

PD-AA2-862

AGENCY FOR INTERNATIONAL DEVELOPMENT 62822
UNITED STATES A. I. D. MISSION TO BELIZE
EMBASSY OF THE UNITED STATES OF AMERICA
BELIZE CITY, BELIZE, CENTRAL AMERICA

September 18, 1986

Mrs. Teresa Bedran Stark
Chairperson of the Board of Directors
National Development Foundation of Belize
Belize City, Belize, C.A.

Subject: Grant No. 505-0011-OPG-6006-00

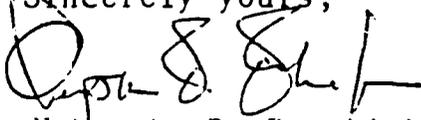
Dear Mrs. Bedran Stark:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to the National Development Foundation of Belize (hereby referred to as the "NDFB" or "Grantee") the sum of \$30,000 to provide support for a program in expanding and strengthening the lower levels of the private sector, i.e. the micro and small scale entrepreneurs, and create a more solid base for their development and that of the overall private sector, through the provision of credit, business guidance and training.

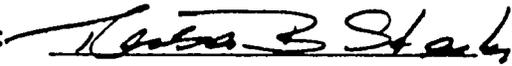
The grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending September 30, 1989.

This grant is made to the NDFB on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled "Schedule", Attachment 2, entitled "Program Description", and Attachment 3, entitled "Standard Provisions", which have been agreed to by your organization.

Please sign the original and two (2) copies of this letter to acknowledge your receipt of the grant, and return the original and one (1) copy to USAID/Belize.

Sincerely yours,

Neboysha R. Brashich
A.I.D. Representative

RECEIVED:

By: 
Title: NDFB Chipman

FISCAL DATA

Appropriation:	72-1161021
Budget Plan Code:	LDAA-86-25505-DG13
Funding Source:	A.I.D. Project 505-0011
Total Obligated Amount:	\$30,000
Total Estimated Amount:	\$100,000

Attachment 1

SCHEDULE

A. Purpose of Agreement

The purpose of this Agreement is to expand and strengthen the lower levels of the private sector through the provision of credit, business guidance and training to micro and small scale entrepreneurs.

B. Period of Agreement

1. The effective date of the Grant is September 18, 1986. The expiration date of this Agreement is September 30, 1989.

2. Funds obligated hereunder are available for program expenditures for the estimated period from the date of this Agreement to September 30, 1989, as shown in the Illustrative Financial Plan below.

C. Amount of Agreement and Payment

1. The total estimated amount of this Agreement for the period shown in B.1 above is \$100,000.

2. A.I.D. hereby obligates the amount of \$30,000 for program expenditures during the period set forth in B.2 above and as shown in the Illustrative Financial Plan below.

3. Payment shall be made to the Recipient in accordance with procedures set forth in the Standard Provision entitled "Payment- Periodic Advance" in Attachment 3, Standard Provisions for Non-U.S. Non-Governmental Grantees.

4. Additional funds up to the total amount of the Agreement shown in C.1 above may be obligated by A.I.D. subject to the availability of A.I.D. funds, and to the requirements of the Standard Provision of the Grant entitled "Revision of Grant Budget".

D. Financial Plan

The following is the Financial Plan for this Grant, including local cost financing items, if authorized. Revisions to this Plan shall be in accordance with the Standard Provision of this Grant, entitled "Revision of Financial Plans." Actual expenditures may vary up to 15% from the line item amounts presented below. Any variation in excess of this must be approved, in advance, by the A.I.D. Representative. A.I.D. grant funds shall be maintained in a separate bank account and shall be accounted for separately from other funds.

Line Item	This obligation Sept. 86-Dec. 86			Total Estimated Amount (All Yrs.)		
	(IN U.S. \$THOUSANDS)					
	<u>AID</u>	<u>NDF</u>	<u>OTHER</u>	<u>AID</u>	<u>NDF</u>	<u>OTHER</u>
1) Salaries and Office Costs	25	2		37	95	15
2) Program Operation Costs		5		8	58	48
3) Vehicle				16		
4) Commodities		5		9		
5) Int'l Travel and Consultancy	5			18		
6) Technical Assistance and Training for Clients		10				9
7) Evaluation				12		
8) Revolving Loan Fund			70		166	469
TOTAL	30	22	70	100	319	541

E. Reporting and Evaluation

1. Financial Status Report. The financial reporting requirements are detailed in the Standard Provision entitled Payment-Periodic Advance, of the attached Standard Provisions. In accordance with this provision, the financial reports entitled "Public Voucher for Purchases and Services Other Than Personal", SF-1034, and "Federal Cash Advance Status Report," W-245, shall be submitted to USAID on a quarterly or more frequent basis.

2. Program Progress Reports. The Grantee shall monitor performance under the Agreement and ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. Based upon this monitoring, the Grantee shall submit quarterly performance reports to USAID that present the following information for each activity under the Agreement:

- a. A complete list of program and institutional targets for the quarter being reported and for the next quarter. Program targets should include number beneficiaries, number of jobs protected and created, businesses assisted, loans made, and other targets mutually agreed to by the Grantee and USAID. Institutional targets should relate to membership, local fundraising, staffing levels, training, and program reviews.
- b. Financial reports as NDFB and USAID may mutually agree upon.
- c. Reasons why established targets were not met;
- d. Adequacy of remaining funds to reach goals; and
- e. Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit cost.

The Grantee shall submit the quarterly performance reports to USAID's Project Development Office. If any performance review discloses the need for change in the budget estimates, in accordance with the criteria established in Standard Provision entitled "Revision of Grant Budget", the Grantee shall submit a request for budget revision.

3. Evaluations. Eighteen months after initiation of activities, a mid-term evaluation of the program will be undertaken, the elements of which will be mutually agreed to by NDFB and USAID. A final evaluation will be undertaken 3 months prior to the Project Assistance Completion Date.

F. Overhead. The grant will not finance any overhead costs.

G. Special Provisions

Standard Provisions for Non-U.S., Nongovernmental Grantees are contained in Attachment 3. All Standard Provisions apply to this grant, except for those listed below.

- 14B Payment-Cost Reimbursement
- 19 Subagreements
- 22 Patents Rights
- 23 Negotiated Overhead Rates
- 26 Voluntary Population Planning
- 27 Protection of the Individual as a Research Subject
- 29B Title To and Use of Property (Cooperating Country)
- 29C Title To and Use of Property (U.S. Government)

H. Title to Property

Title to all property financed under this grant shall vest in the grantee, subject to the conditions stipulated in Standard Provision No. 29A, Title to and Use of Property (Grantee Title).

I. Authorized Geographic Code

The Authorized Geographic Code for procurement of goods and services under this Grant is 000, the United States, or Belize, except as A.I.D. may otherwise agree in writing.

PROGRAM DESCRIPTION

CONSOLIDATION AND EXPANSION OF THE PROGRAM OF THE NATIONAL DEVELOPMENT FOUNDATION OF BELIZE (NDF/B)

INTRODUCTION

This proposal is a multi-purpose proposal. The format is based on the outline recommended in AID Handbook 3, App 4B, page 4B-6 through 4B-12, of 30 September 1982, since the proposal is being presented first to AID. However, it will also be presented to other potential donors in that AID has indicated that it cannot satisfy the totality of the external funding requirements of the National Development Foundation of Belize for the three-year period covered in this proposal. Rather, AID, which provided the initial grant funding for the establishment of the foundation and its program of assistance to the Small Scale Enterprises (SSE) Subsector, has encouraged NDF/B to broaden its funding base through fundraising drives both domestically through local private sector donations and contributions as well as through contact with and proposal presentation to international donor (grant and loan) organizations.

NDF/B has received grant assistance from the Inter-American Foundation (IAF), in addition to AID grant assistance, and is in contact with PACT, Public Welfare Foundation, Barclay's Bank, CDB (IDB).

NDF/B will present this proposal to these and other organizations. A cover letter will indicate what portion of the budget or aspect of the program NDF/B requests from each organization it contacts.

PART ONE: PROJECT PURPOSE AND DESCRIPTION

A. Purpose

Project Purpose

To expand and strengthen the lower levels of the private sector -- the micro and small scale entrepreneurs -- and create a more solid base for their development and that of the overall private sector; through

(BASIC STRATEGY)

the provision of credit and business guidance, advice and training to carefully screened and selected micro and small entrepreneurs who do not have or are denied access to credit through the usual commercial or public sector financial channels.

Institutional Purpose

To consolidate and continue the institutional development of the NDF/B.

Grant and Loan Funding Purpose

To provide financial assistance to the National Development Foundation of Belize (NDF/B) in consolidating and expanding its ongoing program of assistance to the subsector of small scale and micro entrepreneurs as well as in continuing its institutional development.

B. Target Group

As suggested in the statement of Project Purpose, above, the major focus of the NDF/B program is the lower and marginal strata of the private sector -- the SSE (Small-Scale Enterprise) Subsector. In this context, the SSE Subsector is understood to subsume the micro as well as the small scale entrepreneurs.

The SSE Subsector, per se, is not the target group. It includes the target group, which is more narrowly defined as entrepreneurs (micro or small scale) who:

-- are denied access to commercial (or public sector) credit;

- have assets of BZ\$25,000, or less; and,
- have ten employees, or less.

The target group is described in more detail in Section Three (Project Analysis) in the discussion of socioeconomic factors.

C. Summary Description of the Project

While the project is described in detail in Sections Three and Four, in order to provide an overview early on in this proposal, this summary description is provided, particularly for those readers who are unfamiliar with the NDF/B or its program.

The project is, in essence, a second phase of an Agency for International Development (AID) and Government of Belize (GOB) grant-funded, three-year project, which as stated in the project agreement, was to "...support the establishment of the National Development Foundation of Belize (NDF/B) and its program to support micro-enterprises."

That project comes to a conclusion at the end of September 1986. This new project, which is the subject of this proposal, has been designed to expand and consolidate the NDF/B program, which was created and developed during the past three years, and reinforce and continue the institutional development of the foundation.

This is a private sector initiative. The National Development Foundation of Belize is a private sector institution.

The project has two major components: the provision of credit to carefully screened clients selected from the target group coupled with the provision of business guidance, advice and training. These are considered indivisible in that credit (i.e. a loan) is not extended to a potential client unless he/she agrees to accept business guidance and advice, or the NDF/B is satisfied that the client does not require it.

Both the experience of the NDF/B, as well as that of other foundations or similar institutions working in the SSE Subsector, has shown that while lack of credit is easily identifiable as a major constraint to the growth and prosperity of the SSE Subsector, the lack of business acumen and skills may be even more critical and, in the absence of some guidance and training, credit provided to target group entrepreneurs could easily be dissipated or misused.

For this reason, this and similar programs elsewhere in the Latin American and Caribbean (LAC) region make the provision of some form of guidance, advice or training a requisite, complementary component to the provision of credit. This, obviously, raises the cost of these programs and distinguishes them from purely lending programs. It has been shown that, given a critical mass of loan portfolio, plus the careful making and recovery of loans, such programs should be able to achieve relative self-sufficiency within three to five years of their initiation (including the organizational and start-up phases). However, the degree and intensity of the business guidance, advice and training component tips the balance and requires some form of continual subsidy, if this component is not to be eliminated or curtailed.

An additional component of this project is that of institutional development. Under the just-completed project, referred to earlier in this subsection, NDF/B received guidance and tutelage from the Pan American Development Foundation (PADF) of Washington, D.C. The grant funds were provided to PADF to be jointly administered by it and the NDF/B under terms of an agreement between the two foundations.

PADF provided training and technical assistance to the NDF/B (both in Belize as well as in seminars and workshops out-of-country), which, coupled with the combined efforts and expertise of the NDF/B Board (composed of professional and business persons in Belize), the program has been institutionalized and the NDF/B has reached a level of maturity and recognition, enabling it to venture out completely on its own. This is further discussed in Section Two.

However, the Board is aware of the need for further strengthening of the foundation and has planned for continued enrichment of management and staff through solicitation for technical assistance and specific training opportunities -- on-the-job as well as outside of the office and the country. This is further discussed in Sections Three and Four.

D. Conditions Expected at End of Project

By the end of this project, it is anticipated that the following conditions will prevail. These are presented as best estimates and premised on the assumption that budget will have been realized through successful fundraising campaigns: grants, loans and donations from local and international sources.

<u>CONDITION OR INDICATOR</u>	<u>CUMULATIVE TOTAL-LOP*</u>
<u>PROGRAM GOALS</u>	
(These include Swine Project and BIM Training Loans)	
Number of direct beneficiaries (clients)	700
Of which, number of women	200
Number of indirect beneficiaries (Dependents <u>plus</u> existing employees)	4,700
Existing jobs protected (Including entrepreneur/client)	1,900
New jobs created	200
New businesses assisted	150
Loans: Number	600
Amount	BZ\$2,400,000
Average Size	BZ\$ 4,000
Loan Portfolio	BZ\$2,991,800
<u>INSTITUTIONAL GOALS</u>	
Membership (new)	50
Local Fundraising (Private Sector Donations)	\$ 150,000
Staff: Management Level (including mid-management)	1
Support Level	0
Operational/Field Level	2
Staff Training Events	36
Board Retreats and/or Full-scale Program Reviews	3

*LOP = Life of Project

PART TWO: PROJECT BACKGROUND

A. The National Development Foundation of Belize (NDF/B)

On 28 July, 1983 the U.S. Agency for International Development Mission to Belize (USAID/Belize) provided a US\$ 142,000 grant to the Pan American Development Foundation (PADF) "...for a three-year development project...to Support the Establishment of the National Development Foundation of Belize (NDF/B) and its Program to Support Micro-Enterprises." This was in addition to a previously designated local currency grant of BZ\$ 770,000 (equivalent to US\$ 388,000) provided jointly by USAID and the Government of Belize (GOB) under terms of the AID Balance of Payments Loan (14 December 1982) to the GOB. Grant funding thus totalled the equivalent of US\$ 530,000 for that project -- the predecessor to the current project, subject of this proposal.

The antecedents to these events can be traced to early 1982 when PADF made contact with some Belizean private sector leaders and introduced them to the National Development Foundation concept and philosophy which had been employed in the establishment of a number of National Development Foundations (NDFs) in Latin America and the Caribbean.

Additional contacts were made, culminating in May 1982 in the formation, by a group of Belizean private sector business and professional persons, of a Steering Committee to make the concept of a national development foundation a reality in Belize.

Essentially, this involved the creation of an organization consisting of members drawn from a cross-section of the private sector committed to the socioeconomic development of Belize with particular focus on the lower and marginal strata of the private sector -- The SSE (Small-Scale Enterprise) Subsector. Similar to the SSE subsectors in other developing countries in the region, it was determined that the small scale and micro entrepreneurs of Belize suffered from the twin problems of lack of access to credit, other than that provided by usurers or small loans from family or friends, and of serious deficiencies in business administration (including critical problems of production, equipment and materials supply, cash flow, pricing, and marketing).

The manner in which these twin problems could be addressed and at least partially alleviated became the focus of the Steering Committee as it worked for the establishment of the foundation

-- in essence, an adaptation of the NDF model introduced by PADF. It was the strongly felt position of the Steering Committee as well as the current Board that assistance to the SSE subsector is not a charitable act -- rather it is perceived as a means of strengthening the underpinnings of the overall private sector.

The Foundation became a reality with the legal registration on 5 January 1983 of its Memorandum and Articles of Association, as a company limited by guarantee and not having share capital. The Foundation consisted of fourteen founding members. According to its Memorandum of Association, its 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."

Simultaneously, the NDF/B was exploring, with PADF, sources of funding to provide a secure financial base for its operations. Over a period of months (and several drafts) a proposal for an Operational Program Grant (OPG) was prepared and presented to USAID/Belize. These efforts resulted in the provision of the grant funds mentioned above.

The Life of Project (LOP) time-span was designated as slightly more than three years -- from 28 July 1983 through 30 September 1986. The U.S. dollar grant funds (\$142,000) were to be disbursed directly by PADF to cover the costs of technical assistance and training (including a survey of the SSE Subsector, an evaluation and coincidental international travel) provided directly by PADF to NDF/B in addition to the dollar costs of equipment and commodity purchases made by PADF on behalf of NDF/B, as well as NDF/B international travel.

The local currency grant funds (BZ\$770,000) were to be disbursed jointly by PADF and NDF/B under arrangements spelled out in a joint agreement (signed 24 October 1983), and were designated to cover most of NDF/B's initial three-year operating costs as well as to set up a revolving fund to benefit micro-entrepreneurs. It was also anticipated that the NDF/B on its own, locally, and with PADF assistance,

internationally, would raise additional funds to cover the balance of operating costs as well as to provide additional financial resources for the revolving fund.

While the NDF/B had been legally registered in January 1983, it celebrated its official inauguration on 30 March 1984 with a ceremony attended by some 200 business, professional and community leaders of Belize. The key patron was the Prime Minister of Belize.

This event had been preceded by intensive organizational and start-up activities, including the conduct of "A Survey of Micro-Enterprises and Small-Scale Businesses in Belize" (more commonly known as the Sam Mintz Survey, in reference to the PADF Consultant contracted for the task). During this period (July 1983 - March 1984) the NDF/B also recruited and trained staff on an incremental basis; prepared administrative manuals and procedures, defining personnel, loan and other operational policies; set up the accounting system; and, appointed the various committees of the Board, including the key Loans Committee.

Institutional development was enhanced by training opportunities provided through the auspices of PADF for Board and Management -- attendance at out-of-country seminars and forums; and by direct training provided to its field extension officers (FEOs). NDF/B also initiated an ongoing, in-house, on-the-job training program for staff.

Its program got fully underway with the provision of the first set of loans approved by the Loans Committee in April 1984. By the end of June 1985, NDF/B had made 111 loans to micro and small-scale entrepreneur totalling BZ\$ 359,143, representing the protection of 130 jobs and the creation of 57 new jobs. As of 31 July 1986, NDF/B has approved 281 loans, for a total of BZ\$ 813,000.

NDF/B currently has a staff of nine, consisting of:

Managing Director

Accountant/Training Officer

Secretary/Assistant Administrator

Accounts Clerk

Receptionist/Typist/Cashier

Three FEOs

Assistant Clerk/Messenger

It plans to hire a Loans Officer and two Field Extension Officers, bringing its complement to 12. NDF/B has a current membership of 50, and a Board of 11 Directors. The Board has three committees: Loans, Executive and Fundraising/Public Relations.

Table I shows a comparison between NDF/B and some other NDFs which have been organized with assistance from PADF. The downward trend of costs (program plus administration) relative to money loaned is very favorable (from 2.017 - 1983/84 to 0.2645 -- 1985/86) and the current ratio is the lowest of all the foundations reported in this Table.

NATIONAL DEVELOPMENT FOUNDATION
OPERATING COST ANALYSIS

NAT. DEV. FOUND.	YEAR		COSTS ¹			VALUE LOAN PORTFOLIO YEAR END	RATIO COST OF LOANS	AVERAGE US\$ NEW LOAN SIZE	NO. OF LOANS	US\$ VALUE LOANS WRITTEN OFF	VALUE LOANS LATE
	CALENDAR	OPERATION	ADMIN.	PROG.	TOTAL						
HONDURAS FUNADEH	1985	1			200,182	291,330	.687	3,099	67	NONE	.3%
JAMAICA	1982 (15 mos.)	1	218,386	168,187	386,573	150,259	2.57		96		
	1983	2	440,083	363,222	803,305	785,046	1.023		303		
	1984	3	758,495	482,556	1,241,051	1,905,174	.6514		439		
	1985 ⁴	4	1,391,491	949,422	2,340,913	4,123,994	.5676	1,583	445		
BELIZE ²	FY 1983/4	1	131,499	34,173	165,672	82,358	2.017	1,482	59	NONE	
	FY 1984/5	2	167,337	54,383	221,720	335,625	.6606	1,699	115	NONE	
	FY 1985/6 8 months	3	79,730	31,075	110,805	418,871	.2645	1,876	80	NONE	7.9%
DOMINICA	1982	1			87,096	183,418	.4748	1,392	40		
	1983	2			227,873	317,611	.717	1,069	123		
	1884	3			239,025	471,921	.506	1,047	120		
GUATEMALA WOM. FDN.	1985 ³	4			57,635	182,112	.3165	2,341	48		
GRENADA	1985	1	34,551	25,264	59,815	156,891	.3812	1,687		NONE	

1 in currency of country

2 1984 year of 13 months ending 9/30/84

3 Exchange Guatemala 2.5

4 Exchange Jamaica 5.5

SOURCE: PADF (Pan American Development Foundation)

L.T/mch

July 22, 1986

* 6.2% by NDF/B Records

TABLE I

*

NDF/B set a goal for itself of raising BZ\$ 150,000 in local contributions. It seems apparent that it will realize this goal (in cash as well as pledges) by the end of September 1986 (the end of the first project). It has received a grant of \$174,000 from the Inter-American Foundation (IAF) to assist in defraying client training costs and to provide additional loan funds targeted specifically at the micro entrepreneurs, and, a ten-year, 2% loan of BZ\$ 120,000 from the GOB/USAID Livestock Project for a swine production and improvement subproject.

In addition, NDF/B has been assigned the role of handling loan funds for the TEP Project (Training for Employment and Productivity). Belize Institute of Management (BIM) is the implementing agency. The project is a USAID/Chamber of Commerce initiative. It is currently estimated that NDF/B will handle a fund of US\$ 200,000.

NDF/B underwent a mid-term project evaluation in August of 1985, which, on balance, was positive and favorable.

"The overall finding is that while the project is just entering its third and final year, the indicators and specific objectives have been achieved -- most, wholly; and a few, in part. These range from the institutional goal of setting up 'a viable, indigenous institution...' to...specific goals of providing assistance (loans plus business guidance and technical advice) directly to selected clients."

The Evaluation Report stated:

"...that the NDF/B is a...development financial institution with a basically positive track record. It has a hardworking and dedicated staff supported by an equally hardworking Board. Its financial records and management have received favorable scrutiny by external auditors as well as a representative of the AID Controller's Office."

"It has received the support and endorsement of Government and enjoys basically good community relations in the private sector."

B. Other Host Country Activities in Project Area

Th NDF/B program is essentially unique in Belize as a private sector initiative. While a few charitable organizations provide some limited financial assistance, including small

loans, to a small number of clients and/or provide guidance in the rudiments of running a business, these programs are limited in scope and are components of larger efforts to assist marginal, poor people, particularly women.

The only other private sector programs which are somewhat comparable to the NDF/B program are: BARD, Help for Progress and Belize Federation of Agricultural Cooperatives. However, these do not provide the type of follow-on guidance and advice to clients, characteristic of the NDF/B program.

BEST provides technical assistance to cooperatives and small and medium scale businesses.

The study: The Financial System of Belize, funded by AID, prepared by Jalil Shoraka for Arthur Young & Co., lists three local institutions, apart from the Central Bank and the commercial banks -- NDF/B, the Development Finance Corporation (DFC) and Credit Unions -- as components of the system.

The DFC, a public sector institution does provide small loans (65% of its 1183 approved loans in 1985 were for BZ\$ 5,000 or less). However, almost 80% of its loans were for agriculture and agri-industry and were for clients who are probably just above the level of NDF/B clients. The average NDF/B loan is currently BZ\$ 3,900.

Credit unions, which are an important part of the financial system of Belize, are another source of credit. According to the Study, they "...provide 11 percent of the financial system's credit to the private sector." However, loans are not targeted exclusively for entrepreneurial activities or the SSE Subsector, are limited to members only and do not carry a business guidance and training component.

PART THREE: PROJECT ANALYSIS

A. Socioeconomic Factors

The problem area which is addressed by this project, identified previously, is the twin constraint faced by many entrepreneurs in the SSE Subsector: limited or no access to credit and serious deficiency in business skills and know-how. Credit alone will not automatically lead to successful entrepreneurial ventures. The borrower must clearly know why the funds are needed, how much is needed and the best manner of effectively utilizing credit that is provided. Conversely, an entrepreneur in the SSE Subsector can possess or be taught basic business skills, but the lack of the necessary assets and collateral to secure commercial bank financing is a serious handicap in trying to make a success of his/her business.

In the current economic/financial situation in Belize even those entrepreneurs who are at a higher level (assets plus business volume) than the NDF/B target group are finding it increasingly difficult, even impossible, to secure credit.

The composition of the target group is best illustrated by summarizing the findings of the Sam Mintz Survey (December 1983) as well as the findings of the mini-survey of the NDF/B clients (25% sampling) conducted in conjunction with the midstream project evaluation (August 1985).

As indicated in Section One, the target group is drawn from the SSE Subsector. Current NDF/B policy limits the group to entrepreneurs who:

1. are denied access to commercial (or public sector) credit;
2. have assets of BZ\$ 25,000, or less; and,
3. have ten employees, or less.

In practice, the latter characteristic is not a limiting factor, since according to the evaluation, "...one could list five as the limit without prejudicing any loan which has been approved or disbursed."

The Sam Mintz Survey suggested a target group with the following characteristics:

"Firms which have applied for commercial credit from bank and non-bank institutions, but were rejected;

Firms which have never applied for institutional credit but lack fixed assets: and,

Firms which sought credit from informal lending sources only and lack fixed assets."

NDF/B estimates that the target group entrepreneurs have an average of five dependents, which places pressure on income generation. However, in many instances some of these may form part of his/her work-force, with or without pay.

Another characteristic of the target group, according to the Sam Mintz Survey, was deficiencies in records keeping: 53.1 percent of entrepreneurs interviewed "...indicated that they kept no records. Of those firms which maintain records, only a few kept records of account receivables/payables or kept records of their sales. No firms kept records of their wages and salaries or of their profits and losses." NDF/B supports this finding and, for this reason, places so much emphasis on training clients to keep adequate and complete records and provides follow-up to assure that they are doing so.

The Mintz Survey also identifies marketing as an area which requires attention in the target group: "...adequate marketing is one of the main problems confronting small-scale enterprises..." NDF/B concurs with this finding and adds lack of skill in determining correct sales price and true costs and in performing comparative shopping for inputs: supplies, materials and equipment. While it cannot fully cover all of these areas in its business guidance, advice and training program component, an attempt is made to provide some guidance.

The role of women in the target group is not easily identified. The Mintz Survey found a female ownership rate of only 8.4% of the 143 businesses it surveyed. The evaluation mini-survey of a 25% sampling of NDF/B clients found a rate of 19%.

While the picture that often comes to mind when one mentions a micro or small scale entrepreneur is of a person working alone or with a group of two or three assistants or workers, this is not totally correct, although certainly true of the vast majority. Both the Sam Mintz Survey (SMS) and the evaluation mini-survey (EMS) reveal very similar figures: SMS -- 86.4% sole proprietorships, 13.6% partnerships compared to EMS -- 85% and 15%, respectively. While the SMS did not indicate the

male/female composition of the partnerships, the EMS indicated that 25% of the partnerships were male/female, 75% male/male and 0% female/female.

The SMS indicated, as previously stated above, that the SSE includes but is not synonymous with the target group. SMS findings in 1983 suggest that at that time 58% of the small scale businesses surveyed, "...could probably qualify..." for regular institutional lending (either having received credit or possessing the necessary fixed assets to qualify). By inversion, it was suggested that NDF/Bs target group could be composed of 42% of the SSE Subsector. However, the means available in this survey and previous studies (Coopers and Lybrand) of the business sector to identify the smallest businesses may have been insufficient to produce a significantly accurate figure. In addition, it is apparent, given the tight credit situation in Belize, that some of those firms identified as qualifying for credit in 1983 may today find it impossible. NDF/B is aware of this group, which does not fit exactly into its target group criteria but which is, nevertheless, suffering from lack of credit, to the detriment of the overall development of the private sector. NDF/B is studying alternatives for partially alleviating this problem.

Another problem area which the project seeks to address (and which was addressed in the previous project) is that of limited income and employment generation. The NDF/B program is aimed at both protecting existing jobs (i.e. provide assistance so that they are not eliminated) as well as creating new ones. Its experience in tackling this problem is encouraging.

Statistics compiled for the midstream evaluation reveal the following comprehensive picture of NDF/B impact on employment:

NDF/B DATA

(out of a total of 111 loans disbursed, as of June 1985)

Jobs Protected	130	
Male	115	88.5%
Female	15	11.5%
New Jobs Created	57	
(A ratio of .51 per loan)		
Male	51	89.5%
Female	6	10.5%
Total Number of Jobs Created/Protected	187	
Ratio of these to loans disbursed	1.7 to 1	

These figures were not estimates. They were verified by field extension officers when they examined client books on their regular monitoring and follow-up visits.

Of the 25 percent sampling of clients surveyed in the EMS, the following findings emerged:

New jobs created -- 45% of entrepreneurs surveyed answered in the affirmative.

 Full-time -- 30%

 Part-time -- 15%

Income increased (as result of loan) -- 63%

Income remained the same -- 33%

No response -- 4%

B. Methodology to be Utilized

The approach utilized in the first project will be continued in this new project -- provision of credit coupled with a companion component of business guidance, advice and training to carefully screened and selected clients. The eight-step set of procedures involved in this process are detailed in Section Four.

The screening process involves both encouraging walk-in applicants as well as seeking potential clients at their place of work or community. The latter is necessary, since close to half of the NDF/B clients live and work outside of Belize City and do not have easy access to the NDF/B office. It also is a means of directly marketing NDF/B services and selecting clients, rather than waiting only for walk-ins.

Potential clients are first screened to determine if they are within the target group criteria. Questionnaires and application forms (which often require substantial field staff input given the lack of experience of many applicants in filling out forms and questionnaires) coupled with credit and personal reference checks are utilized to make preliminary determination of eligibility.

Based on past experience, the Field Extension Officer (FEO) who works directly with the applicant in filling out the forms, determines whether application will meet the requirements of the Loans Committee and, if so, completes the set of documents to be presented to the Managing Director (for loans of BZ\$ 1000 or less) or the Loans Committee.

According to the evaluation report, the screening process results in a ratio of 4:1 potential/actual clients (potential clients being those who have gone one step beyond initial inquiry and have actually begun the application process). The ratio is reduced to 3:1 when comparing loan applications which have passed the initial screening process to loans approved by either the Managing Director or the Loans Committee. The Evaluator comments: "While this 3:1 approval ratio at the Managing Director/Loans Committee level is impressive it is due largely to the efforts of the FEOs with support from Management and Staff." This indicates the degree of care dedicated at the pre-approval stage in order to assure that limited loan funds are provided to fully qualified clients and are not squandered or utilized as welfare.

The NDF/B is aware that this represents a high demand for credit in the target group, well beyond available resources. In fact, the evaluation report indicated that only 15% of the dollar amount of demand at the initial application level was satisfied by the amount finally approved and disbursed.

In order to assure efficient utilization of loan funds, during the application process, the FEO assisting the potential client makes an assessment of the training and guidance requirements of the client -- records keeping, pricing and costing,

management, etc. He is responsible for tailor-making a training program for the client and the potential client must agree to accept and participate in this program as part of his/her loan commitment. Some training, i.e. records-keeping, is provided before loan disbursement. Additional training and advice may be provided at the place of business when the FEO makes his regularly scheduled monitoring visit.

These visits also provide leverage for assuring that clients are current in loan repayments. While the delinquency rate has fluctuated +/-5%, if one adds in loans 30 days late, this is increased to 7.9%. NDF/B prefers not to add in these accounts on the basis of experience. Many target group clients have never had any experience in meeting payments on a regularly scheduled basis and tend to lag behind and then catch up and even pay more than the scheduled amount. NDF/B is more concerned with those that approach 60 or 90 days. However, this policy is under review by the Board.

The evaluation report indicated that other organizations in Belize had delinquency rates well in excess of the NDF/B record. For instance, "DFC (Development Finance Corporation) indicated it has a delinquency rate of between 30 and 34 percent...Help For Progress implied...a 50 percent delinquency rate...The Credit Union League...suggested it would be highly pleased with the rate enjoyed by NDF/B."

In addition to provision of technical assistance and training (TAT) to the target group, NDF/B also provides training to its staff, particularly the field staff (FEOs). These have been subjected to intensive training prior to commencing their field work and are given refresher and on-the-job training. NDF/B feels that its field staff is a key component in the delivery of services to the program beneficiaries and that every effort should be made to continually upgrade their skills. This point is further discussed in Section Four.

C. Relevance of Project within PVO Guidelines and AID Policy

While the NDF/B clients cannot be classified as the very poorest majority of the Belizean population, many of them are marginal and barely break even, although, as shown in the previous discussion on the target group (Subsection A, above), most of the clients surveyed (63%) in the evaluation mini-survey indicated income improvement as a result of NDF/B assistance.

As shown in the discussion in Subsection A, above, women are direct beneficiaries of this project -- according to the

evaluation mini-survey 19% of the NDF/B clients were women. NDF/B, however, plans to increase this ratio by more actively canvassing groups who work directly with women micro-entrepreneurs or assist women to become micro-entrepreneurs.

Women also play an important role in the foundation. The Chairperson of the Board is a woman. One-third of the staff are women.

The program has been successful in creating new jobs. According to the statistics compiled for the evaluation, the ratio of new jobs to loans was .51. In the interim, the ratio has dropped somewhat, but the overall ratio for the previous three-year project is about .43.

The program can be replicated. In fact, NDF/B has extended it throughout the country with almost half of its clients outside of Belize City. This has required adaptation depending on the special socioeconomic situation of the given area. With greater resources (manpower as well as financial) NDF/B could easily reach twice or three times as many beneficiaries as is currently the case. The NDF/B also attempts to tie-in with other programs and not work in isolation.

The NDF/B program fits into the AID emphasis on strengthening the private sector and getting it involved in development activities. In keeping with the NBCCA (National Bipartisan Committee on Central America), sometimes referred to as the Kissinger Report, the USAID Mission to Belize in its Action Plan for FY 1987 and FY 1988, indicates the strengthening of the private sector as one of its objective categories. Under this category, AID intends to encourage and assist in modernizing the financial system of Belize in order that it can more effectively channel greater resources to service the needs of newly emerging productive sectors.

Included in the discussion under this category, the NDF/B is identified as an important factor in the development of the SSE (Small Scale Enterprises) Subsector. AID indicates its intention to provide some assistance to the NDF/B in FYs 1987 and 1988.

D. Local Support and Institutionalization

The evaluator of the previously quoted evaluation report, based on numerous interviews with private sector as well as public

sector leaders (included in the latter was the Prime Minister), concluded that "...it appears that NDF/B enjoys good community relations." Some individuals "...indicated that at first there was considerable skepticism regarding the foundation. It was felt (based on the record of other organizations) that it would only be a matter of time before it folded."

The evaluator urged on NDF/B the need to translate this feeling "...into tangible support, particularly on the part of those individuals and institutions in a position to make (cash) contributions now, as well as pledges of future contributions." NDF/B was lagging in its local fundraising drive -- its commitment to raise BZ\$ 150,000. While both prior to the evaluation as well as after the evaluation the Board determined to give high priority to fundraising, the results were disappointing. However, in the past few months the Board has taken a new approach, impressing on potential donors the importance of supporting the NDF/B program, not with charitable contributions but with investments in the development and growth of the lower levels of the private sector. This approach appears to have paid off and it appears certain that the goal of \$150,000 will have been realized by the end of the first project, 30 September, 1986.

NDF/B views this second phase project as a means not only of continuing its program of assistance to the SSE Subsector, but also of consolidating and continuing its own institutional development. It has a plan, detailed in Section Four, for enriching management and staff with additional training and technical assistance. It also seeks to establish links with other private sector organizations, and it will institutionalize local fundraising as an integral, ongoing component of its overall program.

This is in keeping with the position of the Board, as stated earlier, that assistance to the SSE Subsector is not a charitable act. It is a means of strengthening the underpinning of the overall private sector and, therefore, private sector individuals and firms should play an active role in assuring that this type of program continue and be a success.

The Board also believes that the program can and should be utilized to bring together, in dialogue as well as joint venture, these various components of the private sector.

PART FOUR: PROJECT DESIGN AND IMPLEMENTATION

A. Program Implementation

The NDF/B program consists of two major components: provision of credit and provision of business guidance, advice and training. The latter is also referred to by the acronym TAT (technical assistance and training).

While these are considered indivisible in that to receive credit a client must agree to accept the TAT package which has been designed for him/her, the two components are presented and discussed here separately.

1. The Credit Component

The credit component involves a basic eight-step set of procedures, from the time a potential client contracts NDF/B until a loan is actually disbursed:

1. Initial contact;
2. Initial assessment of eligibility;
3. FEO assignment to process application;
4. On-site visit by FEO;
5. Management assessment of eligibility;
6. Additional data requested and/or application prepared for Loans Committee action;
7. Loans Committee approves (rejects) application, or requests further study, data or information;
8. Loan disbursement procedures are activated.

Timespan between step one and step eight varies with the complexity of the loan application; the ease with which the Field Extension Officer (FEO) can contact the potential client and secure the necessary information, data and documents; the degree of cooperation on the part of the applicant; and, the current workload of the assigned FEO. Steps two through four are, at times, telescoped or inverted, depending on the circumstances of the initial contact, particularly when applicants are in areas outside of Belize City.

Each point provides opportunity for disallowing or rejecting the loan application, or referring it back for additional study or data/information.

These, and the steps involved after disbursement, are graphically presented in a Flow Chart prominently displayed on the wall of the NDF/B office where staff, management and clients can refer to it. It is also reproduced in a three-legal-size page fold-out for desk use.

This deceptively simple outline camouflages the amount of time and energy devoted by Staff, Management and Loans Committee in reaching final decisions regarding loans to be approved and disbursed. This involves desk and field time on the part of the FEO, consultations between the FEO, the Accountant and the Managing Director on an individual basis, as well as in weekly loan applications meetings.

The careful scrutiny involved in determining whether a loan application meets loan criteria and will survive final analysis by the Loans Committee (or the Managing Director for loans of BZ\$ 1,000, or less) is illustrated by a study of the fate of 450 loan applications. Only 168 (37.3%) made it to the final decision point and 43 of these (25.6% of 168) were rejected by either the Managing Director or the Loans Committee while the other 125 (74.6%) were approved. However, this study was performed a year ago and during the past year the FEOs have developed greater skill in assuring eligibility of a project before spending too much time processing an application, and advising potential clients at an earlier stage that the loan request would probably not be honored.

The FEO's task is not completed when a loan is disbursed. He is required to make monthly visits to each client assigned to him, and fortnightly visits when the client is determined to be in arrears. The monthly visits are utilized to provide on-site business guidance and advice to the client in such matters as records keeping, accounting, basic marketing, basic management, potential sources of supply for materials and/or equipment as well as to assure timely repayment of the loan. The focus is on the development of entrepreneurship and healthy business attitudes.

The loan application form consists of two parts. Part one covers items such as general information (name and address of applicant, marital status and sex, dependents, employment history and business experience); project description (business category; status of business -- established, new or proposed; employees; status of premises -- owned or rented; and,

references); and, particulars regarding the loan request -- amount and purpose. A concluding section provides space for FEO and Loans Officer or Managing Director preliminary assessment and recommendations.

Part two of the application form covers additional details and data regarding the business and the purpose of the proposed loan: marketing and management information; personal and financial information; technical assistance and training needs; business financial assessment (average month's income/expense statement and balance sheet); proposed loan arrangements (proposed collateral/security); proposed repayment schedule; and a certificate of agreement signed by the applicant. A concluding section provides space for FEO, Loans Officer and Managing Director final assessment and recommendations. See Annex B for the Loans Policy and Criteria.

Since most, if not all, NDF/B clients have no experience filling out this type of application, the FEO must go over each point with the prospective client, explaining and extracting the desired information and data. He must construct, as best as possible, the financial statements which are required, utilizing whatever records or data the applicant has on hand or can secure -- a time consuming task. The FEO must also be able to defend his recommendations (positive or negative) regarding the loan application.

The processing time is not brief, but it compares favourably with that of other similar institutions. Currently, it averages about two months. The workload of the FEO assigned to a given loan application is one important factor in determining length of time required to bring an application to the Loans Committee.

Workload per FEO is currently running above 80 actual and five potential clients per month. Given the amount of time which the FEO must devote to actual clients (follow-up and loan monitoring), the addition of each new actual client incrementally reduces the time he has available for processing new loan applications. This is a cause for concern to both Management and Board and accounts for the decision to hire at least one new FEO now as well as a Loans Officer (a position which has been vacant for almost one year). Given the continuing demand for credit (currently estimated at, at least, three times NDF/B's loan resources) and the increased awareness in the SSE Subsector of the NDF/B program, the walk-in and application rate is not expected to abate.

In keeping with the policy of most other similar development foundations providing credit to selected entrepreneurs of the

SSE Subsector, the NDF/B has determined that it should charge a rate of interest based on the prevailing rates that commercial banks charge and not provide concessionary rates. To do the latter would be a form of welfare and seriously reduce the ability of the NDF/B to reach relative self-sufficiency. It would create a dependent client group and impede the ultimate goal of graduating SSE entrepreneurs to the larger commercial and financial community.

The 12% p.a. rate charged by NDF/B at first appears to be concessionary in comparison to prevailing commercial rates. However, interest is charged up front, making the effective annual rate closer to 23%. NDF/B experience is that SSE clients do not object to the rate. The evaluation mini-survey substantiated this in that no client surveyed expressed disapproval or questioned terms of his/her loan. A longer repayment period or adjustments thereof appeared to be of more concern. This also is the experience of other NDFs.

Interest earnings do not cover all administrative and program costs, but they do provide some coverage. Currently, interest income covers better than one-third of administrative and operational expenses. One of every three loans disbursed is funded from reflows of the portfolio.

Loans are made in twelve categories of production, processing and services:

PRODUCTION AND PROCESSING

- Garment-making
- Woodworking and Furniture
- Shoemaking and Leatherworking
- Welding and Metalworking
- Crafts and Souvenirs
- Food Processing
- Agribusiness
- General Construction
- Other Micro-Industries

SERVICES

- Retailing and Distribution
- Repairs and Servicing (mechanical, electrical, auto-body, etc.)
- Other Services

The evaluation mini-survey found that, in terms of frequency of demand (number of loan applications), food processing and

retail/distribution ranked highest, with other services and food processing leading in dollar demand. However, once the applications went through the process described above, the final top categories were food processing, repairs/services, and furniture/woodworking, in terms of number of loans approved and disbursed; and, in terms of dollar amount, the top categories were furniture/woodworking, repairs/services and other micro-industries.

Although the Board has authorized the Loans Committee to approve loans up to a ceiling of BZ\$ 20,000, the average loan is under BZ\$ 4,000. The Loans Committee meets once a month, or more frequently if necessary.

2. The Technical Assistance and Training (TAT) Component

While the results of the credit component of the NDF/B Program are relatively easy to study and assess, given their tangible nature and the careful manner in which data is collected, aggregated and analyzed by the Board, Loans Committee and Management, the results of technical assistance and training (TAT) component are more elusive and difficult to evaluate. However, NDF/B feels it is as important as the credit component.

Four basic TAT interventions are carried out during loan processing and early disbursement and collections, and follow-up on adaptation and utilization of TAT is an integral part of loan monitoring.

In spite of the heavy caseload each FEO carries (and to the average caseload listed above it is necessary to add the amount of time an FEO spends with potential clients whose applications are eventually turned down), the FEO's perform an invaluable advisory and guidance service to clients.

During the phase when the FEO works with a potential client soliciting data and information in order to fill out the two-part application form, the FEO engages in two TAT interventions. He must get the applicant to provide information regarding the financial status of the business in order to construct the financial statements required. This involves not only the extraction of information from the client but explanations as to why the information is important to the client in order to improve his business efficiency and operations. Almost without exception, this is a learning experience for clients, most of whom have never done cash flow projections or determined net worth. Clients are required to accept this guidance as a pre-condition for loan eligibility.

The FEO also assists the potential client in identifying possible outlets for supply of equipment or materials to be purchased with the proposed loan, suggests some rudimentary changes in production or operations and in marketing. The FEO also insists that the potential client begin keeping business records and provides training (and formats) in how to do this.

After a loan is approved, the FEO conducts two other specific TAT interventions: one during loan disbursement procedures and one during early monitoring of the loan. These are complemented with ongoing advice during regular monitoring visits in which the client is encouraged to discuss any problems he is experiencing in running his/her business and his/her records are checked to assure that they are being kept adequately.

The Board and Management have not been completely satisfied with this component, both in terms of cost and of effectiveness. A determination was made that it needed to be strengthened by planning and initiating a more thorough training program for micro and small-scale entrepreneurs. A grant from the Inter-American Foundation (IAF), mentioned previously, specifically addresses this problem. This is for a TAT pilot project. It involves not only one-on-one but group training as well. In order to maximize the utilization of the grant funds, NDF/B is canvassing other organizations such as the DFC, Help for Progress, CUL, BEST and others in an effort to combine resources, complement efforts and provide greater coverage in the SSE community.

The Sam Mintz Survey addressed the need for technical assistance and training on the part of micro and small-scale entrepreneurs. While it did identify critical areas where such assistance is needed and found that the majority of entrepreneurs interviewed kept no or inadequate records, it concluded that assistance or advice on improving production is not needed:

"The Survey did not suggest a need for NDF/B to provide technical assistance other than management and marketing assistance to small businesses...not one firm interviewed indicated...a problem in the area of production."

This is rather surprising, since NDF/B experience suggests the opposite and, during the evaluation mini-survey of NDF/B clients, several indicated a desire for just such assistance when asked what NDF/B could do to improve its Program. However, in fairness to the Mintz Survey, it should be noted that determination of exact technical (or technological)

assistance and training needs of the SSE Subsector is very difficult to achieve in a question-and-answer type of interview. It requires a more in-depth analysis and observation of operations. The entrepreneur is often unaware of his deficiencies, and, therefore, cannot respond accurately.

The Mintz Survey did state:

"While NDF/B may require firms to accept technical assistance as a condition for granting a loan, care must be taken to avoid the technical assistance scheme from being implemented in an arbitrary fashion. Technical assistance is only as good or as bad as the intermediary who is administering it and skills are only transferred to the extent recipients are willing to be trained. Therefore, NDF/B should clearly understand the needs of small-scale firms before devising and implementing a technical assistance scheme."

The NDF/B accepted the wisdom of this advice and has planned a training program based on its experience and observation of the TAT needs of its clients. It continues to monitor the results of TAT in order to improve it and make it more effective. It plans to seek continued external technical assistance and training for management and staff in this area.

B. Institutional Development Plan

In addition to the expansion and consolidation of its program of assistance to the SSE Subsector, NDF/B intends to utilize the project period to continue its own institutional development. This has five major components:

- enrichment of management and staff;
- improvement of its income position;
- consolidation of its tangible support in the community;
- strengthening of existing and developing new linkages;
- strengthening the Board.

1. Enrichment of Management and Staff

Essentially this will involve a continuation of the specific technical assistance and training of which NDF/B was a beneficiary during the first project. While it depended heavily on PADF for this aspect of institutional development

and, while it will continue to utilize the services of PADF and strengthen its ties with that foundation, NDF/B is also exploring the possibility of developing other sources for technical assistance and training. This will include not only participation in out-of-country seminars and workshops of direct applicability to the foundation and its program, but also of interventions of short-term consultants and specialists.

NDF/B also plans to continue utilizing local resources for training staff. It covered the costs of its FEOs to take accounting courses and, more recently, it joined other organizations in having staff participate in a computer course conducted by BIM (Belize Institute of Management).

As business volume increases and the program expands and becomes more diversified, NDF/B will enrich staff by the careful recruitment and contracting of new staff.

The major constraint in carrying out this aspect of its institutional development will be budgetary.

2. Improvement of Income Position

In order to achieve its plans for expansion and diversification of its program, NDF/B must increase its income position. This will require the simultaneous pursuit and/or consideration of several options:

- a. continued fund raising in the international donor/lending community;
- b. possible upward revision of interest rates, and/or some charges for TAT included in either the cost of the loan, or added to principal;
- c. continued analysis and reduction of costs including, particularly, periodic determination of ways of revising or adjusting the composition of the TAT component, without eliminating it or reducing its impact and effectiveness;
- d. seeking a donor source which would be specifically interested in subsidizing the TAT component, as a follow-on to the IAF-funded TAT project.

NDF/B is aware that the concerns implicit in the above list are shared with other NDFs in the LAC region and that they are considering a number of ways of improving income and reducing costs, with particular attention to the relatively high cost of

TAT. It will continue to monitor these developments through direct contact with some of these sister foundations and through information provided by PADF.

3. Consolidation of Tangible Community Support

NDF/B will continue to seek the support of the private sector for its program through both cash as well as in-kind contributions. It has set new local fund raising goals and will regularly impress on business and professional leaders that it is basically in their self-interest to support the strengthening of the SSE Subsector. The Subsector purchases goods and services from many of the larger firms in the private sector and, in turn, it provides goods and services needed by larger firms.

4. Strengthening of Existing and Developing New Linkages

While the NDF/B has a direct, operational role to play through its program of assistance to the SSE Subsector, it also sees itself in a catalytic role in the community -- in calling attention to the needs of the SSE Subsector and bringing together various segments of the private sector. This area, as well as the previous component of its institutional development plan -- local fund raising, is one in which the Board is a critical factor in its success or failure.

Because its resources are limited, NDF/B must continuously monitor the activities of other organizations and of other programs to determine wherein there are possible linkages or potential joint ventures. It plans to continue this important aspect of institution building. It has already entered into varying degrees of cooperative arrangements with several local institutions, including BEST, BARD, HFP, BFAC, CUL and BRWDO.

5. Strengthening the Board

This aspect of institutional development has two parts: new membership and board training and dialogue.

The first is obvious. NDF/B will continue to enrich its Board by broadening the membership base of the foundation and inviting in a diversity of representatives of the various segments of the private sector. It has been successful in this respect during this past year in that ten new members have joined the foundation and there are four new members on the Board.

Various members of the Board have been able to take advantage of seminars outside Belize, mostly sponsored by PADF -- the most recent being the PADF Forum held in Washington in June 1986. NDF/B will continue to take advantage of these and other seminars and workshops to expose the Board to new ideas, as well as to have contact with Board members of other foundations.

This past year the Board held a two-day retreat over a weekend in San Ignacio. While the retreat was to focus on the future and serve as a planning session, other community leaders were invited to attend and the retreat also served the purpose of creating dialogue and discussion of community issues and problems and the proper role of the NDF/B. NDF/B intends to conduct a similar, though maybe not as lengthy, exercise on an annual basis. Certainly, one forum for dialogue and in-depth analysis will be the annual program review to be conducted in conjunction with the preparation of the annual Work Plan.

C. Commodity Component of Project

- two typewriters (replacement for two manual typewriters)
- computer software and accessories (i.e. surge control)
- one vehicle (sale of current vehicle and replacement in Year Two of this project)

D. Measurement and Evaluation of Project

1. Monitoring and the Reporting System

The project will be monitored by a variety of means. These are the ones currently in place:

- monthly financial and managing director's reports;
- quarterly and annual program reports;
- Loans Committee and Executive Committee activities;
- Board meetings;
- external audits;
- annual program reviews;
- project evaluations (see next subsection).

In addition, the activities of the FEOs are monitored on a daily basis and, more formally, on a weekly basis in the loans applications and arrears meetings. The performance of clients is monitored by the FEOs who, in turn, report their findings to the Managing Director.

The quarterly report sent to donor or lending institutions will focus on progress on achieving targets -- both those set for the full life of the project (LOP) (three years), as well as

those previously set for the year and the quarter. A simple format with some variations such as the following will be utilized:

- targets for the current quarter (compared to annual/LOP)
- degree of meeting those targets (met, fell short, exceeded)
- explanation of differences between target and actual accomplishment
- discussion of any problems encountered
- discussion of suggested changes in overall program plan and targets
- targets for next quarter

The annual program reviews will be conducted by the Board, preceded by management and staff preparation of data and information on accomplishments and problems encountered. These reviews will focus both on the immediate past performance of the program, as well as set guidelines and targets for the new year.

2. Project Evaluations

NDF/B plans to conduct two evaluations during the life of the project: one midstream evaluation on or about the eighteenth month, and one end-of-project evaluation during the last quarter of the project. The first should focus on accomplishments and project management, and provide information on any needed or recommended changes in the program. The second evaluation should focus on accomplishments, as well, but also analyze the impact of the NDF/B program during the current project as well as since its inception. It should be conducted early enough prior to the final conclusion of the project to provide information and data for the preparation of any needed funding proposals.

The extent to which external consultants can be utilized will depend heavily on availability of funds. NDF/B has placed this in its Budget as a line item and will seek foreign exchange support for these two evaluations.

PART FIVE: FINANCIAL PLAN

This section is presented in two parts: narrative description of the NDF/B's financial plan and tabular presentation of cash flow projections, budget and funding sources.

In order to carry out in full the project that has been described in this proposal, NDF/B must increase its income and must do so by pursuing three major options, each of which it plans to pursue simultaneously:

- funding requests (proposals) presented to international organizations and to Government (ESF funds) for grants and loans;
- local fundraising;
- reduction of costs/increased coverage of costs through earned income, principally from interest on loans to clients and from deposits in the bank.

The fourth option -- closing down the program or retrenchment -- is not acceptable, though possible if adequate funds are not secured.

This proposal, as indicated in the introduction, is a multi-purpose proposal. It is being presented first to USAID/Belize from which organization NDF/B is requesting \$200,000 over the life of the project. It will then be presented to the following organizations: PACT, IAF, CDB (IDB), Public Welfare Foundation, Barclays Bank Development Fund, CIDA, EEC, ODA.

It will also be utilized to reinforce NDF/B's request for loan funding from the Government of Belize from ESF funds.

As indicated in the previous section, NDF/B plans to continue, on a regular basis, its local fundraising drive, and has set suggested targets for this important component of its overall financial strategy.

Also as indicated in the previous section, NDF/B will continue to explore various possibilities for reducing costs as well as to increase coverage of its administrative and operational expenses. Among the latter, the Board will study the possibility of increasing interest charged for loans, increasing fees, adding some TAT costs to principal. These approaches are currently under discussion and study in other NDFs and NDF/B will monitor their experience through direct contact and information provided by PADF.

Financial Tables follows. These consists of:

- A. BUDGET SUMMARY -- by Estimated Disbursements
- B. BUDGET SUMMARY -- by Sources
- C. LOANS PORTFOLIO PROJECTIONS
- D. PROJECTED CASH FLOW -- by Expenditure Categories
- E. PROJECTED CASH FLOW -- by Sources

The reader would be aware of the following details in reading these tables, particularly Table B: Budget Summary by Sources, and Table E: Projected Cash Flow by Sources.

In order to broaden its financial support base, NDF/B has contacted several institutions and has received either firm or conditional commitments. It has made preliminary contact with others and plans to contact yet others. These are summarized below:

<u>INSTITUTION/PROGRAM</u>	<u>COMMITTED (US\$ 000)</u>	<u>ANTICIPATED (US\$ 000)</u>	<u>REQUESTED OR TO BE REQUESTED (US\$ 000)</u>
USAID	100		100
GOB ESF Loan L/C		100	100
GOB (Swine Project)	60		
BIM (Training Proj.)		200	
PACT	40		
IAF		40	
PWF		75	
Barclay's Bank		100	
CDB (IDB)			500
CIDA			X
EEC			X
ODA			X
	200	515	700

Thus from external sources, NDF/B anticipates receiving US\$ 815,000 either in committed or anticipated funds. Some of these funds (Swine Project, BIM, CBI) are/will be specifically targeted for on-lending. NDF/B will request an additional \$ 700,000 for a total of US\$ 1,415,000.

NDF/B anticipates an additional \$ 678,986 from carry-overs and surpluses (from existing grants and income), from new income (interest earnings from loans as well as deposits and administrative fees), from local fund-raising and from loan reflows.

If the assumptions made in this Financial Plan prove correct, total anticipated income/funding flow for the 3-year, 3-month period would amount to over US\$ 2,000,000.

The Budget, in support of the implementation of the proposed project has been based primarily on experience gained from the 3-year OPG expiring 30th September, 1986. There were also guidelines prescribed by Board.

Among those guidelines were principally the need to keep costs down, yet maximize inputs; transfer to this budget the dollar expense line items formerly handled by PADF; provide for an expanded and diversified loans portfolio with additional needed staff and computer technology.

Those guidelines led to the decisions of freezing management salaries for the LOP and continue local fundraising; addition of a Loans Officer and two Field Extension Officers (one immediately and the other after six months time); inclusion of International Travel and Consultancy, Commodities, Vehicle, and Computer Installation and Training.

The budget has also assumed a comprehensive breakdown in its format to facilitate cash reporting, monitoring and interpretation. It provides specific line items to indicate proposed utilization of requested funds and shows percentages of contribution by NDF/B, USAID and other donors.

Care was given not to relax local fundraising and so BZ\$155,000 is the target, in spite of difficulties in the Economy.

The loan funds needed, as shown, represent the deficit between cumulative available loan funds and targeted lending over the period, on a yearly basis.

A. BUDGET SUMMARY (US\$)
Estimated Disbursements

	3 Months 30.6.86 to 30.9.86	FY 1986/87	FY 1987/88	FY 1988/89	TOTAL
Administration	22,000	97,000	101,000	106,000	326,000
Operations	15,000	67,200	68,200	71,700	222,100
Venicle	0	0	16,000	0	16,000
Commodities	0	3,000	3,000	3,000	9,000
International Travel & Consultancy	0	16,000	10,000	10,500	36,500
TAT Program (staff & clients)*	10,000	10,000	8,000	8,400	36,400
Computer Installation & Training	5,000	3,000	0	0	8,000
Evaluation	0	0	10,000	10,000	25,000
Revolving Loan Fund (loans made)	<u>70,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>1,270,000</u>
Total	<u>122,000</u>	<u>596,200</u>	<u>616,200</u>	<u>614,600</u>	<u>1,949,000</u>

*TAT Pilot Project (IAF funded)

B. BUDGET SUMMARY (US\$)
Sources

	USAID (requested)	IAF	OTHERS	NDF/B	TOTAL
Administration	105,600	0	29,900	190,500	326,000
Operations	7,900	0	96,800	117,400	222,100
Venicle	16,000	0	0	0	16,000
Commodities	9,000	0	0	0	9,000
International Travel & Consultancy	36,500	0	0	0	36,500
TAT Program (staff & clients)*	0	18,000	18,400	0	36,400
Computer Installation & Training	0	0	8,000	0	8,000
Evaluation	25,000	0	0	0	25,000
Revolving Loan Fund	<u>0</u>	<u>0</u>	<u>938,500</u>	<u>331,500</u>	<u>1,270,000</u>
Total	<u>200,000</u>	<u>18,000</u>	<u>1,091,600</u>	<u>639,400</u>	<u>1,949,000</u>
	10.26%	.92%	56.01%	32.81%	100%

*TAT Pilot Project (IAF funded)

C. LOANS PORTFOLIO PROJECTIONS (US\$)

	<u>3 Months</u>	<u>FY 1986/87</u>	<u>FY 1987/88</u>	<u>FY 1988/89</u>
Loan Funds Available	81,600	169,100	269,100	389,100
Plus Loan Funds Outstanding	296,400	608,900	908,900	1,188,900
Les Arrears 5% on Disbursement	22,100	42,100	62,100	82,100
Loan Portfolio Value	355,900	735,900	1,115,900	1,495,900

D. PROJECTED CASH FLOW (US\$)
Expenditure categories

	<u>3 Months</u>	<u>FY 1986/87</u>	<u>FY 1987/88</u>	<u>FY 1988/89</u>	<u>TOTAL</u>
Administration	22,000	97,0000	101,000	106,000	326,00
Operations	15,000	67,2000	68,200	71,700	222,10
Vehicle	0	0	16,000	0	16,00
Commodities	0	3,000	3,000	3,000	9,00
International Travel & Consultancy	0	16,000	10,000	10,500	36,50
TAT Program (staff & clients)	10,000	10,000	8,000	8,400	36,40
Computer Installation & Training	5,000	3,000	0	0	8,00
Evaluation	0	0	10,000	15,000	25,00
Revolving Loan Fund	<u>70,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>1,270,00</u>
Total	<u>122,00</u>	<u>596,200</u>	<u>616,200</u>	<u>614,600</u>	<u>1,949,00</u>
Surplus C/F	<u>20,486</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>142,486</u>	<u>596,200</u>	<u>616,200</u>	<u>614,600</u>	<u>1,969,48</u>

E. PROJECTED CASH FLOW (US\$)
Sources

	3 Montns 30.6.86 to 30.9.86	FY 1986/87	FY 1987/88	FY 1988/89	TOTAL
Surplus B/F 30.6.86	7,000	20,486	0	0	27,486
Income	7,000	40,000	71,000	87,000	205,000
Local Fund Raising	4,000	27,514	25,000	25,000	81,514
Reflows - Loans	24,000	87,500	100,000	120,000	331,500
OPG-I-Commodity/International Travel	14,486	0	0	0	14,486
GOB-Loan Fund (Swine Project)	10,000	50,000	0	0	60,000
Inter American Foundation	10,000	8,000	0	0	18,000
Other Loans	0	262,500	300,000	280,000	842,500
Other Grants	36,000	30,200	70,200	52,600	189,000
USAID - Funds Requested	<u>30,000</u>	<u>70,000</u>	<u>50,000</u>	<u>50,000</u>	<u>200,000</u>
Total	<u>142,486</u>	<u>596,200</u>	<u>616,200</u>	<u>614,600</u>	<u>1,969,486</u>

PART SIX: CONDITIONS AND STATUTORY CONSIDERATIONS

In this proposal, NDF/B indicates the various sources of funding which it is planning to utilize. This includes both committed funds, as well as funds either currently being requested or to be requested.

The Government of Belize (both present as well as past) has indicated support for the National Development Foundation of Belize and its program. The Prime Minister has participated in some of its key ceremonies. The GOB has also provided tangible support -- the original Bz.\$770,000 funding grant, the more recent Bz.\$120,000 loan for the swine production and improvement subproject, and an anticipated and estimated Bz.\$200,000 loan from ESF funds.

NDF/B is cognizant of the AID statutory requirements and has read them. It will indicate its willingness to comply by signing the necessary documents and certificates that AID will request when new grant funds are made available.

ANNEX A: LOGICAL FRAMEWORK

CONSOLIDATION/EXPANSION OF NDF/B PROGRAM PROJECT

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>GOALS</p> <p>to promote and to encourage the development of the private sector;</p> <p>and,</p> <p>to promote and encourage the development and growth of all economic activities designed to improve the social and economic welfare of Belize</p> <p>(MEMORANDUM OF ASSOCIATION OF NDF/B - abbreviated statement of object and purpose)</p> <p>NOTE: FOR READERS UNFAMILIAR WITH THE LOGICAL FRAMEWORK FORMAT AND USE:</p> <p>The subsequent sections; Purpose, Outputs and Inputs, are project-specific. The Goals Statement is an umbrella under which the project is designed and implemented. The project contributes to a limited extent to the realization of the Goal(s). Obviously, many other activities and projects must be simultaneously aimed at goal achievement.</p>	<p>by end of September 1989, trends in some if not all economic indicators show improvement over the prevailing economic situation as of September 1986</p>	<p>Central Bank Statistics AID and other (IBRD, CDB, CDC, etc.) Statistics Commerical Bank Statistics Chamber of Commerce Reports NDF/B End-of-Project Evaluation</p>	<p>GOB policies continue to encourage growth and expansion of private sector</p> <p>Commercial banking sector takes more positive attitude toward development financing and modifies current mercantile approach</p> <p>Credit is more readily available for venture capital and other entrepreneurial enterprises</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>PURPOSE PROGRAM PURPOSE to expand and strengthen the lower levels of the private sector -- the micro and small scale entrepreneurs -- and create a more solid base for their development and that of the overall private sector; through</p> <p>the basic strategy of</p> <p>the provision of credit and business guidance, advice and training to carefully screened and selected micro and small scale entrepreneurs who do not have or are denied access to credit through the usual commercial or public sector financial channels</p>	<p>output targets listed below will have been achieved by 30 September 1989</p> <p>at least 15% of NDF/B clients have graduated and are accepted clients in the commercial banking sector</p>	<p>NDF/B quarterly and annual reports Annual Board review of the program Midterm and End-of-Project Evaluations Audit Reports USAID monitoring records</p>	<p>Funding is made available in a timely manner and NDF/B has adequate, trained staff to provide the needed assistance of its clients</p> <p>Clients are able to absorb and put into practice business guidance and training and effectively utilize credit which is provided</p>
<p>INSTITUTIONAL PURPOSE to consolidate and continue the institutional development of the NDF/B</p>	<p>output targets listed below will have been achieved by 30 September 1989</p>	<p>Same as above</p>	<p>The necessary training and technical assistance is available and NDF/B has the needed funding to cover its cost or it is provided as a donation</p>
<p>GRANT AND LOAN FUNDING PURPOSE to provide financial assistance to the National Development Foundation (NDF/B) in consolidating and expanding its on-going program of assistance to the subsector of small scale and micro entrepreneurs as well as in continuing its institutional development</p>	<p>NDF/B takes its place as a fully accepted member of the private sector</p> <p>local contributors and international donor agencies have responded favorably to proposals and requests for funds</p>	<p>Favorable press and other public recognition</p> <p>NDF/B financial records and agreements</p>	<p>NDF/B will continue to receive the support of both the public as well as the private sector</p> <p>local contributors and international donor agencies are favorably disposed to provide financial assistance to NDF/B</p> <p>NDF/B is capable of mounting successful fundraising campaigns</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS			MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
OUTPUTS	YEAR ONE	YEAR TWO	YEAR THREE	NDF/B monthly, quarterly, annual reports	Funding is made available in a timely
PROGRAM GOALS *	(cumulative) *		Findings of Annual Program Reviews Evaluations (Midterm, End-of-Project) Audit Reports		
1. Direct beneficiaries	230	460	700		manner and NDF/B has adequate, trained staff to provide assistance to clients
2. Women, direct beneficiaries	60	125	200		
3. Jobs protected/saved	600	1,250	1,900		
4. New jobs created	50	150	200		
5. New businesses assisted/created	40	90	150		
6. Loans: Number	200	400	600		
Amount	800K	1,600K	2,400K		
Average Size	4,000	4,000	4,000		
7. Loan Portfolio			\$2,991,800		The need and demand for NDF/B
INSTITUTIONAL GOALS					assistance continues at same or
1. Membership	15	35	50		greater level than a/o Sep 86
2. Local Fundraising	\$50,000	\$100,000	\$ 150,000		Private Sector professional and
3. Staff: Management level (incl mid-m)	1	1	1		business persons continue to be
Support level	0	0	0		supportive of NDF/B
Operational/field level	2	2	2		Capable staff can be recruited and
4. Staff Training Events	12	24	36		NDF/B is capable of providing
5. Board Retreats/Program Reviews	1	2	3		additional training as needed

Amounts shown are in Belize \$

* NOTE: Program Goals are for the SSE Subsector Loans (micro and small entrepreneurs), as well as the swine and BIM training projects

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS			MEANS OF VERIFICATION		IMPORTANT ASSUMPTIONS
	INPUTS	(US\$000)				
Three-year Budget by Major Line Items	Three-month	Year one	Year two	Year three	Total	
Administration	22.0	97.0	101.0	106.0	326.0	
Operations	15.0	67.2	68.2	71.7	222.1	
Vehicle	--	--	16.0	--	16.0	
Commodities	--	3.0	3.0	3.0	9.0	
International Travel/Consultancy	--	16.0	10.0	10.5	36.5	
TAT Pilot Project	10.0	10.0	8.0	8.4	36.4	
Computer Installation/Training	5.0	3.0	--	--	8.0	
Evaluations	--	--	10.0	15.0	25.0	
Revolving Loan Fund (loans)	70.0	400.0	400.0	400.0	1,270.0	
Totals	122.0	596.2	616.2	614.6	1,949.0	
<u>Anticipated Sources of Funds</u>	<u>USAID</u>	<u>IAF</u>	<u>Other</u>	<u>NDF/B</u>	<u>Total</u>	
Administration	105.6	--	29.9	190.5	326.0	
Operations	7.9	--	96.8	117.4	222.1	
Vehicle	16.0	--	--	--	16.0	
Commodities	9.0	--	--	--	9.0	
International Travel/Consultancy	36.5	--	--	--	36.5	
TAT Pilot Project	--	18.0	18.4	--	36.4	
Computer Installation/Training	--	--	8.0	--	8.0	
Evaluations	25.0	--	--	--	25.0	
Revolving Loan Funds (loans)	--	--	938.5	331.5	1,270.0	
Totals	200.0	18.0	1,091.6	639.4	1,949.0	The local and international sources of funds (grants, donations and loans) respond favorably and funds are provided in timely manner

SA

II.

LOAN PORTFOLIO POLICY & CRITERIAINTRODUCTION & BACKGROUND

The Foundation's main objective is to establish a credit-lending institution with technical assistance delivery. Its viable loan portfolio with a revolving loan fund will in time generate interest income to cover administrative costs and eventually make the Foundation self-sustaining. Loans will be by direct lending.

To set up any institution is no easy task - to set up a Credit Institution of this type is an ordeal. The Board of Directors knew this fully well when they elected to go through with it, in preference to banking arrangements for disbursement and control of the Foundation's loan funds.

The Board of Directors included an economic survey for proper guideline information for the Foundation's L/P. Policies. Because there was delay with the results of the Survey, it became necessary to document recommended loan policies based on the experience and performance of other foundations in operation and our Foundation's gut-feeling concept of economic and social development. For these reasons the target groups must for now involve the POOR entrepreneurs of the productive sectors with emphasis to existing projects. Loan recipients or beneficiaries should have viable projects, be able to repay, and must provide employment for the marginally poor.

The following policies and criteria have therefore included the following basic characteristics. They shall be subject to changes that the results of the survey would dictate, and for any other valid reason.

DEFINITIONS

For the purpose of this paper, the following definitions shall apply:

- (a) Micro and small Business - business or projects with not more than total business assets of \$25,000.00.
- (b) POOR - by CEI standards will include both the marginal poor (destitute) and the entrepreneurial poor involved in some project of productive activity no matter how small. The latter shall get preference for assistance, and will be expected to provide employment for the former.
- (c) Productive Sectors - all areas of production, urban and rural.
- (d) Repossess - The seizure of business appliances, fixtures, equipment, material etc. bought with loan funds.
- (e) Entrepreneur - person investing time, skill, creativity and good faith, in addition to dollar investment, for self-improvement and family well being.
- (f) Grace Period - period of time between the date of approval of loan disbursement and the date when first payment of principal plus interest is due. Interest rate payment shall be applicable during the period.
- (g) Borrow - loan recipient or beneficiary.
- (h) Lender - The National Development Foundation of Belize Ltd.
- (i) Security - "Bill of Sale" and "Hire-purchase Agreements" covering business collateral property contained in the loan agreement. "Mortgage" may be considered in exceptional cases for larger amounts of loan funds approved.
- (j) Loan Arrears - overdue payments of principal and/or interest as contained in the Loan Agreement.
- (k) Non-current loans - delinquent loans in arrears on the books.
- (l) Bad Debts - delinquent loans in arrears classified as irrevocable debts.

- (m) Rescheduling - request by borrower to change part of payment schedule for a loan, as opposed to "refinancing" to be approved by Loans Committee on a new loan on recommendation by Management.
- (n) Loans Committee - Members of the Board appointed by the Board of Directors for the purpose of approving loans.

III

POLICIES & CRITERIA1. Target Group(s)

Individuals and groups of the productive sectors, but emphasis shall be placed on experienced individual entrepreneurs involved in small business projects, and on viability of the projects. The individuals and groups are to include tradesmen, small manufacturers, craftsmen, small agro-businessmen etc. of the urban and rural areas. Fishing, housing and long-term agriculture to be excluded for now since there are traditional sources of funds for those activities.

2. Types of Loans

Lump sum and installment types to cover recommended amounts to purchase material, equipment, tools, appliances (working capital). Repayment is to be over a reasonable period in equal monthly installments of principal plus interest. Amounts will range from \$500. to \$20,000.

3. Specific Criteria

Potential beneficiaries must represent a productive sector, have an existent viable project, and must satisfy other specific criteria such as the borrower's character and employment generation potential of the project.

4. Interest Rate

The Foundation is not in competition with banks and other credit lending institutions, nevertheless, its interest rate(s) will have to show that its business is designed to help or assist the "Small Man". For that reason, and for the size of return it promises for the self-sustenance of the Foundation administration costs, the interest rate shall be 12% per annum.

5. Administration Fee

The Foundation must help itself first to be able to help others. So, apart from its accommodating interest rate on loans, the Foundation must also charge an administrative fee for each loan comparable to bank practice to help with expected bad debts. The amount shall be 2% per loan. The minimum fee shall be \$25.

6. Grace Period

This will be determined by the Loans Committee, on the recommendation of Management. Grace periods, however, shall not apply to interest payments.

7. Repayment Period

Experts advise that slow turnover is desirable for a dependable and strong loan portfolio with long repayment periods, fewer new borrowers, and smaller staff. The recommended period therefore, shall be one to five years dependent on the specific circumstances of each loan.

8. Security

One of the real drawbacks for small entrepreneurs to get financial assistance from Banks and other Credit Lending institutions is insufficient security. This suggests that our market will comprise higher risk businesses or projects, but it does not mean that the Foundation will undertake more unsecured risk than would give it a fair chance to succeed as a credit lending institution in the short term, and as a self-sustaining operation in the long term. So that, security must be dependent on size and value of loan, viability of the project, the borrower's character, the repayment period, and the very reliant factor of technical assistance. Collateral will include only business assets.

The recommended security documents shall be "Bill of Sale" and "Mortgage" only in special few cases of larger size loans for working capital and/or expensive material and equipment. "Retention of Ownership Title" will also form part of our policy on security.

9. Technical Assistance

Technical Assistance shall be a prerequisite to financial assistance in all cases, since this factor is that will make all the good difference with our loans portfolio.

10. Loan Approval

The Loans Committee shall approve all loans, provided that the Managing Director shall be empowered to approve five (5) loans per month up to a value of \$1,000.00 each, and shall inform the Loans Committee each month.

11. Disbursement

Disbursement may be paid directly by lump sum or installments to clients and/or to suppliers when necessary and feasible.

12. Collections

Loan payments as a rule shall be made by clients to the Foundation's office. However, Field Extension Officers shall be empowered to collect payments when necessary and requested by clients. Such collections made on issue of receipts (temporary) by the Field Officers shall be paid to the office immediately on return from the field, whereupon an official receipt shall be provided by the office.

13. Monitoring

To minimize and avoid arrears of payments, the Field Officers shall monitor projects, on a monthly basis, or more often, as soon as loan disbursements have been made to clients. Technical Assistance and advice should help clients from getting into arrears of payments. The adage of "a stitch in time" must be made applicable.

14. Clientele

In the first year of operation each Field Extension Officer shall be responsible for a maximum of 35 loans. A "route list" of clients shall be prepared by the Field Extension Officer in consultation with the Loans Officer, for appropriate control of the loans under his responsibility.

15. Arrears

Loans shall be considered to be in arrears when payment of principal plus interest are not made on time as specified by the repayment schedule of the loan.

16. Rescheduling

Management may reschedule loans repayment schedules when necessary, on the recommendation of Loans Officer's staff.

17. Refinancing

Refinancing may be considered in special cases by the Loans Committee on recommendation by management.

18. Collection of Arrears

A letter of "collection notice" shall be sent to a client as soon as his payment is due within 10 days. A second and stronger letter shall be sent to the client when his loan repayment is overdue for 30 days. In the event that a client would become overdue for 90 days, the Managing Director shall send a third letter and invite the client for an interview to make arrangements to the Loans Committee.

19. Loans Committee Decision Letter

When loan repayment becomes overdue for 120-150 days, it shall be referred to the Loans Committee for direction and action by management and a letter shall be sent informing the client about L/O's decision on arrears situation & contemplated legal action.

20. Legal Action

When loan repayment is in arrears for 180 days, it shall be referred to the Legal Advisor for action.