not adequate enough. All of the clients who attended an NDF/B seminar indicated an improvement in their record keeping, budgeting, and product pricing skills and expressed a definite need for more training in these areas and marketing. There was some reluctance on the part of some business owners to maintain records, which the team attributed to their desire for confidentiality and fear of government taxes. This is evidenced by the fact that only 27 percent of the businesses had a trade license. (Annex F, Table 1)

When asked how their attitude toward the need for record keeping, marketing, and production skills changed as a result of the loan, the general response was that before the loan they did not believe that there was a need for these skills because of the small size of their business. However with the loan they felt a great need for them, especially for marketing skills. In the area of marketing many clients expressed serious concerns about market competition from imports.

Clearly, record keeping is a very important tool that requires time to learn. The smaller the entrepreneur the less likely his ability to quantify his business operations, but he does have a feeling about whether or not he is making a profit.

f. Bankability

Thirty one percent (15 clients) of the clients interviewed approached a commercial bank and/or other financial institution and obtained a total of 28 loans. Nineteen were commercial bank loans, 13 of which were productive loans[12], and 9 loans from the DFC (6) and credit unions (3).

g. Business Success Stories and Other Outcomes

Annex G presents some stories of business success, more typical cases, problem cases, and project failures. Success stories are the best examples of NDF/B's achievement of the purposes and goals of the project. The more typical cases, while being success stories, did not show as remarkable an impact as the former. The problem cases encountered some difficulties of various sorts. The failure cases were due to circumstances difficult to control. The latter two types, however, provide a learning experience for NDF/B that could help in the formulation of project goals strategy. Of the 48 businesses interviewed, there were 32 success stories.

D. Lessons Learned and Areas for Further Improvement

The project was designed to make financing available to small and micro enterprises through NDF/B. The most important need served has been the provision of long term and short term credit which was not usually available through the traditional commercial banking system. This financing was necessary for many small and micro investments to take place because commercial banks are reluctant to extend any type of credit to them.

The availability of this type of financing together with the training component has proven to be a successful model. By providing new opportunities for small and micro enterprises who would not otherwise have access to credit, the program has encouraged risk-taking and entrepreneurship. Many of the loans have created a pool of viable businesses as indicated by their profit level, equity buildup and relatively low arrears level.

In cases where clients took advantage of the training aspect, the program appears to have had some impact on the business management skills by improving their record-keeping. Even if business training is not rapidly absorbed by the client or not enforced as prerequisite for an NDF loan, the frequent contact between the client and the FEO facilitates quick assistance and advise. The relatively overall low arrears rate could be, to a great extent, attributed to this factor alone.

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12 Eight were sugarcane loans.

Some problems characteristic of the infant stage of industrial development and small market size in Belize, could be effectively addressed by NDF/B in its role as development institution. These are mainly related to (1) marketing, and (2) import competition.

(1) Marketing. Marketing was a frequent problem, particularly facing furniture makers, shoe makers, handicraft businesses, and agribusinesses. Furniture makers, while facing relatively high raw materials costs, do not appear to be in direct competition with larger producers because of product differentiation. Their problem is more often related to location of the business and lack of promotion. Shoe makers also face a similar problem. One shoe maker thinks that the industry would be better off if all the shoe makers would be organized so that they could cooperate to improve the quality of shoes and secure a place to sell the products. Handicraft businesses -wood carvers, basket makers, glass engravers- and artists are limited by the reduced number of buyers, usually hotels, who make a large markup on their products leaving the producers with only a small profit. The team learned about a painter who had no clear idea about what his artistic paintings were worth and had no place to sell them.

NDF/B's role in promoting these businesses is potentially important. As with several other NDFs in the Caribbean and other development institutions, NDF/B could provide an outlet for these products, where buyers and sellers could meet. This could be done by organizing trade fairs and/or by securing rental space for periodic or permanent exhibition of products. Producers would then be provided with exhibition space for a fee. There is already some interest on the part of the City Council to help the Foundation in this endeavor which could benefit both NDF/B and its clients. The Foundation could benefit from this project since it would provide a source of income from the rental fees. By getting together several clients engaged in the same line of business, NDF/Bs' clients could benefit from each others' experiences and work toward improving product quality. The idea of organizing shoemakers deserves consideration and NDF/B could contribute to it by inviting them to participate in its marketing project.

Agribusinesses also suffer from marketing constraints. Farmers in remote areas lacking, storage or transportation facilities have difficulty getting their products to the market and are often forced to sell to intermediaries at a low price. Although, this problem is at present being addressed by cooperatives, in particular by the Belize Federation of Agricultural Cooperatives, NDF/B contribution could be more effective at the production level through the provision of proper advise in the technical aspects of agribusiness.

In the special case of swine production, NDF/B should study the possibility of organizing the producers in processing and marketing cooperatives that would process the swine and market the by-products directly without having to always recur to the same buyers who pay a low price per pound. This would require a careful study of the market, particularly in the face of competition from imported meats. The initial impression of the team from a visit to swine producers in Orange Walk is that such cooperative could be quite viable.

(2) Import Competition. During the interviews, several instances were mentioned where businesses were being hurt by competition from imports. Several businesses complained about competition from clothing and shoe imports as well as from fresh produce and meat imports. Although the team did not analyze these problems in depth, it appears that there are some inconsistencies in the import licensing and quantitative restriction regime. For instance, the licensing list contains items in which Belize would seem to have a comparative advantage, such as citrus, fish and fresh meat. On the other hand, imported parts are scarce, and some business failures have been attributed to the shortage of parts to repair equipment.

Foreign trade policies as well as price and fiscal policies affecting small businesses have not been studied and it would be advisable for NDF/B to consider such a study in its future plans. This study could possibly lead to the formulation of a small business and micro enterprise promotion regime to be considered by the Government.

E. Long-Term Perspective

There is a high potential for growth of small scale and micro enterprises in Belize, and NDF/B could play a major role in their promotion and development. The survey of businesses conducted by the team indicated that SSEs can be highly productive when the appropriate credit and technical assistance are made available to them. Thus, the entrepreneurial capacity of the Belizean SSEs is an asset for growth. Other factors that favor the SSE sector development are untapped foreign markets for SSEs products through Belize's participation in CARICOM and through the Caribbean Basin Initiative; Belize's closeness to the U.S.; growing tourism; and excess supply of labor.

The official development strategy of the Government in its Five-Year Macro-Economic Development Plan for Belize 1985-1989, is to promote export-oriented activities as the engine of economic growth. The strategy places high priority on the diversification of exports, and on ancillary import-substituting activities. The prior industries of the strategy are agro-industry, tourism, fisheries and mari-culture, forest-based industries, and manufacturing. These priorities reflect the resource potential and comparative advantage of Belize. The Government recognizes that the responsibility for expanding production lies in the private sector, and is determined to ensure the appropriate economic climate to promote private sector investment. The creation of the Belize Investment and Export Promotion Unit, a public-private sector institution, indicates the determination of the Government to promote private sector investment. One of the economic objectives of the Plan is to reduce unemployment by encouraging small businesses and cooperative production and by encouraging labor-intensive activities.

Keeping in mind this strategy for Belize's long-term development, NDF/B should also consider financing of foreign exchange saving or foreign exchange producing activities. Agro-industry, apparel, handicrafts and tourism are potential areas for low risk, high yield projects. Dairy production is still undeveloped in Belize, and there is a great potential for small scale cheese, milk, butter and cream production. Cottage industries in fruits and vegetables processing are a potential source of employment for women since these can take place at home.

The apparel industry is another source of women's employment. There are thousands of seamstresses in Belize who have been trained over the years by church groups and other non-profit organizations. These women could profit from some business management training which could be provided either by NDF/B or BIM. Apparel exports increased from $6.4 million in 1982 to $16.2 million in 1986 but fell short of projections. Although this increase was attributed to the expansion of two large factories, there is room for small scale production both for domestic consumption as well as for export.

The possibility of establishing linkages with other ongoing projects or with large producers in both agro-industry and apparel should be studied. For instance, small producers could supply part of the value added of the finished product, thus benefiting both small and large producers.

Handicrafts, particularly wood carving in ziricote wood are potential foreign exchange generating, labor intensive projects. A handicraft sector study by I.E.S.C. concludes that there is an export market for wood carved figures in the high-end retail department stores and exclusive gift shops in the U.S.

Finally, with the growth of tourism there is a need for financing for lodging facilities, tour guiding, gift shops, and restaurants catering national food.

VII. CONCLUSIONS

NDF/B is a strong institution. It possess "canons of what is necessary for institutional survival and growth, indicators of what makes an institution strong and viable."[13] They are:

1) People - Leadership and the ability to attract and retain good senior staff. NDF/B has been fortunate to have dynamic leadership since its inception in the form of its Managing Director (a founder), who is not only a dynamic person, but who also has the capacity to motivate his staff and maintain a high level of morale among them. There are also a number of Board members who are founding members and so have the historical perspective and dedication to support the institution in many ways , especially through their contacts in the private sector in which they are leaders. Both the current Chairman and Vice-Chairman are founding members. The comments of the last evaluation are still valid: "NDF/B is a solid, well-managed development financial institution with a basically positive track record. It has a hardworking and dedicated staff supported by an equally hardworking Board."

2) Roots - a community base of support (e.g., a network of influential people). The influential level of members in general and of Board members in particular has been a key factor in the ability to surpass the goals of fundraising for the first phase in spite of the difficulties encountered and to attract new members.

3) Networks - These consist of: networks with similar organizations in the country; relationships with appropriate government entities; and international relationships. NDF/B has established both formal and informal relationships with other NGOs in Belize. The formal relationships are complementary with the credit and business guidance provided by NDF/B and the specific technical assistance required for a type of business provided by the other NGO. These arrangements have been successful so far and there is the potential for additional relationships through informal contacts. The consortium of NGOs provides a forum for the exchange of ideas and ways to avoid duplication of efforts. The GOB has always been very supportive of NDF/B both philosophically and financially. Also, government leaders including the Prime Minister have been present at

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13 "Accelerating Institutional Development", PVO Institutional Development Evaluation Series, Final Report, prepared by Richard Huntingdon, (International Science and Technology Institute, Washington, D.C., September 1987) for Bureau for Food for Peace and Voluntary Assistance, Office of Private and Voluntary Cooperation, Agency for International Development, pp. 11-12.

nearly every NDF/B event (training sessions, fundraising dinners, etc.). Finally, NDF/B has developed an ever expanding network of relationships with international donor agencies and with similar organizations in other countries in the Caribbean.

4) Systems and Strategies - management information systems that are used to improve promising programs and drop unpromising ones. The ability to evolve, grow and adapt to changing situations depends on having the information necessary to guide, monitor, and evaluate progress and performance. NDF/B has a number ways to monitor program progress such as: monthly financial reports, quarterly statistical reports, Loan Committee activities, quarterly budget control, FEO reports, etc. This information is used by management and the Board for forward planning and control and for the modification of policies.

5) Resources - a diversified portfolio of financial support and sources of income. NDF/B has tried to diversify both its sources of operating income and its loan fund capital since the first phase. It has gotten support from five international donors, the GOB and local fundraising.

Nevertheless, NDF/B will not be able to achieve self-sufficiency by 1990 without the addition of alternative income generating activities to supplement interest income. The program impact on borrowers has been generally favorable based on financial and economic indicators.

VIII. RECOMMENDATIONS

The following recommendations relate to current administration and operation, and suggest areas for future endeavors, both institutional and as relates to the target group of SSEs.

A. Institutional Analysis

1. Financial Performance and Viability

a. Prudent use should be made of short term credit to finance the short term needs of NDF/B. The liquidity position could decline to an acceptable level which would be 2:1 (current assets: current liabilities).

b. NDF/B should strive to maintain its equity and should continually seek out grant funds rather than loan funds to finance assets or to increase the RLF: long term debt should not exceed 30% of net assets.

c. NDF/B should try to increase its office machinery (e.g., computers, vehicle, typewriters, etc.) to allow ever more efficient operations, especially at an expanded portfolio level.

d. NDF/B should enter into alternative income generating activities/services (e.g., administering projects on behalf of external agencies) and make equity investments in viable business projects to secure financing of their long term development. This should complement efforts to secure grant funding in order to diversify income sources and reduce risk.

e. NDF/B should take the initiative in creating income producing projects with existing NGOs by identifying needs and coordinating project development in the production and marketing areas. Products could be sold domestically or exported.

f. To support the portfolio level envisioned to achieve sustainability, the Foundation should consider increasing its loan size to a few borrowers; the second window option should be further explored. This would help broaden the target group, but may require an upper movement in the loan limit, and could possibly result in a strained relationship with other financial institutions.

g. NDF/B should consider the possibility of joint financing of loans with commercial banks.

h. Capital can be mobilized from borrowers themselves, by requiring repeat and large borrowers to capitalize part of their loan (repay more principal than borrow) and allowing them to become members of NDF/B.

i. NDF/B should try to secure the $500,000 line of production and marketing credit component of USAID's Livestock Development II Project, if it is made available.

j. Case studies should be written on the success stories to aid in fundraising.

k. NDF/B should analyze the current membership to see who have been the least active contributors to focus fundraising efforts on these people as well as to diversify fundraising to other areas of the country besides Belize City.

l. NDF should request advances from USAID to cover operating expenses to allow it to estimate coverage of expenses more accurately.

m. Our projections indicate that USAID should consider providing additional funding of $250,000 to 285,000 to cover operating expenses for the short term (through 1990) and additional funding of $110,000 to 385,000 for the Revolving Loan Fund (through 1990) in order to achieve the portfolio level projected in the TYP or an expanded level of some 300 loans per year.

2. <u>Administrative Efficiency and Strength</u>

a. Computerization of all records, both statistical and accounting, will provide the Managing Director and Board reports in a timely fashion. Some new ratios could be established to measure progress and development. Training of all staff in this area is recommended.

b. NDF/B could offer borrower life insurance in an amount that would cover only declining balance of loan so as to pay off loan 100% in event of death of borrower thereby relieving his family of burden. Perhaps group rates could be arranged with insurance company if NDF/B agreed to use them for all clients. Perhaps this insurance could be obtained through CUNA Mutual (insurance company for credit unions)

3. <u>Technical Assistance and Training</u>

a. NDF/B should increase the frequency of business management skills seminars and enforce the requirement that clients have this training before receiving loans. Greater emphasis should be placed on record keeping and marketing in these seminars.

b. Current and/or former borrowers should be used as case studies in the seminars to provide a testimonial to the need and value of the training and to offer practical solutions to common problems.

c. NDF/B should explore possible joint vocational skill training programs for clients and potential clients with the Belize Technical College and assistance to start new enterprises for graduates of the Belize Vocational Training Centre.

4. <u>External Relationships</u>

a. NDF/B should develop further relationship with the credit union movement to provide personal finance training to clients and place to obtain consumer credit as well as to save.

b. Specialized training (in certain vocations) could be given to groups of NDF clients by volunteers who had finished assignment for regular IESC client. Training could be "piggybacked" on and NDF clients would share costs only of volunteer's per diem.

c. NDF/B should further develop formal relationships with locally-based NGOs and the banking community. This should be in the form of a memorandum of understanding. This would facilitate further joint development activity and prevent the duplication of effort.

d. Every effort should be made to have the $200,000 for training loans (BIM) made available for administration by NDF/B (set up a fund at NDF/B).

B. Project Impact on SSEs at the Business Level

1. NDF/B should actively seek to fund businesses run by women by promoting such projects as food processing and apparel.

2. The Foundation should seriously engage in the promotion of certain products for its clients, particularly in the areas of woodworking, handicrafts and art work, by possibly organizing trade fairs or renting space for permanent exhibition of products through the City Council.

3. Sector studies of certain business categories such as furniture and woodworking and construction should be considered by NDF/B in order to identify production constraints and determine a lending policy for these subsectors.

4. NDF/B should study the feasibility of swine processing and marketing cooperatives, and help its clients in organizing such cooperatives.

5. Market competition and marketing considerations should be more carefully evaluated to avoid project failures. Reinforcement of the capacity to evaluate agribusiness is necessary.

6. NDF/B should take the initiative to do a study of price, fiscal and foreign trade policies affecting SSEs, in order to identify possible bottlenecks preventing their growth and propose necessary policy changes. This could possibly lead to the formulation of a "Small Business and Micro Enterprise Promotion Regime" by the Government.

7. Greater emphasis should be placed on financing of labor intensive, foreign exchange producing or foreign exchange saving projects such as agribusiness, apparel, handicrafts, and tourism, where Belize has a comparative advantage. This would be in line with the Government development policy.

8. A countrywide update should be done of the previous survey (Mintz, 1983) to assess the current status and needs of small and microenterprise and to suggest additional areas for NDF/B endeavors.

ANNEX A

SCOPE OF WORK

EVALUATION OF THE NATIONAL DEVELOPMENT FOUNDATION OF BELIZE

I. OBJECTIVES

The objectives of this evaluation are to:

1) Assess the effectiveness of NDF/B operations in terms of institutional efficiency

2) Assess the effectiveness of NDF/B operations in terms of impact on the intended target group

3) Recommend ways to enhance NDF/B financial viability and determine resulting prospects for NDF/B self-sufficiency

4) Assess the feasibility and potential (magnitude) of project expansion

5) Assess the NDF/B relationship with other organizations (both public and private sector) in the context of perspectives for its future development and growth

6) Areas on which future AID assistance should focus

II. BACKGROUND

A. Historical Overview of Project

B. Evaluation Methodology

C. Original and Revised Objectives

III. INSTITUTIONAL ANALYSIS

A. Financial - performance and viability

1. Financial policies and mechanisms - loan criteria, portfolio management, control of expenses, interest rates, capital contributions and fundraising, liquidity policy

2. Financial situation - net worth, debt, liquidity

3. Viability - current level of self-sufficiency and plans to achieve break-even with local resources and project income

B. Sources and applications of funds - results of fundraising and how capital is allocated

1. Loan portfolio quality - % overdue outstanding loans

2. Loan portfolio yield - effective yield vs. average nominal cost of loans

C. Administrative - efficiency and strength

1. Organizational structure - roles and relationships

2. Internal credit procedures - efficiency of credit delivery system and appropriateness for reaching target group

3. Internal inspection and control procedures - management reviews, informal internal evaluations/ monitoring

4. Staff productivity and efficiency - administrative costs per loan, loan processing time, training needs for staff, etc.

5. Promotion/marketing to SSEs - methods and their effectiveness in attracting target group to project

D. Technical - appropriateness and quality of technical assistance and training to SSEs

1. Identification of needs and priorities of SSEs for both T.A. and training - methods used and their adequacy

2. Provision of training - (business guidance to groups of SSEs) - methods and content

3. Provision of technical assistance (follow-on business guidance to individual SSEs and assistance in specific occupational areas through coordination with other NGOs) - methods and content

E. External Relationships - current status and future prospects

1. Belizean
   a. Public sector
   b. Private sector

2. International
   a. PADF
   b. USAID
   c. IAF
   d. Others

IV. ASSISTED SSES

A. Characteristics - asset size, type of ownership, legal status, number of employees, etc.

B. Universe of SSEs - number assisted vs. total potential target group; estimated effective demand for assistance

C. Impact on SSEs

1. Financial - trends/ changes (both before and after assistance) in:

- sales and income
- operating costs
- profits and prospects for future profits
- productivity (both quantitative and qualitative)
- quality and expansion of assets
- liquidity (ability to cover short term debts)
- bankability - graduation to eligibility for bank credit

2. Administrative

- management and technical performance
- efficiency of operation
- skills of personnel

3. Soci-economic

- jobs created
- jobs protected
- family incomes

V. POTENTIAL/FEASIBILITY FOR PROJECT CONTINUANCE AND EXPANSION

1. Demand
2. Additional funding, both local and international

VI. CONCLUSIONS AND RECOMMENDATIONS

A. Institutional
B. Target group
C. Follow-on project - contents and scope

ANNEX B

NDF/B LOAN RECIPIENT EVALUATION QUESTIONNAIRE

Date:
Interviewer:

Location:
District:

City:

I. **BACKGROUND OF THE BORROWER:**

1. Name of respondent:

2. Category of business:

Production and processing:

1. Furniture and woodwork
2. Garment and tailoring
3. Shoes and leatherwork
4. Welding and metal construction
5. Crafts and souvenirs
6. Food processing
7. Agribusiness
8. Construction
9. Other

Services:

10. Retail/distribution
11. Repair and servicing (mech./elect./auto-body)
12. Other services

3. Age:

4. Sex: M F

5. Is the business run by you?

6. Persons in family:

7. Length of time in business for yourself____________

8. Other source of income, specify:__________________

9. Type of Ownership:

1. Sole proprietorship
2. Partnership
3. Group (more than 2 owners)
4. Cooperative

10. Do you export any of your products?:
If yes, how much (%)?________

11. Is your business registered? Yes No

II. INFORMATION ABOUT THE LOAN(S)

12. Amount and purpose of the loan(s):

Client Loan #	Year	BZ$	Purpose	Client Investment in Purchase	Other Captl for this prchse Source	Amt	Total Project Cost
From NDF/B:							
1st							
2nd							
3rd							
TOTAL							

Purpose:

1. Working capital
2. Equipment, machinery
3. Combination of 1 and 2
4. Start new business
5. Buy Land
6. Other

13. Have you obtained a bank loan? Yes No Why not?

14. If you answered yes, specify amount: BZ$______

15. Purpose of the bank loan:_____

16. Have you received a loan from any other source? If yes,

Source__________ Amount__________.

III. SOCIO-ECONOMIC INDICATORS OF THE BUSINESS

17. Please provide some information on the situation of your business. If actual figures are not available, please estimate as best as you can.

18. Did your sales/income 1. increase 2. decrease 3. remain the same as a result of the loan?

	Before loan	After loan
	(BZ$)	

(If necessary, reconstruct these items from detail overleaf.)

1) Ave. sales/mo.

2) Other outside income

3) Ave. total expenses/mo.

4) Salary expense/mo.

5) Raw materials

6) Supplies

7) *Net profit/mo.

less

8) Family drawings (dependents__)

9) *Net avail. income

10) Current assets

11) Fixed assets

12) *Total business assets

13) Current liabilities
(due in less than 1 year)

14) Long term liabilities
(due in more than one year)

15) *Total liabilities

16) *Business worth
(T.A. - T.L.)

17) *Working capital
(C.A. - C.L.)

Employment data:

19. No. of employees

    Male: full time (paid)
    part time (paid)
    unpaid (owners/fam. members)

    Female: full time (paid)
    part time (paid)
    unpaid (owners/fam. members)

1. NDF/B: INCOME STATEMENT FOR AVERAGE MONTH

		ACTUAL		PROJECTED
SALES/INCOME	(B)	________	(A)	________
OPERATING EXPENSES				
Utilities (elec.,Tel.,Water,etc)		$________		$________
Materials & Supplies		________		________
Wages/Salaries (Employees ________)		________		________
Rent/Mortgage (Business Premises)		________		________
Transportation (Business only)		________		________
Business Loan Repayment		________		________
Insurance on Business Assets		________		________
Other Expenses (Miscellaneous)		________		________
Total Operating Expense		________		________
NET INCOME FROM OPERATIONS		________		________
INCOME FROM OTHER SOURCES		+________		________
Family Drawings(Dependents________)		________		________
Net Available Income	(2)	________		________

NDF/B: BALANCE SHEET

Business Assets		Business Liabilities	
CURRENT:		CURRENT:	
Cash on Hand	$________	Accounts Payable	$________
Cash in Bank	$________	Bank Overdraft	$________
Acct. Receivable	$________	Other Current Liab	$________
Inventory (Overleaf)	$________		
Other Current Assets	$________		
TOTAL CURRENT ASSETS	$________	TOTAL CURRENT LIAB	$________
FIXED:		LONG TERM LIABILITIES	
Business Premises	$________	L.T. Bank Loan	$________
Equip & Machinery	$________	Mortgage (s)	$________
Fixtures	$________		$________
Other Assets	$________	Other L.T. Liabilities	$________
TOTAL FIXED ASSETS	$________	TOTAL L.T. LIABILITIES	$________
		TOT. CURRENT & L.T. LIABILITIES	$________
		BUSINESS WORTH	$________
TOTAL CURRENT PLUS FIXED ASSETS	$________	TOTAL LIABILITIES PLUS BUSINESS WORTH	$________

IV. **TRAINING/TECHNICAL ASSISTANCE**

19. Have you received business training? Yes No Source

technical assistance? Yes No Source

20. If you answered yes above, did any of the following areas of your business operations improve as a result of training received from NDF/B?

1. record keeping
2. control of income and expenses (budgeting)
3. pricing of product(s)
4. marketing (more customers)
5. diversification of production
6. other

21. Do you need additional training from NDF/B? Yes No
If so, in what areas?

V. <u>RELATIONS WITH NDF/B</u>

22. Did you encounter any problems in obtaining a loan? Yes No
Specify____

23. How long did it take to approve your loan from the time of application?______________________________
Was it 1. too long _____ 2. very quick _____ 3. OK _____

24. Reasons why you approached NDF/B:

25. How do you feel about the terms of the loan?
1. Interest rate ___________
2. Repayment period_____________
3. Follow-up (application procedures)

26. How could NDF/B's services be improved? ________________________
____
____

27. Did your attitude toward your business change in the following areas? Why?

	Before Loan	After Loan
Handouts (grants)		
Ability to Borrow		
Profit Making		
Need for business management skills		
Need for strength production skills		
Need for record keeping skills		
Need for marketing skills (how to sell)		
Responsibility and commitment		
Self-help and self-worth		

VI. IMPACT OF THE LOAN ON STANDARD OF LIVING/FINANCES

28. Has your standard of living changed as a result of the loan(s)?

	Worse	Unchanged	-------Improved----- Somewhat	A lot
Housing				
Education				
Health Care				
Quality and Quantity food supply				
Ability to save				
Other specify ____________				

29. Are you able to repay the loan?

1. Easily ______ 2. With difficulty ______ Why?

30. Are you up-to-date with the payments?

31. If you answered no, why not? Explain ______________________
____

32. After you make each payment, do you have enough income to cover your current expenses? Yes________ No _________

33. If you answered no, how do you cover these expenses? __________
____

ANNEX C

PERSONS INTERVIEWED BY THE EVALUATION TEAM

Government of Belize

Hon. Phillip Goldson, Minister of Labor and Social Services

Mr. Winston Carr, Secretary of the Board, Development Finance Corporation

Mr. Alan Slusher, Governor and Chairman of the Board, Central Bank of Belize

Mr. Jaishil Rao, Director, Statistical Office, Central Bank of Belize

Mr. Keith Wright, Registrar of Cooperatives

Mr. Basilio Ordonez, Assistant Secretary, Ministry of Commerce, Industry and Tourism

Mr. Eric Bevans, Control of Supplies and Trade Administrator, Ministry of Commerce, Industry and Tourism

Mr. Joe Wright, Budget Directors, Ministry of Finance

Mr. S. A. Roberts, Chief Statistician Ministry of and Economic Developent

Mr. Orlando Puga, Senior Economist, Minority of Economic Development

Mr. Cesar Renau, Education Officer, Ministry of Education (based at Belize Vocational Training Centre)

Mr. Ivan Flowers, Director, Belize Vocational Training Centre

Miss Georgia Belisle, Vice-Principal, Belize Technical College

USAID/Belize

Mr. Neboysha Brashich, AID Representative

Mr. Peter Lapera, Project Development Officer

Mr. Art Villanueva, Mission Economist

Ms. Cynthia Franklin, Education Officer

Ms. Pedro Perez, Project Manager of the Export and Investment Promotion Program

NDF/B MEMBERS

Mr. Jose Matus, Chairman of the Board of Directors and Founding Member

Mr. Rodwell Williams, Vice-Chairman of the Board of Directors, Legal Advisor and Founding Member

Mr. Benito Quan, Member of the Board of Directors

Mr. Manuel Cuellar, Managing Director/Secretary, member of the Executive Committee and Founding Member

BANKS

Mr. Meliton Auil, Manager, Barclays Bank and former NDF/B Board Member

Mr. Ian Robinson, Director, Belize Bank of Commerce and Industry

Mr. Jose Rosado, Manager of the Bank of Nova Scotia

OTHER PRIVATE SECTOR

Ms. Jean Shaw, President of the Belize Tourism and Industry Association and member of the Tourist Board

Mrs. Terry Bedran Stark, Owner/ Manager of the Pathology Laboratory and Former NDF/B Chairperson and Founding Member

Mr. Allen McNab, Owner and Manager, RoMacs Supermarket and Former Board Member

Mr. Rudy Juan, Executive Director, Belize Agency for Rural Development

Mr. Carlos Santos, Executive Director, Belize Enterprise for Sustained Technology

Mrs. Cynthia Ellis, Executive Director, Belize Rural Women's Association

Mr. Rupert Smith, Executive Director, Help for Progress

Mr. George Smith, Field Officer, Belize Credit Union League

Mr. Santos Mahung, Manager, Belize Institute of Management

Mrs. Velda Aguet, Executive Director, Council of Voluntary Social Services

Miss Rosalie Staine, Representative, International Executive Service Corps

Mr. Leopold Balderamos, Manager, Belize Chamber of Commerce and Industry

Mr. Denton Belisle, Manager, Belize Export and Investment Promotion Unit

Mr. Gilroy Graham, Agricultural Promotion Officer, Belize Export and Investment Promotion Unit

NDF/B STAFF

Mr. Evaristo Blanco, Financial Controller/Loans Officer/Training Officer

Mr. Stephen Gillett, Assistant Loans Officer/FEO Supervisor/ Statistician

Ms. Christine Fuller, Acting Accountant/Office Supervisor

Mr. Elbert Pook, Field Extension Officer/Business Counselor

Ms. Linda Tillett, Accounts Clerk

Ms. Rosio Ake, Cashier/Typist

Ms. Anita Fuller, Secretary/Typist

Mr. Herwald Hughes, Messenger/Clerk

OTHER ORGANIZATIONS - WASHINGTON, D.C.

Mr. Lewis Townsend, Vice President, Pan American Development Foundation

Mr. Fernando Cruz, Regional Director for Latin America and the Caribbean, Council for International Development

Mr. Paul Prentice, Development Office, National Cooperative Business Association

ANNEX D

STATUS OF RECOMMENDATIONS FROM THE LAST EVALUATION (8/85)

Some of these relate directly to the institution itself and some to the program administered by the institution. The recommendations and their status as of March 1988 are indicated:

1. Increase average loan size - The cumulative average loan size ($1,608) and for the last five quarters ($1,570) has decreased since the last evaluation ($1,618), but the average for FY86/87 was higher ($1,907).

2. Raise loan ceiling to $15,000 and the discretionary ceiling for the Managing Director to $1,000 or $1,500 - The ceiling has been increased to $12,500 (from $10,000). One loan (exception) has been made for $14,600. The discretionary ceiling is at $500.

3. Reduce processing time - This has been reduced to four to six weeks (from more than two months).

4. Screen out marginal applicants at an early stage in order to utilize FEO time more efficiently - This has been done. See text for description of process.

5. Reconsider rejected applications in reviewing loan criteria and policy - This has not yet been done. Managing Director estimates that 60% of applications originally rejected could now be reconsidered and possibly approved since target group has been expanded.

6. Explain effective interest rate to clients - This is not explained to borrowers, but method for calculating interest is explained. In most cases borrowers are not as concerned with the interest rate as in the access to credit.

7. Do aging of loans in arrears - This is now divided into loans more than 30 days past due and (which includes) loans more than 90 days past due for the quarterly statistical reports.

8. Maintain IAF loans (high risk loans) in separate account- This is being done.

9. Give priority to loans which offer greatest possibility for increasing income and production and creating new employment- Loan applications are considered and approved in the order in which they are received.

10. FEOs should participate in some Loans Committee meetings- FEOs are called into Loans Committee meeting to present the applications. They then often observe the Loan committee deliberations.

11. Require clients to receive basic training prior to loan disbursement - This is still not being done in all cases as was learned from the borrower survey.

12. Maximize number of initial training group sessions - Some borrowers have expressed a desire for more training sessions since they have not yet had the opportunity to participate in these.

13. Include non-borrower entrepreneurs in training sessions- This is being done.

14. Charge fee to help defray costs of training - This is being done though the fee is nominal and does not cover all costs of training.

15. Expand upper limits of target group without altering criteria of not having access to commercial bank credit - The maximum loan size has been increased to $12,500 (from $10,000) and 25% of the loans have been in the range of $5,000 to $12,500.

16. Undertake projects with IAF funds targeted to women and groups - For the last five quarters, NDF/B was 36% below its target objective for number of direct women beneficiaries.

17. Assess additional technical assistance and training needs- This has been done periodically through countrywide seminars and through feedback from the comments by clients to the individual FEOs.

18. Hire local staff to fill positions occupied by Peace Corps Volunteers - There are no longer any PCVs working with NDF/B.

19. Maintain level of three FEOs - This is the current level, but it will soon be increased by one - two current FEOs will become full-time business counselors, and they will be replaced by two new FEOs plus a third.

20. No agricultural loans should be made unless NDF/B adds agricultural expertise to its staff or has ready access to such expertise - NDF/B has made agricultural loans. The provision of agricultural expertise has been accomplished through joint venture agreements with BARD, BEST and BFAC (Belize Federation of Agricultural Cooperatives).

21. Explore possibilities for joint ventures with other organizations - This has been done (#21) and other linkages have been established with BTIA and BIM and are being explored with still other NGOs.

22. Tap successful local business persons to participate in TAT program by providing more intensive business and administrative skills training. Encourage these persons to become members - This has been done.

23. Design and implement skill specific seminars as well as training in marketing techniques and raw material purchasing- This has not been done, but is being planned.

24. Assist entrepreneurs in similar fields to form groups to collaborate in raw material purchasing and marketing - This has been done in one instance through BEST assistance to papaya growers in the north.

25. Create advisory committee of current or ex- clients to assist in NDF/B forward planning - This has not been done.

26. Develop forums for interchange of ideas between target group and former small entrepreneurs who are now successful business persons - This has been done to a limited extent in the group training seminars.

27. Formation of ad hoc informal advisory council drawn from private and public sector to enrich expertise in NDF/B membership - This has not been done.

28. NDF/B and PADF speedily resolve their remaining differences- The areas of dispute were resolved by USAID.

29. Exploration of the relationship between NDF/B and PADF expected to continue after conclusion of the OPG-funded project- No formal relationship now exists.

30. Publish a quarterly bulletin - This has not been done.

31. Board make all-out effort to complete fund-raising goal of $75,000 by 9/85 - This goal was exceeded by $8,000.

32. Substantially increase membership - In the last five quarters membership has increased by 5, which is 76% short of the objective established (21).

33. Strengthen relations with public sector while maintaining apolitical stance - This has been done. Those who were government officials removed themselves from the Board.

34. Include key public sector officials in Advisory Council - Not applicable since Advisory Council was never formed.

35. Explore possibility of becoming a channel for some of the CBI funds by requesting determination from Central Bank as to NDF/B eligibility - This was never authorized by USAID/Belize.

Annex E. Budgeted Fixed and Variable Costs for 1987/88
(in U.S. dollars)

TOTAL COSTS		204,584 1/
FIXED COSTS		136,154
Administrative and Office:		
Salaries and Benefits	61,507	
Office and General Expenses	51,086	
		112,593
Operational:		
Salaries and Benefits		
Assistant Loans Officer	6,000	
Other	1,561	
Consultancy and Training	16,000	
		23,561
VARIABLE COSTS		68,431
Operational:		
Salaries and Benefits (4 FEOs)	18,150	
Travel	22,125	
		40,275
Technical Assistance and Training:		
TAF/TAT Project		
Materials and Supplies	4,000	
Per diem Travel	6,000	
FIT Counselling Project		
2 Business Counselors	9,600	
Travel	8,150	
Other	406	
		28,156

1/ Does not include the purchase of a vehicle as this is not considered a yearly expense.

Annex F

Table 1. NDF Clients: Survey Information, March 1988
(Sample size = 48)

	Belize	Orange Walk	Cayo	-----Total----- Number	Percent
Number of clients	21	20	7	48	100.0
INFORMATION ABOUT THE CLIENT/BUSINESS					
Ownership					
sole proprietorship	19	20	7	46	95.8
partnership	2	0	0	2	4.2
Number of employees	2.4	0.7	0.9	1.5	
Asset size (US$)*	5,943	4,146	5,639	5,155	
Age	39	42	42	40	
Direct women beneficiaries	4	6	1	11	22.9
Yrs. in business (indep.)	7.3	7.5	4.9	7.0	
Licensed	11	2	0	13	27.1
New project	4	6	5	15	31.3
Business failures	1	1	2	4	8.3
First time borrowers	15	15	6	36	75.0
Second time borrowers	4	4	1	9	18.8
Third time borrowers	2	1	0	3	6.3
TRAINING RECEIVED					
From NDFB	7	13	2	22	45.8
From other source	8	8	3	19	39.6
NDFB & other source	4	6	1	11	22.9
INFORMATION ABOUT THE LOAN					
Average loan size	3,358	3,132	4,312	3,386	
Number of loans	29	26	8	63	100.0
Purpose of the loan**					
working capital	3	5	0	8	12.7
equipment & machinery	16	9	4	29	46.0
combination of both	3	9	3	15	23.8
other	7	3	1	11	17.5
Approval time (weeks)	5.8	8.3	3.8	6.6	

* Sample size: Belize 20, Orange Walk 18, Cayo 5.
** The percentages are with respect to the total number of loans.

Annex F

Table 2. Survey: Distribution of Loans by Category

	Belize	Orange Walk	Cayo	Total	Percent
Total	21	20	7	48	100.0
PRODUCTION & PROCESSING					60.4
1. Furniture & Woodworking	2	2	1	5	10.4
2. Garment & Tailoring	1	1		2	4.2
3. Shoes and Leatherwork	1			1	2.1
4. Welding & Metal Constr.	1	2		3	6.3
5. Crafts & Souvenirs	1			1	2.1
6. Food Processing	2	1	1	4	8.3
7. Agribusiness		9	2	11	22.9
8. General Construction			1	1	2.1
9. Other Microindustries		1		1	2.1
SERVICES					39.6
10. Retailing & Distrib'n	6	3		9	18.8
11. Repairs & Servicing (m Elect., Auto-body Serv.)	2			2	4.2
12. Other Services	5	1	2	8	16.7

ANNEX G

CASE STUDIES OF NDF/B CLIENTS

Success Story No. 1: Mr. Lucio Rodriguez had been doing social work in Cayo District. In 1985 he decided to become independent and open a tortilla business. He heard about NDF/B from a friend and approach an FEO for an initial loan of BZ$ 3239 to buy a flour milling machine. As his sales of tortilla dough started to increase rapidly, he realized that he could continue with his job as a social worker while his wife and daughter took over the business.

His clients, however, would prefer to buy the ready made tortilla for which he would need an oven. He decided to apply for a second loan in early 1987 to buy the oven which would have cost anywhere between BZ$ 5,000 and BZ$ 8,000. The loan officer, however, discouraged him from obtaining such a large loan and he received a smaller loan of BZ$ 2,060 which he used to buy a freezer for his grocery store which he opened using the profits of the tortilla business. His wife now travels once a week to Chetumal to buy supplies for the grocery store.

His BZ$ 5,000 loan for the oven was finally approved in early 1988. He thinks that his clients will be pleased that he will finally offer them ready made tortillas. After his success with the tortilla business, he plans to open another location downhill in San Ignacio. He is very pleased with the services of NDF/B and would like to learn how to keep records. He paid off his two loans ahead of time. He indicated that his standard of living improved notably in all respects, and that in addition he was able to purchase a car for the family and a bicycle.

Success Story No. 2: Mr. Genaro Garcia from Orange Walk Town is in the agribusiness. He grows corn, beans, and vegetables, and sells fresh chicken. He buys the live chicken from the Mennonites and does the processing at home. As he wanted to expand his chicken business, a friend encouraged him to approach the NDF/B for a loan. In October 1987 he obtained a BZ$ 1025 loan to buy an electric plucker. As a result, his sales boomed from a mere 35 chicken per week to 400. Both his wife and himself are now actively involved in the business.

Mr. Garcia realizes that since he has to try to sell by the end of the day all the fresh chicken produced in the day, he sometimes encounters storage problems, and therefore plans to approach NDF/B soon for a second loan to buy a cooler. His immediate plan is to open a small supermarket with the earnings from his business, where he would offer his fresh chicken without having to worry about the storage problem. His future plan is to engage in raising chicken for which he would need a larger investment of around BZ$ 25,000. He is very pleased with the training received from NDF/B and keeps good records of his sales and expenses; however, he would like to receive further training.

More Typical Case No. 1: Ms. Dorita Escalante from Orange Walk Town has been a seamstress for eight years. She concentrated mostly on repairs for a limited number of clients. Having always used a manual sewing machine she wished very much to one day own an electric one so that she could expand her business; however, she thought that she could never realize her dream because she could never get the necessary loan from a bank for lack of adequate collateral. She learned about NDF/B from an FEO visiting Orange Walk and applied for a BZ$ 1,000 loan to purchase the machine, and put BZ$ 800 of her savings to improve her shop and purchase materials. Since she acquired the machine last November, she is getting a lot of jobs, and lately has started to make dresses as well. She proudly shows her clients photos of her very elaborate wedding dress made by herself.

Ms. Escalante attended a training seminar from NDF/B and diligently keeps records of income and expenses. She is quite satisfied with the services offered by NDF/B and would like to attend more seminars.

More Typical Case No. 2: Ms Carolyn Rhodas from Belize City has been in the laundry business for three years. Initially she kept her job at a bank as well. The equipment in her business consisted of only a washing machine. In 1986, she obtained a BZ$ 1,000 loan from NDF/B to purchase a another washing machine and in 1987 she refinanced that loan and obtained an additional one for $BZ 500 to purchase a dryer. With the token operated dryer she is able to handle more jobs, at the same time that she can better control the number of jobs done when she is not at the business. Her immediate plan is to improve the appearance of the waiting area.

She attended one session of a seminar from NDF/B which helped her improve her record keeping, but, she feels that she could use more training. She indicated that with the income from her business she was able to do some home improvements.

Problem Case No. 1: Mr. Faustino Zul, a furniture maker in Orange Walk Town has been in business for himself for 25 years. Wishing to modernize his business, he approached NDF/B for a BZ$ 4,468 loan to purchase an electrical planer, an electrical motor and other equipment. Although the quality of his work has improved, he is experiencing a sluggish demand for his products. His raw material costs are high because he has to add transportation costs for the lumber he purchases from the

Mennonites. In addition, working capital is tight and, as a result, he purchases smaller quantities of lumber more often. He does not wish to make another loan for working capital until he has repaid the present one.

One of the reasons for the sluggish demand is that consumers have a preference for the lower quality, lower priced products of the Mennonites. When asked why he does not produce similar products, his reply was that he is a quality minded furniture maker and could not produce lower quality products, and even if he did, his cost would be 25 percent higher. He is presently in arrears with NDF/B.

Mr. Zul attended an NDF/B seminar which helped him with his record keeping and product diversification, and he would like to receive business guidance, specially in marketing.

<u>Problem Case No.2</u>: Mr. Silvano Cruz from Guinea Grass Valley, Orange Walk District has been in agribusiness for five years. In 1987 he started a swine project with a 2-year BZ$ 6,000 loan from NDF/B. Initially, due to short supply of baby pigs by the Agriculture Department the initiation of the project was delayed. Even though he has been able to fatten 14 pigs in 11 months, he had some difficulty selling them. While he had to pay BZ$ 2 per pound for the baby pigs, he sold most of his product to the meat packers for BZ$ 1.10, and the rest to other buyers at BZ$ 1.25 per pound. He found that buyers prefer leaner pigs for which he gets a slightly better price but it is more costly to grow them since it takes him 8 months to grow them rather than six month otherwise.

<u>Project Failure No. 1</u>: Mr. Pedro Tun from San Ignacio, Cayo District has been making blocks for 10 years. For eight years he was an employee wishing to eventually run his own block business and sell other construction materials as well. In 1985 he applied for a loan from NDF/B to purchase a block machine and a truck for transporting materials and blocks, but obtained only BZ$ 3,200 purchase the block machine.

He moved to a new location outside town, but soon after he became independent, he found out that orders were not coming as expected, materials were scarce and expensive, one factor being the fact that he had to pay for the cost of transporting materials; and since he did not have a truck, he was also unable to deliver orders and was losing business. He then associated with a partner for a short while, but he found himself short of working capital and was forced to get out of the partnership. He sold all his equipment to his partner and became his employee. At present, he is thinking about getting out of the block business and start on another profession such as welding, although he feels quite experienced in the former. He feels that in spite of the increased competition, he could still make it in the block business for himself if he had another chance.

Mr. Tun did not attend a training seminar from NDF/B and would like to get some business guidance. In spite of his problems he has kept up with the loan payments.

Project Failure No. 2: Mr. George W. Flowers of Orange Walk Town has been in agribusiness and food processing for 41 years. In 1987 he obtained a BZ$ 3,757 loan from NDF/B to purchase an electric oven and start a bakery. He put in BZ$ 2,000 of his savings on the project. He purchased the oven from another baker in Orange Walk Town, but shortly afterwards the oven broke down and could not be repaired for lack of parts. He then decided to return the oven to the seller who kept the oven but has not reimbursed Mr. Flowers for the cost of the oven. Mr. Flowers attended a training seminar from NDF/B and would like to have more opportunities to attend others. He is currently paying interest only on the loan.