

PD-AR-108  
1184

**CONCEPT PAPER AND PROJECT DESIGN FOR  
A CREDIT PROGRAM FOR THE  
SUPPORT FOR WOMEN'S ASSOCIATIONS  
OF YEMEN (SWAY) PROJECT**

**FINAL REPORT**

August 12, 1992

Prepared for World Education and USAID/Yemen by

---

**Community  
Economics  
Corporation**

1616 Fort Meyer Dr., Suite 1100  
Arlington, VA 22209  
Tel. (703)528-8336  
Fax. (703)528-7480

**CONCEPT PAPER AND PROJECT DESIGN FOR**

**A CREDIT PROGRAM FOR THE**

**SUPPORT FOR WOMEN'S ASSOCIATIONS**

**OF YEMEN (SWAY) PROJECT**

**FINAL REPORT**

August 12, 1992

Prepared for World Education and USAID/Yemen by

Stephen C. Silcox, Team Leader  
Community Economics Corporation

Samir Bseiso  
Independent Consultant

## FOREWORD

We wish to thank all of the persons responsible for giving us the opportunity to work on this very important project. We hope that the proposed design for a credit program to help establish women-run businesses will be useful in making this project even more vital to Yemeni women.

Firstly, we would like to thank Jill Harmsworth and Razan Abdelhadi-Brooker of World Education for selecting us to perform this consultancy and for Jill's guidance on the program design during the third week in Yemen. We would also like to thank all of the SWAY Project staff members for their assistance in visiting the various women's associations and for providing us with their valuable advice on the how the credit program might operate better. A special word of thanks goes to Magda Mohammed Ali, the SWAY Project Manager, who took valuable time away from her daily duties to spent many hours with us to arrange meetings and to give us background information on important issues to be addressed in the Credit Program design.

Secondly, we would like to thank the members of the various women's associations and the representatives of the organizations and government agencies visited for information on their programs and advice on how the credit program might be designed.

Finally, we would like to express our appreciation to the officials of USAID/Yemen for recognizing the importance of a business credit program for women and for their support and funding of the efforts to develop this program. We would especially like to thank George Flores, Andra Herriott and Banilia Ajinah for reviewing the documents we produced and for providing valuable comments on how the program design could be improved.

In conclusion, we would like to say that not only was this consultancy very interesting and challenging professionally, we also enjoyed working with all of the individuals mentioned above. Their commitment to the success of the program was very evident and we appreciate having the chance to work with them. We look forward to the possibility of working with them again in the future.

Steve Silcox & Samir Bseiso  
Sanaa, Yemen  
July 19, 1992

## LIST OF ACRONYMS

|        |  |
|--------|--|
| CACB   | Cooperative and Agricultural Credit Bank           |
| CPU    | Credit Program Unit                                |
| GDP    | Gross Domestic Product                             |
| MISA   | Ministry of Insurance and Social Affairs           |
| NGO    | Non-Governmental Organization                      |
| PVO    | Private Voluntary Organization                     |
| ROSCCA | Rotating Savings and Credit Club                   |
| ROY    | Republic of Yemen                                  |
| SEDU   | Small Enterprise Development Unit                  |
| SWAY   | Support to Women's Associations of Yemen           |
| USAID  | United States Agency for International Development |
| WCF    | Women's Credit Foundation                          |
| YR     | Yemeni Rial  |
| YWA    | Yemen Women's Association                          |

\* The official exchange rate at the time of this consultancy was US\$1= Yemeni Rials 12. The parallel rate was US\$1=YR30.

# TABLE OF CONTENTS

|   | <u>Page No.</u> |
|---|-----------------|
| EXECUTIVE SUMMARY   | v               |
| CHAPTER I INTRODUCTION.....   | 1               |
| A. Background and Scope of Work   |                 |
| B. Origin of Interest in the Credit Program   |                 |
| CHAPTER II THE CURRENT ECONOMIC SITUATION AND A BRIEF REVIEW OF THE FINANCIAL SYSTEM AND AVAILABILITY OF CREDIT IN YEMEN.....   | 2               |
| CHAPTER III ASSESSMENT OF THE NEEDS AND DEMAND FOR A CREDIT PROGRAM FOR WOMEN-RUN SMALL BUSINESSES IN YEMEN AND A REVIEW OF EXISTING CREDIT PROGRAMS FOR SMALL SCALE ENTERPRISES..... | 4               |
| CHAPTER IV OVERRIDING/CONTROLLING ISSUES.....   | 6               |
| A. Goal of the Program  |                 |
| B. Objectives of the Program  |                 |
| C. Target Group   |                 |
| D. Sources and Amounts of Funds Available for the Program   |                 |
| CHAPTER V KEY LOAN PROGRAM OPTIONS SELECTED.....  | 7               |
| A. Lending Methods  |                 |
| B. Purposes of Loans  |                 |
| C. Loan Recipients  |                 |
| D. Minimums and Maximums on Loan Size and Loan Period   |                 |
| E. Return on Investment to the Credit Program   |                 |
| F. Equity Contribution by Loan Recipients   |                 |
| G. Institutional Home   |                 |
| H. Legal Structure  |                 |
| I. Length of Time Needed to Develop a Credit Program and Program Phasing  |                 |
| CHAPTER VI BASIC DESIGN OF THE LOAN PROGRAM.....  | 16              |
| A. Criteria for Determining the Participation of Specific Women's Associations in the Credit Program  |                 |
| B. Loan Application and Review Procedures   |                 |
| C. Eligibility for Loans/Loan Criteria  |                 |

- D. Loan Terms
- E. Loan Agreement
- F. Disbursements
- G. Monitoring and Collections
- H. Savings Program
- I. Staffing of the CPU
- J. Training
- K. Technical Assistance
- L. Five Year Budget & Scenarios for Financial Sustainability

CHAPTER VII CONCLUSION..... 33

ANNEXES

- 1 - Description of Islamic Lending Methods
- 2 - List of Meetings/Schedule
- 3 - List of Persons/Organizations Interviewed
- 4 - Bibliography

## EXECUTIVE SUMMARY

This report assesses the need and demand for credit to women for women-run enterprises in Yemen. It then goes on to prescribe the basic design of a program to provide that credit through the existing SWAY Project. The decisions on the overall goals and objectives as well as on key issues of project design were made using a participatory approach with the close involvement of both SWAY Project staff and USAID/Yemen officials. The basic elements of the credit program and recommended procedures to be followed were based upon the decisions made on those goals, objectives and key issues.

The principal findings of this consultancy are as follows:

- There is a clear need for access to credit by Yemeni women for small business development,
- There is substantial expressed demand for this type of credit,
- The number of existing credit programs serving women for this type of credit are extremely limited and are not even approaching the demand, particularly in rural areas,
- Experience of Yemeni women in small business operation is limited and moreso in urban areas than in rural areas,
- Most of the women-run, small businesses which will be served by the credit program will be start-ups,
- Although there are no legal constraints on women-run businesses, considerable societal constraints exist due to biases toward certain traditional business activities to be performed by women and conservative attitudes toward the public roles and conduct of women in society, and
- The potential for the development of the capacity of the national union or regional branches of the Yemen Women's Association (YWA) to run a credit program is limited due to current political-economic changes occurring in Yemen and the organizational set-up of the YWA. However, the capacity for the development of a significant role for the local women's associations in the implementation of the program is very positive.

The goal of the credit program is to assist Yemeni women to develop businesses to increase their incomes and to better integrate them into the economic life of Yemeni society.

The objectives of the program are:

1. To provide access to credit for Yemeni women for business development.
2. To establish a sustainable credit program.
3. To develop the capacity of Yemen Women's Associations to operate the credit program, either directly or through a special foundation established to run the program.

The target group of the credit program will be women who are members of Yemen Women's Associations, who desire to establish or expand small enterprises for income generating activities, and who have little or no access to credit.

The initial source of funds for the credit program will be from USAID through an expansion of the SWAY Project. USAID will provide funds for an expatriate resident advisor for the program and for start-up costs for the initial three years of the credit program. The total available for the initial capital of the credit fund will be US\$200,000. It is anticipated that a savings program will be started in the second year as a component of the credit program and that these savings will supplement credit funds. USAID has indicated that it would be willing to provide an additional US\$200,000 for the loan fund at the start of the third year of the program, once it is functioning well. It is also hoped that other donors will provide funds for the credit program as well, once it has established a good track record.

The following decisions were made on key issues affecting the design of the credit program:

1. Islamic lending methods will be utilized.
2. Loans will be given only for business projects which will make a profit.
3. Both individuals and groups will be eligible for loans.
4. The minimum and maximum loan size for individuals will be YR5,000 and YR20,000, respectively. The minimum and maximum for groups will be YR20,000 and YR50,000, respectively.
5. The maximum loan repayment period will be one year.
6. Above-market rates of return will be charged to enable the program to meet operational costs and to make a profit in order to be financially sustainable.
7. A minimum equity contribution requirement will be required for most loans.
8. The Credit Program Unit (CPU) will initially be located in the SWAY Project office in Taiz, but will eventually be spun-off to the separate offices of a foundation established to operate the program in conjunction with the Yemen Women's Association.

9. The YWA is currently registered with the Ministry of Insurance and Social Affairs (MISA) and could operate a credit program under its existing charter. The foundation which will be established to operate the credit program will most likely also be registered as a non-profit, non-membership, non-governmental organization with MISA.
10. A minimum of five years will be needed to have the CPU running effectively within a couple of regions. A minimum of ten years is foreseen to make it operational on a national level.

This credit program has excellent potential, but also has considerable risks. The principal opportunities for the success of the program are:

- The program could build on the experience and positive reputation of the SWAY Project to date in assisting local women's associations,
- The market potential for the development of women-run businesses is good, particularly in rural areas,
- The local women's associations are very enthusiastic about the program and are highly motivated to make it work, and
- There is substantial support for the development of the program from both government agencies and private organizations.

The chief risks to the success of the program are:

- The limited capacity for the YWA at the national and regional level to operate the program in a sustainable manner without a specialized foundation set up for the purpose,
- USAID might not be able to provide the required commitment or level of funding necessary to support the program for a minimum of five years in order to reach sustainability,
- An increasingly conservative environment in the country toward the public roles of women, and
- The inexperience of Yemeni women in running businesses and the high illiteracy rate among women might limit the volume of loans disbursed or negatively affect loan repayments and impede financial sustainability.

# I. INTRODUCTION

## A. Background and Scope of Work

This paper is the second of two documents resulting from a consultancy for the Support to Women's Associations of Yemen (SWAY) Project. The purpose of the consultancy was to assist in the overall design of a credit program for women's income generating activities that would complement the training and institution building components of the SWAY Project.

World Education, a U.S. PVO which is the implementing institution for the project, subcontracted with Community Economics Corporation, a U.S. firm specializing in small and microenterprise development, to provide Stephen Silcox as team leader and microenterprise development specialist. Samir Bseiso, an independent consultant with experience in a women's credit program in Jordan, was also retained to assist in the design of the credit program. The consultancy was performed in Yemen over a period of four weeks in June/July of 1992. The specific tasks of the consultancy were to:

- assess the needs and demand for loans to women, by examining current and proposed small business activities;
- analyze the experience of other credit programs in Yemen, such as those operated by the Dutch government and Yemeni banks;
- during the third week of the assignment, present a set of options to the SWAY Project and USAID/Yemen for running a loan program for women that is appropriate to the Yemen context; and
- following discussion of these options with the SWAY Project and USAID/Yemen, design the details of the proposed model, including loan criteria, a repayment plan, management and staffing needs, etc.

This paper fulfills the requirements of the fourth task and is a result of decisions made based on the Issues/Options Paper prepared as part of the third task.

## B. Origin of Interest in the Credit Program

The original design of the SWAY Project did not include a credit program. It was principally designed to provide support for the institutional development of women's associations in Yemen through various types of training and through grants to provide needed equipment and commodities to the associations.

During the course of implementation of the project over the past year, many women members of the associations expressed their interest in the possibility of developing a credit program to provide funds for the establishment of small businesses by women. The SWAY Project staff, World Education and USAID/Yemen considered the idea and felt that it had merit. This consultancy is a result of this interest and was designed to explore the options available for such a credit program and to prepare a basic design for the model chosen.

## II. THE CURRENT ECONOMIC SITUATION AND A BRIEF REVIEW OF THE FINANCIAL SYSTEM AND AVAILABILITY OF CREDIT IN YEMEN

(Current published data on the Yemen economy and financial system were difficult to obtain. Many of the reports available were written before the Gulf Crisis and unification. However, the consultants collected as much information as possible from interviews and other more recent reports on other topics.)

In May 1990, the Republic of Yemen was formed by uniting the former Yemen Arab Republic and the People's Democratic Republic of Yemen. The new ROY faces numerous development problems, made all the more difficult with the integration of two different socio-economic and political systems.

The population of the ROY in 1990 was approximately 12 million, of which about 80% was rural. The illiteracy rate is estimated at 67%, including over 85% for adult females and 46% for adult males. There are approximately 700,000 female workers in Yemen representing 22% of the total labor force, of which 86% work in the traditional agricultural sector. The modern sector labor force totalled 700,000, of which only 50,000 (7%) were women. Per capita GNP was approximately US\$550 in 1990, according to government estimates. The consumer price index in Yemen in 1989, prior to the Gulf Crisis and unification, was rising at about 20% per year whereas the Gross Domestic Product (GDP) reflected an annual growth rate of 3.2% at constant prices, almost 82% of which was agricultural.

The present economic situation in Yemen is undergoing difficulties due to the following key changes:

1. The unification of two different political and socio-economic systems into one integrated system.
2. The severe economic shock and acute hardships resulting from the Gulf Crisis.
3. The continuing influx of refugees from the nearby Horn of Africa and returnees from the Gulf.

These factors contributed to the worsening of the already precarious economical situation. The loss of over US\$1 billion in remittances as a result of the return of some 800,000 Yemenis from the Gulf States; the resulting unemployment of over 400,000 returnees representing over 10% of the working force; and the loss of aid from Gulf States is having serious consequences for the economy. The impact of this loss is reflected in the devaluation

of the currency in the parallel market to an exchange rate of YR30:US\$1 while the official exchange rate remains at YR12:US\$1.

The Yemen formal financial system includes eight commercial banks and four specialized credit institutions for various sectors. The banking system presently operates in an economic environment characterized by persistently large balance of payment and fiscal deficits, a high inflation rate, negative real interest rates, a controlled exchange rate system, and very restrictive import policies. The system is dominated by one large government-run institution - the Yemen Bank for Reconstruction and Development, which controls 80 percent of the banking sector.

Informal credit sources continue to play an important role in financing the agricultural sector. The extended family system plays a major part in the provision of credit for agricultural production as does supplier credit for inputs and machinery. Informal loans are, in general, easily obtainable and covered only by personal guarantees. Interest rates charged in the informal sector can be as high as 100% per annum.

Within the span of 14 years since formal banking was introduced to the rural sector, formal savings by farmers has been limited. Banks have not actively pursued rural savings mobilization. On the other hand, individuals often get together and form rotating savings and credit clubs, (known internationally as ROSCCAs, but called "hekbas" locally) where each member pledges to put a specific sum of money in a common pot each month and the total monthly sum from all members is rotated among the members. (For example, 10 persons agree to each put in YR500 each month for a total monthly sum of YR5,000. One member receives the YR5,00 the first month, another member receives the sum the second month, a third member receives the total the third month, etc., until all the 10th month when the last person receives the monthly sum.) However, "hekbas" are more common with salaried workers than those in rural areas without a regular monthly income.

In general, rural credit demand appears strong for a) short-term working capital, especially in view of the rise in production costs and cropping intensification strategies and b) small scale enterprises where self-financing capability seems to have declined due to reduced remittances from outside the country.

The demand for alternative savings programs is potentially high in the rural area, where liquidity is considered to be high and communities are inadequately served by formal financial institutions. A survey in 1989 by the Cooperative and Agricultural Bank revealed that one third of those surveyed had saved money during the previous twelve months but only three percent had banked their savings.

### III. ASSESSMENT OF THE NEEDS AND DEMAND FOR A CREDIT PROGRAM FOR WOMEN-RUN SMALL BUSINESSES IN YEMEN AND A REVIEW OF EXISTING CREDIT PROGRAMS FOR SMALL SCALE ENTERPRISES

Women in Yemen have very limited access to credit for business development. Of all the financial institutions in Yemen, only two are providing credit to women for business development to any extent. The Cooperative and Agricultural Credit Bank will provide loans to women for agricultural purposes, but their actual loans to women is less than 1% of their portfolio. A Small Enterprise Development Unit (SEDU) was established under the Industrial Development Bank with Dutch government and UNDP funding just over a year ago to provide credit for small enterprises in the manufacturing and service sectors. Out of a total of 45 loans in the first year, eleven went to women - all for either sewing or knitting projects.

Except for a rare loan by a commercial bank, these are the only two existing sources of loans to women for enterprise development. IFAD has financed a new project with the CACB which is just commencing. One of their goals is to promote more loans to women. This program may increase access for women to agricultural loans. The Dutch government has been providing support to the Yemen Women's Associations as well over the past few years. A consultant mission to determine the design of a follow-on project has recommended that the Dutch government also look at the feasibility of a credit program for women-run small enterprises.

In terms of opportunities for women to engage in business in Yemen, the potential is limited principally by cultural practices. The conservatism of Yemen society limits the role of women in business. Interestingly, rural women seem to have more freedom than urban women to engage in business activities. A recent resurgence of religious fundamentalism in Yemen has particularly affected the mobility and dress of urban women. It has also had the consequence of diminishing the freedom of women to engage in certain occupations. Although there are no laws or regulations prohibiting women from engaging in any businesses, interviews with various men in influential positions revealed an aversion to having women engage in any but the most traditional of women's income generating activities, such as sewing, handicrafts and food preparation. This seems to be also true of Aden, which until recently had a society which exercised a very liberal attitude toward women.

Nevertheless, visits to both urban and rural women's associations have convinced the consultants that there is much desire on the part of women to engage in businesses to increase their income and benefit their families and communities. Although the projects suggested by women tended to be in traditional areas, there were

some projects mentioned which showed interest in other areas as well. These included agricultural projects and retail stores as well as some larger scale food processing and restaurant operations. It was particularly evident that many younger women have much interest in establishing businesses. They are not prepared to accept some of the limitations placed upon them by the male-dominated society.

It must be noted that the limited experience of Yemeni women in business means that almost all of the women-run businesses which will be eligible for credit will be start-ups. Although in other parts of the world, credit programs for small businesses usually prefer to give loans to existing businesses, this will not be possible in Yemen. This means that the credit program will face additional risks. However, the credit program can be designed to minimize the risk through giving very small loans with short repayment periods.

Gauging demand for credit is very difficult to do since there is little experience to date with programs providing credit to women. It is most likely that demand will be small in the first year or two, but could expand very rapidly if the program succeeds. Since the women's associations are a ready-made vehicle for publicizing the program and the SWAY Project has ongoing relationships with the associations, demand could increase substantially after the program is up and running. The principle constraint on expansion in the first two years will be the limitations on funds available to loan and the need to go slow to develop the institutional capabilities to operate the program before increasing loan volume.

Although only a couple of donors have programs in small enterprise credit, others are interested. The consultants received a positive reception from various donor representatives to the idea of providing credit facilities to women for small business development.

In conclusion, it is clear to the consultants that there is a substantial need for access to credit by women for business development which is far from being met by existing institutions. It will take considerable training and technical assistance from the SWAY Project to assist members of the women's associations to help to identify business projects and develop the skill to run those businesses. However, there is good potential for the development of these skills and for women-run businesses. The SWAY Credit Program must be designed to capitalize on the existing skills and motivation of Yemeni women. Some new approaches to small business credit should be tried in Yemen in order to provide access to small enterprise credit for women. The following sections of this report present a proposed model for a credit program which should help to meet that need.

#### IV. OVERRIDING/CONTROLLING ISSUES

##### A. Goal of the Program

To assist Yemeni women to develop businesses to increase their incomes and to better integrate them into the economic life of Yemeni society.

##### B. Objectives of the Program

1. To provide access to credit for Yemeni women for business development.
2. To establish a sustainable credit program.
3. To develop the capacity of Yemen Women's Associations to operate the credit program, either directly or through a special foundation established to run the program.

##### C. Target Group

The target group of the credit program will be women who are members of Yemen Women's Associations, who desire to establish or expand small enterprises for income generating activities, and who have little or no access to credit.

##### D. Sources and Amounts of Funds Available for the Program

The initial source of funds for the credit program will be from USAID through an expansion of the SWAY Project. USAID will provide funds for an expatriate resident advisor for the program and for start-up costs for the initial three years of the credit program. The total available for the initial capital of the credit fund will be US\$200,000. It is anticipated that a savings program will be started in the second year as a component of the credit program and that these savings will supplement credit funds. USAID has indicated that it would be willing to provide an additional US\$200,000 for the loan fund at the start of the third year of the program, once it is functioning well. It is also hoped that other donors will provide funds for the credit program as well, once it has established a good track record.

## V. KEY LOAN PROGRAM OPTIONS SELECTED

A number of key issues and options were presented in a paper to SWAY Project staff and USAID staff for discussion and selection as the previous step of this consultancy. The options chosen and the rationale for their selection are as follows:

### A. Lending Methods

Option Chosen: Islamic lending methods will be utilized rather than charging interest

The choice of lending methods to be used by the SWAY Project Credit Program was influenced by the character of Yemeni society and religious beliefs. Although interest rates are commonly charged in commercial credit transactions and by both private and government-run banks, several women (particularly in rural areas) voiced opposition to paying interest. Consequently, Islamic lending methods were considered for implementation under the Credit Program.

In order to understand the basic principles of three Islamic lending methods which could be applied to the SWAY Project Credit Program, an explanation of these methods is found in Annex 1.

The principal advantages of using Islamic lending methods are that it would eliminate criticism of charging interest on religious grounds and it appears to be acceptable to the great majority of women interviewed during this consultancy. Although Islamic lending methods are not well-known in all parts of Yemen, there are some methods which could be used which seem adaptable to the Yemen context. The Murabaha method is particularly close to the system of charging interest. Since many programs world-wide (including SEDU in Yemen) provide in-kind loans, this method should be easily applied in Yemen. Although the Musharaka and Mudaraba methods involve greater risk to the Credit Program funds, procedures could be adopted to lessen the risk. They have some advantages as well which could help in improving portfolio performance of the Credit Program, provided that portfolio diversification is used. It would be most likely that the majority of the loans made would use the Murabaha method with certain selected loans using the Musharaka method and even fewer using the Mudaraba method.

The principal disadvantage of using Islamic methods is the unfamiliarity of these methods with financial institutions and with donors. In terms of technical assistance, the possibilities for learning from other programs in the world are also limited. The Save the Children Program in Jordan is an exception and a study tour to see that program in operation by SWAY Project staff and Women's Association Officers would be very helpful in the this regard. Another disadvantage is that using these methods would not

acquaint women with the common practices of the principal financial institutions in Yemen. Since they charge interest, should women wish to graduate into using those institutions, they would have to adapt to the method of charging interest to receive funds from them. On the other hand, should this program be successful using Islamic methods, other financial institutions (particularly the government-run specialized credit institutions) might adapt Islamic lending techniques based on the success of the SWAY Project Credit Program.

## B. Purposes of Loans

Option Chosen: Loans will be given only for business projects which will make a profit

The original project design of the SWAY Project provided for grants to assist Yemen Women's Associations to improve their management and to develop their capacities to provide services to members. The decision to explore making loans to the associations rather than grants has been based on various considerations including a desire by women in many of the local associations to add a business loan program to the SWAY Project. The choice was between making loans for social welfare purposes, such as kindergartens or other non-profit purposes, or to provide loans only for profit-making businesses.

It is easier to envision loans being made to either individual women or groups of women who will engage in a business activity which will earn them income. Since Yemeni men have a history as traders and businesspeople, it is likely that Yemeni women would also develop their business skills quickly, if given the opportunity. An important factor to keep in mind is that operating a business for a profit forces a certain discipline in accounting for funds, in setting a reasonable price and providing a competitive product or service. Should a profit not be made, the business would have to close down and a potential or previous source of income would disappear. This provides considerable motivation to succeed. Since all costs of operation and a loan payment must be made before any profits can be realized, this encourages proper thinking about how the business can succeed.

Loans will be made in any sector including manufacturing, trading, services or agriculture. No particular sector will be excluded provided that the project could make a profit and improve the business skills of Yemeni women.

### C. Loan Recipients

#### Option Chosen: Both individuals and Groups

The choice on this issue was to give only group loans or only individual loans or both. Within the context of group loans, there was also the issue of whether to provide a group loan for a women's association to implement or to a smaller group of women within an association.

Many loan programs for persons without access to credit use group solidarity and repayment mechanisms to improve the chances for loan repayment. The Grameen Bank in Bangladesh is one celebrated model currently in vogue in the development world. Cooperatives have been widely used in the past as well as a means to this end. Although group mechanisms can be very useful, they are not universally adaptable to all countries and situations.

Persons interviewed with experience in credit programs in Yemen tended to favor individual loans as the preferred method for business loans. There is concern that since women-run businesses are relatively new to Yemen, there could be problems in the operations of group-run enterprises. Group-run enterprises require an agreement among all the members as to the responsibilities of each. And although agreement can be clear and acceptable at the beginning of a project, it can often break down when unforeseen problems crop up in the midst of a project. This can lead to group dissension and project failure.

Furthermore, the smaller the group, the more likely there will be shared interests and trust among the members. Projects which would be run by the women's association as a whole would have an additional host of problems, since it would be unlikely that all members of the association would be able to participate in the execution of the project. Furthermore, since it is envisioned that the Credit Program would eventually be made by the women's associations, these loans would, in effect, be loans to themselves. This could lead to further problems in terms of collections.

The advantage of giving loans to individuals is that it focuses the decision-making process upon one person. The risk of group dissension is eliminated and the CPU could more easily assess the chances for success of the enterprise, based upon the experience, knowledge and motivation of the individual. Furthermore, the motivation of individuals engaged in business tends to be more profit-oriented. Limiting eligibility for loans to individual women would have the effect of eliminating loans for social welfare purposes. The principal disadvantage of individual loans is that one must rely upon that one individual for the success of the project.

The third option was chosen to combine some of the advantages of

group solidarity with individual motivation. Loans will be provided to both groups and individuals on a trial basis in order to observe which type proves more effective. This selection also has the advantage of not prejudging which type would work the best. On the other hand, this strategy risks losing some of the capital of the loan fund if one type proves to be a poor investment.

D. Minimums and Maximums on Loan Size and Loan Period

Options Chosen:      For Loans to Individuals - Minimum YR5000, Maximum YR20,000 (US\$167 - \$667 at parallel rates)

For Loans to Groups - Minimum YR20,000, Maximum YR50,000 (US\$667 - \$1,667 at parallel rates)

Maximum Loan Period - One Year

The overall controlling factor on loan size for this program is the minimal amount of funds available under the SWAY Project for lending, i.e., US\$200,000. This limitation in funds militated against any program in which large loans would be provided.

Experience with credit programs for small-scale businesses elsewhere reinforced the wisdom of the approach of giving small loans. This will help to minimize the risk of the individual loans. If a project receiving a loan for YR10,000 fails, the consequences of failure are considerably less than with a loan for YR250,000. Providing smaller loans also will help in streamlining the loan appraisal and approval process. It also will permit an the Credit Program to build its experience and capacity for operating a loan program through the provision of larger numbers of small loans with less risk per individual loan.

Furthermore, small loans tend to provide greater incentive to repay the loans since the principal incentive is future access to credit. Most small enterprise credit programs around the world find that the majority of entrepreneurs use credit for working capital rather than for fixed assets. Since the entrepreneur will need further working capital after she has sold the product or service for which she took the first loan, there is automatic incentive to repay the loan in order to receive a second, third or fourth loan.

The issue as to the length of the loan repayment period ties in closely with the size of the loan. Larger loans require longer payment periods. Therefore, with small loans, shorter repayment periods will be required. This is consistent with lessening loan risk. Since economically disadvantaged people frequently have events which can devastate them financially, the shorter the time period for repayment of a loan, the better the chances for

collection.

E. Return on Investment to the Credit Program

Option Chosen: Above-market rates of return will be charged so the program can meet operational costs and make a profit in order to be financially sustainable.

The options on this issue were charging markups or sharing in the profits of a project that result in below-market (subsidized) rates, market rates or above-market rates of return.

In setting up credit programs for economically disadvantaged people, it was typical in the past for government agencies or donors to consider subsidizing loan programs. It was frequently felt that economically disadvantaged people could not afford to pay market rates of interest on loans. However, experience of credit programs in various parts of the world over the past twenty years has shown that subsidized programs almost always run out of funds and collapse.

The problem with providing subsidized credit is that the programs must depend upon either government or donors to provide additional funds as the capital of the program decreases. This is due to an insufficient rate of return on the investments to either keep pace with inflation, or more importantly, with the costs of operation of the program.

One of the lessons learned in credit programs around the world is that access to credit by economically disadvantaged people from formal financial institutions is very limited or nonexistent. Consequently, they must resort either to their own savings, contributions or loans from relatives, supplier credit or moneylenders to meet their credit needs. The last two tend to charge interest rates considerably above commercial market rates. The most critical determinant of the fees to be charged or the return on the investment is the costs of operation of the program. Most successful credit programs for economically disadvantaged people around the world charge interest rates which are higher than commercial rates but lower than informal moneylender or supplier rates. This gives them sufficient revenues to keep their programs operational, yet allows them to compete with the informal moneylenders and provide a service which formal financial institutions fail to perform.

## F. Equity Contribution by Loan Recipients

Option Chosen: A minimum equity contribution requirement will be determined prior to the commencement of the Credit Program. This contribution will apply to both Murabaha and Musharaka methods, but not to Mudaraba.

Most loan programs require that the borrower put down some of his/her own cash or property as security for the loan. This is to prevent the borrower from being able to "walk away from the loan" and not repay it. It is felt that unless the borrower has sufficient stake in the investment, he/she will not take the project or investment seriously.

The same consideration must be taken when determining the appropriate level of security which a women must provide for a loan under this Credit Program. However, since this program recognizes that the women it will be assisting have limited resources to offer for security (collateral) for the loan, the CPU could look for an equity contribution from the borrower. This is, typically, a portion of the project investment in cash. However, other means might be used when a cash contribution is not possible.

When considering this requirement, individuals responsible for the administration of loan programs often feel that the people that they are assisting are too poor to afford an equity contribution. However, in programs elsewhere, economically disadvantaged borrowers typically are able to find the resources to come up with the equity contribution. When they do not have the cash immediately available, they can often save toward this equity contribution. This has the advantage of determining the ability of the borrower to save money and gives them practice in the discipline of making monthly payments as well.

A percentage of the total project investment is the most typical type of equity contribution in loan programs. SEDU requires that individuals put up 30% of the total project investment and has had little problems obtaining this amount. In fact, the average equity contribution has been higher than 30%. Another option would require that all borrowers put up a minimum, fixed sum of money, e.g., YR1000, to provide evidence of their seriousness toward the project. This would be less security, but rather serve to eliminate those persons who are not really that serious about the project. If it is felt that particular individuals really do not have any resources to meet the equity contribution requirement, the mudaraba method of Islamic lending will be used. The management of the loan committee of the women's association will be involved in making this determination to be sure that the person really has no resources.

The consultants recommend that a minimum equity contribution of 15% be required except in the case of the use of the Mudaraba lending method, when the Credit Program would provide all the capital for the project. This equity contribution could be in the form of cash or in-kind assets other than land. The use of a weekly or monthly savings program to accumulate this contribution should be used when the potential borrower does not have sufficient resources at the time a loan application is made.

#### G. Institutional Home

Option Chosen: Initially the CPU will be located in the SWAY Project Office in Taiz, but will eventually move to a special Women's Credit Foundation established to run the Credit Program in conjunction with the National Union of Yemen Women's Associations

This issue dealt with where the Credit Program Unit is located, both physically and from a management and cost point of view. This is very important in determining the character of the CPU as well as its effectiveness.

The advantages of placing the CPU in the SWAY Project Office in the first few years are that it will facilitate the management of the program, it would allow better day-to-day coordination with other project staff, and it would save on overhead costs since the CPU could share office space and equipment used by the project staff.

Concerns about the current effectiveness of the National Women's Union militate against placing the CPU directly under their control. However, a long-term objective of the Credit Program should be to eventually extend the program to all regions of the country. Locating this function at the regional or local women's association level would not be feasible in terms of the long-term capability of these associations to run the program on a national level.

The preferred option chosen is to establish a separate foundation which would be formed during the first year while the CPU is located within the SWAY Project. The reason for considering the establishment of a foundation to administer the Credit Program over the long term was the result of the potential for problems in having either the regional or national branches of the women's associations administer the program. The principal rationale for putting it initially with the SWAY Project is that the SWAY Project staff are respected by the various local associations, whereas both the national and regional branches currently have some credibility problems with the local associations. In other words, there is a real need to be sure that the administration of the Credit Program is protected from the potential for any undue political influence or misuse of funds.

The key function of the foundation (which could be called the Women's Credit Foundation or WCF) would be to provide an institutional vehicle specifically for giving credit to women in Yemen who have limited or no access to credit for small business development from existing formal financial institutions. The WCF would work mainly, but not necessarily exclusively, through the Yemen Women's Associations in identifying individuals and groups which have a need for credit for business purposes.

The WCF would not be a membership organization, but would rather be one through which funds could be funneled to benefit women, both individuals and groups. It would be composed of a Board of Directors who would determine the overall policy and direction of the Credit Program and a full-time staff which would implement the program. The Board of Directors could be composed of appointed representatives from the business community, the banking sector, the national women's association, and the MISA (and possibly others to be decided later). The Board members would be voluntary and would meet at least quarterly. Between meetings, individual Board members would provide assistance to the staff of the WCF as needed - e.g., resolving political or technical problems. The full-time staff would initially be funded under the SWAY Project and be located in the offices of the SWAY Project in Taiz. However, after the program was up and running, they would move to other offices.

The best scenario for the establishment of the WCF would be one where a prominent Yemeni figure, preferably a woman, would be the champion of the idea and would serve as the chief promoter of the idea. The intent would be to establish the WCF as a Yemen non-governmental organization (NGO) with an arabic name that would be recognized as an organization established and controlled by Yemenis. The advantage of this approach is that such an organization would be more likely to attract funds from both local sources, e.g., government and business, and from foreign sources.

The WCF would be established mainly to allow the Credit Program to be operated on a good financial basis and to minimize certain types of influence from being exerted on the program. It would have a close relationship both with the Yemen Women's Association and with the Ministry of Social Affairs. However, it would also establish close ties with the business community in Yemen, both in order to attract private sector funds and to assure that it has a private sector orientation. By having its own full-time staff and its own offices, the WCF would not have to rely on any other local organization which could limit its effectiveness. By having influential members of society on the Board of Directors, it would also be able to cut red tape, attract funds, obtain technical assistance from local sources and improve the chances of its long-term viability as an institution.

The use of the Yemen Bank for Reconstruction and Development for loan repayments and savings deposits in conjunction with the local

women's association appears to be a viable alternative. The Yemen Bank has the most extensive system of branches throughout the country. The SEDU program uses this facility and has had good experience with it. They use the Yemen Bank only in a repository capacity, however, and not to be responsible for collections. This Credit Program use the Yemen Bank in a similar way.

#### H. Legal Structure

Option Chosen: The WCF would be registered with the Ministry of Insurance and Social Affairs as a non-profit, non-governmental organization.

This option was considerably more viable than the other alternatives, i.e., registration either as a bank or as a cooperative. Establishing it as a bank is not a viable alternative since the amount of money available for the program is too limited. In addition, registering as a bank would require that the Credit Program change its operations in order to meet the requirements of the bank laws and policies. The same disadvantage applies to registration as a cooperative. Based on the information the consultants have received, the Credit Program will have more flexibility if it is registered under MISA. Some additional research is necessary to be sure that the WCF, as envisioned, could be registered with MISA. USAID/Yemen has some previous research on MISA registration of non-profit institutions which should be helpful in this regard.

#### I. Length of Time Needed to Develop a Credit Program and Program Phasing

Option Chosen: A minimum of five years will be necessary to have the CPU running effectively within a couple of regions. A minimum of ten years will be necessary to have it operating effectively as a national program.

Capacity building is always a very difficult process and the development of the capacity of a voluntary organization to manage credit programs generally takes longer to establish than training and other non-financial programs. Experience elsewhere has shown that five years is normally the minimum for the institutional development necessary to run credit program. The limited experience of Yemeni women with credit would tend to increase the time for the development of this capability within the WCF or within the YWA.

It is anticipated that the Credit Program would begin in January 1993. This will permit sufficient time for approvals of the

program by USAID, the hiring and fielding of an expatriate small business credit specialist and the hiring of a local credit field officer. The CPU would first get the program up and running in the Taiz region. The next phase would be to extend the program to the other areas covered by the SWAY project. In this way, the CPU would be able to take advantage of the contacts made and the experience gained by SWAY Project staff in new areas prior to beginning the Credit Program there. Extending the program to new areas would most likely involve increased staff and support costs, however. Extension of the program to the national level will require even more planning and costs. The following phases were considered to be realistic and desirable:

1. Set up CPU and conduct a detailed assessment of the needs for credit and the training necessary for SWAY Project staff, the management of the women's associations and the loan recipients.
2. Design and conduct initial training and technical assistance in identifying and developing business ideas and in preparing a basic business plan and cashflow analysis.
3. Commence loan operations in Taiz and Ibb and begin on-the-job training of women's associations in loan procedures and credit program management.
4. Have systems in place and be operating at a sufficiently effective level to extend the program to new areas covered by the SWAY Project.
5. Extend the program to cover all regions in Yemen.

It is believed that numbers 1 and 2 can be accomplished in a minimum of six months, numbers 3 and 4 could be accomplished within two years, and number 5 could not be started until after at least five years.

## VI. BASIC DESIGN OF THE LOAN PROGRAM

### A. Criteria for Determining the Participation of Specific Women's Associations in the Credit Program

1. The women's association should have the management capacity to administer, or the potential to administer, a loan program for their members.
2. The women's association should have a good relationship with SWAY project staff.
3. Members of the association should have already attended SWAY Project training workshops.
4. The women's association should apply to have loans provided to their members.
5. The women's association should not be dominated by another organization and should have the ability to make decisions without interference from nonmembers.

### B. Loan Application and Review Procedures

1. The Loan Committee of the local women's association will receive loan applications from both individuals and groups and pass them on to the CPU.
2. Local Loan Committee members will be trained by SWAY Project staff on how to assist potential borrowers to complete the application forms. In the initial few months of the Credit Program, SWAY Project staff - both Credit Officers and Project Officers will assist borrowers in completing application forms.
3. The application form will be as simple as possible and include the following parts:
  - A one page screening form will first be completed which will contain basic information on the applicant and the proposed project in order to determine if both are eligible for a loan under the Credit Program.
  - If the project and applicant are determined to be eligible for a loan, a three page formal application will be completed which will include the following information:
    - information on other sources of family income and two proposed co-signers (guarantors) for the loan

- a basic business plan describing what will be sold, where it will be sold, what is the market for the product or service and where project inputs will be purchased
  - a basic project cashflow analysis showing the cost of inputs and labor, prices to be charged for the product or service, breakeven points and profits
4. The Loan Committee of the local women's association and the Credit Officer will appraise applications on a monthly or bi-monthly basis and make comments as to further information required and a recommendation on whether or not to approve the loan.
  5. A Credit Review Committee composed of the Project Manager and Credit Supervisor of the SWAY Project and the President of the Regional Women's Association will review the application and approve or reject the loan. Loan applications will be reviewed on a monthly basis.
  6. The Credit Review Committee shall use a scoring system to evaluate loan applications based upon these criteria. This scoring system will be used to establish priorities for which applicants are entitled to loans first.
  7. In the interests of portfolio diversification, the Credit Committee will not approve loans if they determine that there too many loans have been given in a particular sector and that the cumulative risk to the loan fund is too high.

C. Eligibility for Loans/Loan Criteria

1. Eligibility for loans will be limited to individual members or groups of members of Yemeni Women Associations.
2. Applicants must permanently reside in the area where the project is carried out.
3. Loans will be made only for profit-making business purposes.
4. Applicants agree to accept the conditions established by the SWAY Project CPU, including regulations regarding securities, guarantees and charges over the principal loan amount.
5. Applicants must properly complete the CPU loan application form.
6. Applicants should have sufficient knowledge, experience and competence to carry out the project financially, technically and administratively.

8. Participants in the loan program must contribute at least 15% (excluding real estate) in project funding, except when the Mudaraba lending method is used. If these funds are not available, the applicant must agree to participate in the savings program to accumulate these funds prior to the approval of her application.
9. Applicants must be able to provide two credit-worthy guarantors who will assume full responsibility for repayment of the loan, should the borrower be unable to repay.
10. Applicants presenting application for enterprises or projects that will provide a marketable good or service to the community will be given preference.
11. Staff of the Credit Program Unit of the SWAY Project or the members of the Credit Review Committees of the Women Associations of Yemen shall not be eligible for loans.
12. Loans will not be given to applicants who have outstanding, doubtful, or bad debts.
13. Preference will be given to women who do not have access to credit under other credit programs for a similar project.
14. Preference will be given to women who have participated in the savings program and who have shown a good record of saving on a regular basis.

D. Loan Terms

1. The CPU will consider granting loans to individuals for a minimum of YR5,000 and maximum of YR20,000 and to groups for a minimum of YR20,000 and maximum of YR50,000.
2. The duration of any loan would not exceed 1 year. However, loan periods shall be specified according to the type of project and may be for less than one year.
3. Each client's repayment schedule will be individually assessed based on the sources of client's income, sales turnover and the production cycle. When Musharaka or Mudaraba methods are used, the repayment will be in one lump sum when the project is liquidated. When Murabaha is used, no grace period will be permitted except in special cases.
4. A fixed, flat-rate, monthly installment will be used, if feasible.
5. When Murabaha (cost plus markup) method is used, a 11% markup charge would be added to the price of the commodities

delivered to the borrower and added to the principal repayments on a seasonal or a flat rate basis.

(This percentage charge will translate into an annual effective rate of return of about 20.35% based on monthly repayments. The present interest rate charged by the commercial banks in Yemen is currently about 17%.)

6. When the Musharaka (joint capital venture) method is used, the borrower will receive 60% of profits for her labor, management and the project site. The rest of the profits will be shared between the Credit Program and the client according to the percentage of initial investment.

If the project incurs a loss for reasons beyond the control of the borrower, both parties will absorb the loss according to the percentage of initial investment.

7. When Mudaraba (full finance) method is used, the borrower will take 60% of profits for her labor, management and the project site. The rest of the profit (40%) will be received by the Credit Program. If the project incurs a loss for reasons beyond the control of the client, the Credit Program will absorb the total loss.
8. When a loss is incurred due to negligence on the part of the client receiving funds using either the Musharaka or Mudaraba methods, she will be required to pay back the principal.
9. Clients agree to participate in training activities and to receive technical assistance as required by the loan agreement.
10. Participants in the loan program must contribute at least 15% (excluding real estate) in project funding, except when the Mudaraba lending method is used. If these funds are not available, the applicant must participate in the savings program to accumulate these funds prior to the approval of her application.

#### E. Loan Agreement

The loan agreement will be a legal document which sets down the basic agreements between the CPU, the local women's association, the client, and her co-signers in simple language. This will include the following items:

- A description of the project and information regarding the client
- The amount of the loan and terms of the loan
- The repayment schedule and an explanation of how, where

and when the loan payments will be made  
The names of the co-signers

The loan agreement will be explained to the satisfaction of all parties and will be signed by the client, the co-signers, a member of the Loan Committee of the local women's association and the CPU Credit Supervisor.

F. Disbursements

1. All loan disbursements shall be made in-kind. No cash disbursements to the client will be made.
2. The loan agreement must be signed prior to any disbursements.
3. All purchases will be made by either the SWAY Project Credit Officer or a member of the local Loan Committee, or both. The client has the right to accompany the purchasers of the goods to assure that the best goods are purchased at the best available price.
4. Purchases shall be made in locations as close to the project site as possible, provided that the goods are not cheaper and/or of better quality elsewhere.
5. Checks written for the purchase of commodities will be made out in the name of the supplier, when feasible. In other cases, the check shall be made out in the name of the Credit Officer or member of the local Loan Committee purchasing the commodities. Two persons must sign the check - the Credit Officer and a member of the local Loan Committee.
6. The client will sign a CPU form upon receipt of the goods acknowledging receipt of the goods and her obligation to repay the loan.
7. The invoice from the supplier for the commodities purchased will be written in the name of the CPU. When the loan is paid-in-full, the client will receive a letter from the CPU to confirm that the title of the commodities has been transferred into her name (when applicable).

G. Monitoring and Collections

1. Files and bookkeeping requirements:

The CPU Bookkeeper will keep files on all loan clients containing all relevant documents for each loan. A computerized accounting system and loan tracking system shall be established and maintained. This accounting shall be done on an accrual basis.

The following books/ledgers should be maintained:

- A Journal which will be updated on daily basis
- General Ledgers for all main assets, liabilities, income and expense accounts.
- Subsidiary Ledgers for each borrower and savings depositor
- Other Subsidiary Ledgers to be opened as required.
- An Inventory Card will be kept for each of the fixed assets and will show all information regarding the item.

## 2. Banking requirements

The CPU shall open an account at the main Taiz branch of the Yemen Bank for the purpose of facilitating the deposit of loan repayments and member savings in Yemen Bank branches by the Collections Officer of local women's associations. The Yemen Bank has the most extensive branch system throughout the country with 40 branches.

This will also help to acquaint the local women's associations with bank procedures.

## 3. Repayments

The Collections Officer of the local women's association will visit the borrower at least once a month to assess the project status, to collect repayments, and give the client a temporary receipt. These receipts will then be forwarded to the CPU. All payments collected will be deposited on the same day, if possible, into the nearest branch of the Yemen Bank for transmittal to the CPU account in the Taiz main branch. If the nearest branch is too far for daily deposits, the Collections Officer will make deposits on a weekly basis.

When the CPU has received the accounting for funds deposited and received confirmation that the funds were deposited at the Yemen Bank, an official receipt will be issued to the Collections Officer to deliver to the client.

If the women's association is close to the CPU offices in Taiz, the Collections Officer may take the money directly to the offices and receive a receipt for the money.

## 4. Progress reports

The Collections Officer will prepare and forward a monthly report to the CPU with information on the status of each project along with an accounting of funds deposited with the local Yemen Bank.

The CPU Credit Supervisor will prepare monthly reports on the status of the loan funds, including loans disbursed, repayments, aging of accounts, loans outstanding, and other information necessary to monitor the Credit Program. Reports on staffing issues will be prepared quarterly.

The reports by the CPU Credit Supervisor shall be submitted to the SWAY Project Manager and discussed with the Credit Review Committee on a monthly or quarterly basis.

5. Sanctions for nonpayment of loans/Collections procedures

If a payment is two weeks overdue, the Credit Officer will prepare a warning notice. The local Collection Officer will deliver the original to the client and copies to the co-signers.

If the payment is not received by the 30th day, the Credit Officer will send a final warning notice to the client and copies to the guarantors. Meanwhile the local Collections Officer and local Loan Committee shall put community pressure on the client and guarantors to encourage payment.

If the nonpayment is due to an Act of God or extraordinary event beyond the control of the borrower (as specified in the loan agreement), the repayment will be re-scheduled by the CPU in accordance to an established re-scheduling policy.

If the late repayment is not received within two months from the due date, the CPU shall request the local Loan Committee to refer the case to the Sheikh of the area for resolution. The CPU shall also notify the Loan Committee that default on the loan will endanger further loans to members of the local women's association.

If the loan goes into technical default (overdue by 90 days), further loans to any other members of the local women's association will be suspended, pending resolution of the nonpayment problem.

6. Bad debt provision/Acceptable levels of nonpayment

One third of the realized profit (returns on the loans) will be held in a Bad Debt Reserve Fund. This fund will be used to cover all payments overdue by 90 days. The loan shall be considered uncollectible when it is overdue by 180 days and shall be written off and covered by the Bad Debts Reserve Fund.

The Credit Program shall only be satisfied with 100% repayment. There shall be no acceptable level of nonpayment below that figure.

H. Savings Program

A Savings Program shall be established as a part of the Credit

Program of the SWAY Project. It is anticipated that the Savings Program will commence at the start of Year Two of the program. The purposes of the Savings Program are many:

- To assist in facilitating savings by women
- To provide a means for loan applicants with limited resources to accumulate the equity contribution requirement
- To help women to develop the habit of savings on a regular basis
- To assist in assessing the potential for a loan applicant to make monthly payments on a loan
- To increase the funds available for loans

The Savings Program will operate in the following fashion:

A savings deposit book will be issued to each depositor. The savings book will be updated and entries made for each deposit and withdrawal and initialed by both the concerned woman and the collection officer.

Dividends from the profits from returns on loans of the Credit Program will be paid on savings accounts once a year based on the annual average balance.

The Collections Officer of the local women's association will also collect savings deposits from women's association members in the course of her duties. A temporary receipt will be given to the member for her savings. These receipts will then be forwarded to the CPU. All payments collected will be deposited into the nearest branch of the Yemen Bank for transmittal to the CPU account in the Taiz main branch in the same manner as loan repayments.

When the CPU has received the accounting for funds deposited and received confirmation that the funds were deposited at the Yemen Bank, an official receipt will be issued to the Collections Officer to deliver to the client.

If a depositor wants to make a withdrawal from her saving account, she receives a CPU savings withdrawal form from her local Collections Officer. This withdrawal form will be forwarded to the CPU for processing. These funds will then be forwarded to the local Collections Officer through the nearest Yemen Bank who will then deliver the funds to the depositor. The depositor must sign a receipt for the funds which is then forwarded by the Collections Officer to the CPU.

#### I. Staffing of the CPU

The initial staffing of the CPU will require one expatriate who will serve as the Credit Program Administrator. She will report

directly to the Project Manager of the SWAY Project. The expatriate will be an expert in small enterprise credit programs and will have a contract for three years. During the last year of her contract, she would plan and begin the extension of the program to another region.

Once the Credit Program Administrator is fielded at SWAY Offices in Taiz, she will hire (with the concurrence of the Project Manager) the first Credit Officer to serve as her counterpart and will be principally responsible for fieldwork for the Credit Program.

A Bookkeeper will also be hired about midway through the first year who will be responsible for maintaining all accounts and books necessary to run the Credit Program.

A Driver will be the fourth employee and will be hired shortly after the arrival of the Credit Program Administrator.

It is expected that the first Credit Officer will take over the responsibilities of the Credit Program Administrator when the expatriate expert leaves at the end of the third year. Therefore, a second Credit Officer will be hired at the start of the third year in order for her to obtain experience on the job before the first Credit Officer moves into the Credit Program Administrator position.

Due to the anticipated expansion of the program to another region in the fourth year, another Credit Officer will be hired at the start of that year.

Thus, at the beginning of the fourth year, all employees will be local and the staff will consist of a Credit Program Administrator, two Credit Officers, a Bookkeeper and a Driver. It is expected that this staffing arrangement will be sufficient throughout the fourth and fifth years. When the program expands to a national level after the fifth year, as anticipated, the staffing patterns will depend upon areas covered and loan volume.

## J. Training

There will be a need for training of three different target groups in order for the Credit Program to be successful.

SWAY Project Staff will require some initial training in how Credit Program work, in general, and On-the-Job training later when the program is begun. The training for SWAY staff will need to differentiate between the business promotion and training tasks which will be required of the current project staff and the credit appraisal and loan monitoring and collection tasks to be performed by the CPU staff. These are two different roles and it is important that the persons performing them do not mix the two, if

the program is to have a good chance of success.

Yemen Women's Association Board Members and Officers will also have to be trained as to their responsibilities in the Credit Program. The different roles of the YWA Staff at different levels and the need for coordination of efforts will require emphasis. Women who serve in the key positions of local Loan Committee members and Collections Officers will need extensive training in how to perform those roles.

Finally, the potential Loan Recipients will require training in the areas of identification of business opportunities, preparing a simple business plan and cashflow analysis, and their responsibilities for repaying loans. Simple bookkeeping courses will be taught only in cases where there is a need by the entrepreneur to keep written records on the project. If Musharaka or Mudaraba lending methods are used, this will be a necessity.

It is expected that the SWAY Project staff will be trained by both the expatriate Credit Program Administrator and by short-term expatriate consultants brought in from time-to-time to serve specific needs. A visit by key staff members to credit programs in Jordan (Save the Children) and Egypt (USAID and Ford Foundation) is also planned to acquaint them with successful credit programs in the region which use different approaches.

The YWA board members and staff will be trained by SWAY Project staff through workshops which will be held for the different levels of the YWA (national, regional and local). The most intensive training will be for the local Loan Committee members and Collections Officers, since they will serve in crucial day-to-day operations of the Credit Program. It is expected that a few key officers of the YWA will accompany the SWAY Project staff on the visits to Jordan and Egypt to view credit programs there.

The potential Loan Recipients will also be trained by SWAY Project staff through workshops to promote the program during the first six months of the Credit Program and later through regular training sessions conducted in different locations. These later workshops will consist of two half-day sessions, the first assisting them in how to prepare a business plan and the second on how to prepare a simple cashflow analysis of their proposed business project.

#### J. Technical Assistance

The technical assistance needs of the Credit Program are in two areas. The first is the need to bring in experts with experience in designing and operating small and microenterprise credit programs in other parts of the world to advise SWAY Project staff and other key individuals on how to design and implement various aspects of the program. The second is the need to provide

technical assistance to the members of the YWA who are engaged in implementing the Credit Program in the field.

The first need will be met by the resident expatriate Credit Program Administrator and by short-term consultants brought in by World Education on an as-needed basis. The second will be met by the CPU Staff.

Cooperation and collaboration with the local SEDU project should be encouraged to share experiences and hold joint training sessions, when feasible. SEDU staff have a little over a year of experience in running the only small enterprise credit program in Yemen and SWAY staff could benefit from that experience.

CPU staff should also look for other local institutions which could provide assistance in training and technical assistance. Educational institutions can play a valuable role here. Relationships with technical agencies and institutions which can assist the loan recipients in dealing with business problems should also be developed.

#### K. Five Year Budget and Scenarios for Financial Sustainability

A Five Year Project Budget has been prepared and is found in Figure 1. This budget reflects anticipated costs of the program and phases various elements including staffing, capital expenditures and loan fund capitalization.

Four Financial Sustainability Scenarios are found in Figures 2 - 5. Scenario 4 demonstrates how the Credit Program can be financially sustainable for most anticipated costs starting with Year 4. The key assumptions are that the program will have 100% collections (although a Bad Debt Reserve is also included in all scenarios) and that loan demand will be sufficient to achieve the loan volume presented in the scenarios. As per USAID direction, all scenarios assume an exchange rate of US\$1:YR30, the current parallel exchange rate. All scenarios also assume an initial loan capitalization of US\$200,00. Scenarios 2 and 4 include a savings component and Scenarios 3 and 4 include an additional infusion of loan capital of US\$200,000 from USAID in Year 3.

All scenarios assume that all returns on loans will be used for credit reflows during the first three years and that savings will also be used for credit reflows. This is significant to USAID for project funding since this means that USAID funds will cover all operational costs, both expatriate and local, during the first three years of the program. This funding level is necessary in order to accumulate sufficient loan capitalization funds to support the loan volume necessary to achieve financial sustainability in Year 4.

It is important to note that the exchange rate used has a significant impact upon the financial sustainability of the program. If the current official exchange rate US\$1:YR12 were used, Scenario 4 would show that the program could only be sustainable with an additional infusion of loan capital of US\$460,000 at the start of Year 3.

FIGURE 1

SWAY PROJECT  
CREDIT PROGRAM UNIT  
FIVE YEAR BUDGET  
AMOUNTS IN US\$

| YEAR  | YEAR 1         | YEAR 2        | YEAR 3         | YEAR 4         | YEAR 5         | TOTAL          |
|---|----------------|---------------|----------------|----------------|----------------|----------------|
| <b>OPERATING EXPENSES:</b>                                |                |               |                |                |                |                |
| <b>LABOR</b>  |                |               |                |                |                |                |
| SENIOR CREDIT OFFICER (STARTING YEAR 4 - REPLACING EXPAT) | 0              | 0             | 0              | 15,000         | 15,750         | 30,750         |
| CREDIT OFFICER NO.1 (STARTING YEAR 1)                     | 12,600         | 13,230        | 13,892         | 14,587         | 15,316         | 69,625         |
| CREDIT OFFICER NO.2 (STARTING YEAR 3)                     | 0              | 0             | 13,200         | 14,587         | 15,316         | 43,103         |
| BOOKKEEPER (STARTING MID-YEAR 1)                          | 6,000          | 12,600        | 13,230         | 13,892         | 14,588         | 60,308         |
| SECRETARY (STARTING YEAR 4)                               | 0              | 0             | 0              | 10,000         | 10,500         | 20,500         |
| DRIVER (STARTING YEAR 1)                                  | 7,680          | 8,064         | 8,467          | 9,000          | 9,450          | 42,661         |
| FRINGE AT 28%   | 7,358          | 9,490         | 13,661         | 21,578         | 22,657         | 74,745         |
| OVERTIME FOR DRIVER                                       | 3,840          | 4,032         | 4,234          | 4,448          | 4,668          | 21,220         |
| <b>SUBTOTAL LABOR</b>                                     | <b>37,478</b>  | <b>47,416</b> | <b>66,683</b>  | <b>103,090</b> | <b>108,244</b> | <b>362,912</b> |
| <b>TRAVEL/PERDIEM</b>                                     |                |               |                |                |                |                |
| INCOUNTRY AIR TRAVEL                                      | 900            | 900           | 900            | 900            | 945            | 4,545          |
| PERDIEM 4 DAYS/MO AT \$175                                | 8,400          | 8,400         | 8,400          | 8,400          | 8,820          | 42,420         |
| <b>SUBTOTAL TRAVEL</b>                                    | <b>9,300</b>   | <b>9,300</b>  | <b>9,300</b>   | <b>9,300</b>   | <b>9,765</b>   | <b>46,965</b>  |
| <b>OTHER DIRECT COSTS</b>                                 |                |               |                |                |                |                |
| VEHICLE RUNING COST                                       |                |               |                |                |                | 0              |
| OFFICE RENTAL & UTILITIES (STARTING YEAR 4)               | 3,675          | 3,859         | 4,052          | 4,255          | 4,468          | 20,308         |
| SUPPLIES  | 0              | 0             | 0              | 6,000          | 6,300          | 12,300         |
|   | 2,500          | 2,625         | 2,756          | 3,000          | 3,150          | 14,031         |
| <b>SUBTOTAL OTHER DIRECT COSTS</b>                        | <b>6,175</b>   | <b>6,484</b>  | <b>6,808</b>   | <b>13,255</b>  | <b>13,918</b>  | <b>46,639</b>  |
| <b>FIXED ASSETS PURCHASE</b>                              |                |               |                |                |                |                |
| VEHICLE   | 30000          | 0             | 0              | 0              | 0              | 30,000         |
| COMPUTER EQUIPMENT  | 5000           | 0             | 0              | 0              | 0              | 5,000          |
| FURNITURE   | 4000           | 0             | 0              | 0              | 0              | 4,000          |
| <b>SUBTOTAL FIXED ASSETS</b>                              | <b>39,000</b>  | <b>0</b>      | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>39,000</b>  |
| <b>CREDIT FUND</b>  |                |               |                |                |                |                |
| REVOLVING LOAN FUND                                       | 200,000        | 0             | 200,000        | 0              | 0              | 400,000        |
| <b>TOTAL</b>  | <b>291,953</b> | <b>63,200</b> | <b>282,791</b> | <b>125,645</b> | <b>131,927</b> | <b>895,516</b> |
| WORLD EDUCATION OVERHEAD AT 38%                           | 20,122         | 24,016        | 31,461         |                |                | 75,599         |
| <b>COST TO USAID</b>                                      | <b>312,075</b> | <b>87,216</b> | <b>314,252</b> |                |                | <b>713,543</b> |

FIGURE 2a

**SWAY PROJECT  
CREDIT PROGRAM UNIT  
SOURCES AND USES OF FUNDS (PROJECTIONS)  
AMOUNTS IN YR 000  
FIRST SCENARIO**

| YEAR                             | YEAR 1       | YEAR 2       | YEAR 3       | YEAR 4       | YEAR 5       | TOTAL         |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <b>SOURCES OF FUNDS:</b>         |              |              |              |              |              |               |
| INITIAL LOAN CAPITAL (\$200,000) | 2,000        | 4,000        | 0            | 0            | 0            | 6,000         |
| RETURN FROM LOANS (20%)          | 190          | 751          | 1,198        | 1,303        | 1,121        | 4,563         |
| CREDIT REFLOWS                   | 923          | 1,990        | 1,873        | 2,124        | 2,553        | 9,463         |
| <b>TOTAL</b>                     | <b>3,113</b> | <b>6,741</b> | <b>3,070</b> | <b>3,427</b> | <b>3,674</b> | <b>20,026</b> |
| <b>USE OF FUNDS:</b>             |              |              |              |              |              |               |
| LOANS TO WOMEN #                 | 141          | 300          | 94           | 106          | 128          | 768           |
| LOANS TO WOMEN/AMOUNT            | 2,823        | 5,990        | 1,873        | 2,124        | 2,553        | 15,363        |
| BAD DEBT RESERVE FUND            | 63           | 250          | 399          | 434          | 374          | 1,521         |
| EQUIPMENT REPLAC.RESERVE FUND    | 270          | 270          | 270          | 270          | 270          | 1,350         |
| OVERHEAD COSTS                   | 0            | 0            | 0            | 1,508        | 1,556        | 3,067         |
| RETAINED EARNINGS                | (143)        | 231          | 528          | (910)        | (1,081)      | (1,375)       |
| CASH/BANK ACCOUNT                | 100          | 0            | 0            | 0            | 0            | 100           |
| <b>TOTAL</b>                     | <b>3,113</b> | <b>6,741</b> | <b>3,070</b> | <b>3,427</b> | <b>3,674</b> | <b>20,026</b> |

**1ST SCENARIO ASSUMPTIONS:**

- 1) LOAN CAPITAL = US\$ 200,000.
- 2) NO SAVINGS COMPONENT INCLUDED IN THE LOAN PROGRAM.
- 3) EXCHANGE RATE FOR THE PURPOSE OF CALCULATING THE LOAN CAPITAL IS US\$1 = YR30 AT PARALLEL RATE.
- 5) OVERHEAD COSTS WILL NOT BE RECOUPED FROM CPU LOAN RETURN DURING THE FIRST THREE YEARS OF OPERATIONS.
- 6) ONE THIRD OF THE TOTAL RETURNS WILL BE HELD IN A BAD DEBT RESERVE FUND.
- 7) AVERAGE LOAN SIZE = YR 20,000.
- 8) TOTAL LOAN CAPITAL WILL BE DISBURSED IN THE FIRST 2 YEARS OF OPERATION STARTING MID YEAR 1.
- 9) EQUIPMENT REPLACEMENT RESERVE FUND WILL REPLACE VEHICLE & COMPUTERS AFTER FIVE YEARS.

FIGURE 2b

PROFORMA INCOME STATEMENT  
FIRST SCENARIO

| YEAR   | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5  |
|--|--------|--------|--------|--------|---------|
| <b>INCOME</b>  |        |        |        |        |         |
| =====  |        |        |        |        |         |
| RETURN FROM LOANS  | 190    | 751    | 1,198  | 1,303  | 1,121   |
| LESS   |        |        |        |        |         |
| BAD DEBT RESERVE FUND                                    | 63     | 250    | 399    | 434    | 374     |
| NET INCOME   | 127    | 501    | 798    | 869    | 748     |
| <b>EXPENSES</b>  |        |        |        |        |         |
| =====  |        |        |        |        |         |
| <b>LABOR</b>   |        |        |        |        |         |
| -----  |        |        |        |        |         |
| SENIOR CREDIT OFFICER (STARTING YEAR 4 REPLACING EXPAT.) | 0      | 0      | 0      | 180    | 189     |
| CREDIT OFFICER NO.1 (STARTING YEAR 1)                    | 0      | 0      | 0      | 175    | 184     |
| CREDIT OFFICER NO.2 (STARTING YEAR 3)                    | 0      | 0      | 0      | 175    | 158     |
| BOOKKEEPER (STARTING MID-YEAR 1)                         | 0      | 0      | 0      | 167    | 175     |
| SECRETARY (STARTING YEAR 4)                              | 0      | 0      | 0      | 120    | 126     |
| DRIVER (STARTING YEAR 1)                                 | 0      | 0      | 0      | 108    | 113     |
| FRINGE AT 28%  | 0      | 0      | 0      | 259    | 272     |
| OVERTIME FOR DRIVER                                      | 0      | 0      | 0      | 53     | 56      |
| TOTAL LABOR  | 0      | 0      | 0      | 1,237  | 1,274   |
| <b>TRAVEL/PERDIEM</b>                                    |        |        |        |        |         |
| -----  |        |        |        |        |         |
| IN-COUNTRY AIR TRAVEL                                    | 0      | 0      | 0      | 11     | 12      |
| PERDIEM 4 DAYS/MO AT \$175                               | 0      | 0      | 0      | 101    | 106     |
| TOTAL  | 0      | 0      | 0      | 112    | 118     |
| <b>OTHER DIRECT COSTS</b>                                |        |        |        |        |         |
| -----  |        |        |        |        |         |
| VEHICLE RUNNING COST                                     | 0      | 0      | 0      | 51     | 54      |
| OFFICE RENTAL & UTILITIES (STARTING YEAR 4)              | 0      | 0      | 0      | 72     | 76      |
| SUPPLIES   | 0      | 0      | 0      | 36     | 38      |
| TOTAL  | 0      | 0      | 0      | 159    | 167     |
| TOTAL EXPENSES   | 0      | 0      | 0      | 1,508  | 1,558   |
| NET PROFIT   | 127    | 501    | 798    | (640)  | (811)   |
| ACCUMULATED PROFITS                                      | 127    | 628    | 1,426  | 786    | (25)    |
| EQUIPMENT REPLACEMENT FUND (AT US\$1 = YR30)             | 270    | 270    | 270    | 270    | 270     |
| NET RETAINED EARNINGS                                    | (143)  | 231    | 528    | (910)  | (1,081) |

FIGURE 3a

SWAY PROJECT  
 CREDIT PROGRAM UNIT  
 SOURCES AND USES OF FUNDS (PROJECTIONS)  
 AMOUNTS IN YR 000  
 SECOND SCENARIO

| YEAR                                  | YEAR 1       | YEAR 2       | YEAR 3       | YEAR 4       | YEAR 5       | TOTAL         |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <b>SOURCES OF FUNDS:</b>              |              |              |              |              |              |               |
| LOAN CAPITAL (\$200,000)              | 2,000        | 4,000        | 0            | 0            | 0            | 6,000         |
| RETURN FROM LOANS (20%)               | 190          | 764          | 1,274        | 1,488        | 1,503        | 5,217         |
| SAVINGS                               | 0            | 500          | 825          | 781          | 977          | 2,883         |
| CREDIT REFLAWS                        | 923          | 1,990        | 1,997        | 2,496        | 3,357        | 10,763        |
| <b>TOTAL</b>                          | <b>3,113</b> | <b>7,253</b> | <b>3,896</b> | <b>4,763</b> | <b>5,837</b> | <b>24,862</b> |
| <b>USE OF FUNDS:</b>                  |              |              |              |              |              |               |
| LOANS TO WOMEN #                      | 141          | 306          | 112          | 148          | 197          | 905           |
| LOANS TO WOMEN/AMOUNT                 | 2,823        | 6,114        | 2,247        | 2,064        | 3,943        | 18,092        |
| DIVIDENDS ON CPU PROFITS (EST. AT 5%) | 0            | 13           | 41           | 76           | 120          | 249           |
| BAD DEBT RESERVE FUND                 | 63           | 255          | 425          | 74           | 75           | 892           |
| EQUIPMENT REPLAC. RESERVE FUND        | 270          | 270          | 270          | 270          | 270          | 1,350         |
| OVERHEAD COSTS                        | 0            | 0            | 0            | 1,508        | 1,514        | 3,022         |
| RETAINED EARNINGS                     | (143)        | 227          | 539          | (442)        | (475)        | (295)         |
| CASH/BANK ACCOUNT                     | 100          | 375          | 375          | 313          | 391          | 1,553         |
| <b>TOTAL</b>                          | <b>3,113</b> | <b>7,253</b> | <b>3,896</b> | <b>4,763</b> | <b>5,837</b> | <b>24,862</b> |

2ND SCENARIO ASSUMPTIONS:

- 1) LOAN CAPITAL = US\$ 200,000.
- 2) SAVINGS COMPONENT IS INCLUDED IN THE LOAN PROGRAM. SAVINGS INCREASE AT 25% P.A.
- 3) EXCHANGE RATE FOR THE PURPOSE OF CALCULATING THE LOAN CAPITAL IS US\$1 = YR 30 AT PARALLEL RATE.
- 4) CREDIT REFLAWS WILL BE USED FOR ADDITIONAL LOANS.
- 5) THE OVERHEAD COSTS WILL NOT BE RECOUPED FROM CPU LOAN RETURNS DURING THE FIRST THREE YEARS OF OPERATIONS.
- 6) ONE THIRD OF THE TOTAL RETURNS WILL BE HELD IN A BAD DEBT RESERVE FUND.
- 7) AVERAGE LOAN SIZE = YR 20,000
- 8) TOTAL LOAN CAPITAL WILL BE DISBURSED IN THE FIRST 2 YEARS OF OPERATIONS STARTING MID-YEAR 1.
- 9) EQUIPMENT REPLACEMENT RESERVE FUND WILL REPLACE VEHICLE & COMPUTERS AFTER FIVE YEARS.

FIGURE 3b

PROFORMA INCOME STATEMENT  
SECOND SCENARIO

| YEAR  | YEAR 1       | YEAR 2     | YEAR 3     | YEAR 4       | YEAR 5       |
|---|--------------|------------|------------|--------------|--------------|
| <b>INCOME</b>   |              |            |            |              |              |
| RETURN FROM LOANS                                       | 190          | 764        | 1,274      | 1,486        | 1,503        |
| LESS  |              |            |            |              |              |
| DIVIDENDS ON CPU PROFITS (EST. AT 5%)                   | 0            | 13         | 41         | 76           | 120          |
| LOAN RESERVE FUND                                       | 63           | 255        | 425        | 74           | 75           |
| <b>NET INCOME</b>                                       | <b>127</b>   | <b>497</b> | <b>809</b> | <b>1,336</b> | <b>1,308</b> |
| <b>EXPENSES</b>   |              |            |            |              |              |
| <b>LABOR</b>  |              |            |            |              |              |
| SENIOR CREDIT OFFICER (STARTING YEAR 4 - REPLACE EXPAT) | 0            | 0          | 0          | 180          | 189          |
| CREDIT OFFICER NO. 1 (STARTING YEAR 1)                  | 0            | 0          | 0          | 175          | 184          |
| CREDIT OFFICER NO. 2 (STARTING YEAR 3)                  | 0            | 0          | 0          | 175          | 184          |
| BOOKKEEPER (STARTING MID-YEAR 1)                        | 0            | 0          | 0          | 167          | 175          |
| SECRETARY (STARTING YEAR 4)                             | 0            | 0          | 0          | 120          | 126          |
| DRIVER (STARTING YEAR 1)                                | 0            | 0          | 0          | 108          | 113          |
| FRINGE AT 28%   | 0            | 0          | 0          | 259          | 272          |
| OVERTIME FOR DRIVER                                     | 0            | 0          | 0          | 53           | 56           |
| <b>TOTAL LABOR</b>                                      | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>1,237</b> | <b>1,299</b> |
| <b>TRAVEL/PERDIEM</b>                                   |              |            |            |              |              |
| INCOUNTRY AIR TRAVEL                                    | 0            | 0          | 0          | 11           | 12           |
| PERDIEM 4 DAYS/MO AT \$175                              | 0            | 0          | 0          | 101          | 106          |
| <b>TOTAL</b>  | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>112</b>   | <b>118</b>   |
| <b>OTHER DIRECT COSTS</b>                               |              |            |            |              |              |
| VEHICLE RUNNING COST                                    | 0            | 0          | 0          | 51           | 54           |
| OFFICE RENTAL & UTILITIES (STARTING YEAR 4)             | 0            | 0          | 0          | 72           | 6            |
| SUPPLIES  | 0            | 0          | 0          | 36           | 38           |
| <b>TOTAL</b>  | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>159</b>   | <b>97</b>    |
| <b>TOTAL EXPENSES</b>                                   | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>1,508</b> | <b>1,514</b> |
| <b>NET PROFIT</b>                                       | <b>127</b>   | <b>497</b> | <b>809</b> | <b>(172)</b> | <b>(205)</b> |
| EQUIPMENT REPLACEMENT FUND (AT US\$1 = YR30)            | 270          | 270        | 270        | 270          | 270          |
| <b>NET RETAINED EARNINGS</b>                            | <b>(143)</b> | <b>227</b> | <b>539</b> | <b>(442)</b> | <b>(475)</b> |

FIGURE 4a

SWAY PROJECT  
 CREDIT PROGRAM UNIT  
 SOURCES AND USES OF FUNDS (PROJECTIONS)  
 AMOUNTS IN YR 000  
 THIRD SCENARIO

| YEAR                                | YEAR 1       | YEAR 2       | YEAR 3       | YEAR 4        | YEAR 5        | TOTAL         |
|-------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
| <b>SOURCES OF FUNDS:</b>            |              |              |              |               |               |               |
| INITIAL LOAN CAPITAL (\$200,000)    |              |              |              |               |               |               |
| RETURN FROM LOANS                   | 2,000        | 4,000        | 0            | 0             | 0             | 5,999         |
| ADDITIONAL LOAN CAPITAL (\$200,000) | 190          | 751          | 1,798        | 2,585         | 2,576         | 7,900         |
| CREDIT REFLOWS                      | 0            | 0            | 8,000        | 0             | 0             | 8,000         |
|                                     | 923          | 1,990        | 1,873        | 8,155         | 9,025         | 21,967        |
| <b>TOTAL</b>                        | <b>3,113</b> | <b>6,741</b> | <b>9,671</b> | <b>10,740</b> | <b>11,601</b> | <b>41,866</b> |
| <b>USE OF FUNDS:</b>                |              |              |              |               |               |               |
| LOANS TO WOMEN #                    | 141          | 299          | 214          | 408           | 451           | 1,513         |
| LOANS TO WOMEN/AMOUNT               | 2,823        | 5,989        | 4,273        | 8,155         | 9,025         | 30,266        |
| BAD DEBT RESERVE FUND               | 83           | 248          | 593          | 853           | 850           | 2,607         |
| EQUIPMENT REPLAC.RESERVE FUND       | 270          | 270          | 270          | 270           | 270           | 1,350         |
| OVERHEAD COSTS                      | 0            | 0            | 0            | 1,508         | 1,584         | 3,092         |
| RETAINED EARNINGS                   | (143)        | 233          | 935          | (46)          | (128)         | 851           |
| CASH/BANK ACCOUNT                   | 100          | 0            | 3,600        | 0             | 0             | 3,700         |
| <b>TOTAL</b>                        | <b>3,113</b> | <b>6,741</b> | <b>9,671</b> | <b>10,740</b> | <b>11,601</b> | <b>41,866</b> |

3RD SCENARIO ASSUMPTIONS:

- 1) INITIAL LOAN CAPITAL = US\$ 200,000
- 2) NO SAVINGS COMPONENT IS INCLUDED IN THE LOANS PROGRAM.
- 3) EXCHANGE RATE USED US\$1 = YR30 AT PARALLEL RATE
- 4) CREDIT REFLOWS WILL BE USED FOR ADDITIONAL LOANS
- 5) OVERHEAD COSTS WILL NOT BE RECOUPED BY CPU LOAN RETURNS DURING THE FIRST THREE YEARS OF OPERATIONS.
- 6) ONE THIRD OF THE TOTAL RETURNS WILL BE HELD IN A BAD DEBT RESERVE FUND.
- 7) AVERAGE LOAN SIZE = YR 20,000
- 8) INITIAL LOAN CAPITAL WILL BE DISBURSED IN THE FIRST 2 YEARS OF OPERATIONS STARTING MID YEAR 1. ADDITIONAL FUNDS OF US\$200,000 WILL BE DISBURSED DURING THE THIRD YEAR.
- 9) EQUIPMENT REPLACEMENT RESERVE FUND WILL REPLACE VEHICLE & COMPUTERS AFTER FIVE YEARS.

FIGURE 4b

**PROFORMA INCOME STATEMENT  
THIRD SCENARIO**

| YEAR  | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|---|--------|--------|--------|--------|--------|
| <b>INCOME</b>   |        |        |        |        |        |
| =====   |        |        |        |        |        |
| RETURN FROM LOANS                                       | 190    | 751    | 1,798  | 2,585  | 2,576  |
| LESS  |        |        |        |        |        |
| LOAN RESERVE FUND                                       | 63     | 248    | 593    | 853    | 850    |
| NET INCOME  | 127    | 503    | 1,205  | 1,732  | 1,726  |
| <b>EXPENSES</b>   |        |        |        |        |        |
| =====   |        |        |        |        |        |
| <b>LABOR</b>  |        |        |        |        |        |
| -----   |        |        |        |        |        |
| SENIOR CREDIT OFFICER (STARTING YEAR 4--REPLACE EXPAT.) | 0      | 0      | 0      | 180    | 189    |
| CREDIT OFFICER NO. 1 (STARTING YEAR 1)                  | 0      | 0      | 0      | 175    | 184    |
| CREDIT OFFICER NO. 2 (STARTING YEAR 3)                  | 0      | 0      | 0      | 175    | 184    |
| BOOKKEEPER (STARTING MID-YEAR 1)                        | 0      | 0      | 0      | 167    | 175    |
| SECRETARY (STARTING YEAR 4)                             | 0      | 0      | 0      | 120    | 126    |
| DRIVER (STARTING YEAR 1)                                | 0      | 0      | 0      | 108    | 113    |
| FRINGE AT 28%   | 0      | 0      | 0      | 259    | 272    |
| OVERTIME FOR DRIVER                                     | 0      | 0      | 0      | 53     | 56     |
| TOTAL LABOR   | 0      | 0      | 0      | 1,237  | 1,299  |
| <b>TRAVEL/PERDIEM</b>                                   |        |        |        |        |        |
| -----   |        |        |        |        |        |
| INCOUNTRY AIR TRAVEL                                    | 0      | 0      | 0      | 11     | 12     |
| PERDIEM 4 DAYS/MO AT \$175                              | 0      | 0      | 0      | 101    | 106    |
| TOTAL   | 0      | 0      | 0      | 112    | 118    |
| <b>OTHER DIRECT COSTS</b>                               |        |        |        |        |        |
| -----   |        |        |        |        |        |
| VEHICLE RUNING COST                                     | 0      | 0      | 0      | 51     | 54     |
| OFFICE RENTAL & UTILITIES (STARTING YEAR 4)             | 0      | 0      | 0      | 72     | 76     |
| SUPPLIES  | 0      | 0      | 0      | 36     | 38     |
| TOTAL   | 0      | 0      | 0      | 159    | 167    |
| TOTAL EXPENSES  | 0      | 0      | 0      | 1,508  | 1,584  |
| NET PROFIT  | 127    | 503    | 1,205  | 224    | 142    |
| ACCUMULATED PROFITS                                     | 127    | 631    | 1,835  | 2,059  | 2,201  |
| EQUIPMENT REPLACEMENT FUND (AT US\$1 =YR30)             | 270    | 270    | 270    | 270    | 270    |
| NET RETAINED EARNINGS                                   | (143)  | 233    | 935    | (46)   | (128)  |

FIGURE 5a

SWAY PROJECT  
 CREDIT PROGRAM UNIT  
 SOURCES AND USES OF FUNDS (PROJECTIONS)  
 AMOUNTS IN YR 000  
 FOURTH SCENARIO

| YEAR                                  | YEAR 1       | YEAR 2       | YEAR 3       | YEAR 4       | YEAR 5       | TOTAL         |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <b>SOURCES OF FUNDS:</b>              |              |              |              |              |              |               |
| LOAN CAPITAL (\$200,000)              | 2,000        | 4,000        | 0            | 0            | 0            | 6,000         |
| RETURN FROM LOANS (20%)               | 190          | 764          | 1,294        | 2,689        | 2,935        | 7,872         |
| SAVINGS                               | 0            | 500          | 625          | 781          | 977          | 2,883         |
| ADDITIONAL LOAN FUNDS (\$200,000)     |              |              | 6,000        |              |              |               |
| CREDIT REFLOWS                        | 923          | 1,990        | 1,997        | 2,497        | 3,450        | 10,857        |
| <b>TOTAL</b>                          | <b>3,113</b> | <b>7,254</b> | <b>9,917</b> | <b>5,967</b> | <b>7,361</b> | <b>33,612</b> |
| <b>USE OF FUNDS:</b>                  |              |              |              |              |              |               |
| LOANS TO WOMEN #                      | 141          | 306          | 419          | 148          | 202          | 1,216         |
| LOANS TO WOMEN/AMOUNT                 | 2,823        | 6,115        | 8,372        | 2,966        | 4,036        | 24,312        |
| DIVIDENDS ON CPU PROFITS (EST. AT 5%) | 0            | 13           | 41           | 76           | 120          | 249           |
| BAD DEBT RESERVE FUND                 | 63           | 255          | 431          | 134          | 147          | 1,030         |
| EQUIPMENT REPLAC. RESERVE FUND        | 270          | 270          | 270          | 270          | 270          | 1,350         |
| OVERHEAD COSTS                        | 0            | 0            | 0            | 1,508        | 1,549        | 3,057         |
| RETAINED EARNINGS                     | (143)        | 227          | 552          | 700          | 849          | 2,185         |
| CASH/BANK ACCOUNT                     | 100          | 375          | 250          | 313          | 391          | 1,428         |
| <b>TOTAL</b>                          | <b>3,113</b> | <b>7,254</b> | <b>9,917</b> | <b>5,967</b> | <b>7,361</b> | <b>33,612</b> |

4TH SCENARIO ASSUMPTIONS:

- 1) INITIAL LOAN CAPITAL = US\$ 200,000
- 2) SAVING COMPONENT IS INCLUDED IN THE LOANS PROGRAM. SAVINGS INCREASE AT 25% PR ANNUM.
- 3) EXCHANGE RATE FOR THE PURPOSE OF CALCULATING THE LOAN CAPITAL IS US\$1 = YR30 (CURRENT PARALLEL RATE).
- 4) CREDIT REFLOWS WILL BE USED FOR ADDITIONAL LOANS
- 5) THE OVERHEAD COSTS WILL NOT BE RECOUPED FROM CPU LOAN RETURNS DURING THE FIRST THREE YEARS.
- 6) ONE THIRD OF THE TOTAL RETURNS WILL BE HELD IN A BAD DEBT RESERVE FUND.
- 7) AVERAGE LOAN SIZE = YR 20,000
- 8) THE INITIAL LOAN CAPITAL WILL BE DISBURSED IN THE FIRST 2 YEARS OF OPERATIONS STARTING MID YEAR 1. ADDITIONAL FUNDS OF US\$200,000 WILL BE DISBURSED IN YEAR 3.
- 9) EQUIPMENT REPLACEMENT RESERVE FUND WILL REPLACE VEHICLE & COMPUTERS AFTER FIVE YEARS.

FIGURE 5b

PROFORMA INCOME STATEMENT  
FOURTH SCENARIO

| YEAR   | YEAR 1       | YEAR 2     | YEAR 3     | YEAR 4       | YEAR 5       |
|--|--------------|------------|------------|--------------|--------------|
| <b>INCOME</b>  |              |            |            |              |              |
| RETURN FROM LOANS                                      | 190          | 764        | 1,294      | 2,689        | 2,935        |
| LESS   |              |            |            |              |              |
| DIVIDENDS ON CPU PROFITS (EST. AT 5%)                  | 0            | 13         | 41         | 76           | 120          |
| LOAN RESERVE FUND                                      | 63           | 255        | 431        | 134          | 147          |
| <b>NET INCOME</b>                                      | <b>127</b>   | <b>497</b> | <b>822</b> | <b>2,479</b> | <b>2,668</b> |
| <b>EXPENSES</b>  |              |            |            |              |              |
| <b>LABOR</b>   |              |            |            |              |              |
| SENIOR CREDIT OFFICER (STARTING YEAR 4--REPLACE EXPAT) | 0            | 0          | 0          | 180          | 189          |
| CREDIT OFFICER NO. 1 (STARTING YEAR 1)                 | 0            | 0          | 0          | 175          | 166          |
| CREDIT OFFICER NO. 2 (STARTING YEAR 3)                 | 0            | 0          | 0          | 175          | 166          |
| BOOKKEEPER (STARTING YEAR 4)                           | 0            | 0          | 0          | 167          | 175          |
| SECRETARY (STARTING YEAR 1)                            | 0            | 0          | 0          | 120          | 126          |
| DRIVER   | 0            | 0          | 0          | 108          | 113          |
| FRINGE AT 28%  | 0            | 0          | 0          | 259          | 272          |
| OVERTIME FOR DRIVER                                    | 0            | 0          | 0          | 53           | 56           |
| <b>TOTAL LABOR</b>                                     | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>1,237</b> | <b>1,264</b> |
| <b>TRAVEL/PERDIEM</b>                                  |              |            |            |              |              |
| IN-COUNTRY AIR TRAVEL                                  | 0            | 0          | 0          | 11           | 12           |
| PERDIEM 4 DAYS/MO AT \$175                             | 0            | 0          | 0          | 101          | 106          |
| <b>TOTAL</b>   | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>112</b>   | <b>118</b>   |
| <b>OTHER DIRECT COSTS</b>                              |              |            |            |              |              |
| VEHICLE RUNNING COST                                   | 0            | 0          | 0          | 51           | 54           |
| SUPPLIES   | 0            | 0          | 0          | 36           | 38           |
| OFFICE RENTAL & UTILITIES                              | 0            | 0          | 0          | 72           | 76           |
| <b>TOTAL</b>   | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>159</b>   | <b>167</b>   |
| <b>TOTAL EXPENSES</b>                                  | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>1,508</b> | <b>1,549</b> |
| <b>NET PROFIT</b>                                      | <b>127</b>   | <b>497</b> | <b>822</b> | <b>970</b>   | <b>1,119</b> |
| EQUIPMENT REPLACEMENT FUND (AT US\$1 = YR30)           | 270          | 270        | 270        | 270          | 270          |
| <b>NET RETAINED EARNINGS</b>                           | <b>(143)</b> | <b>227</b> | <b>552</b> | <b>700</b>   | <b>849</b>   |

## VII. CONCLUSION

The proposed Credit Program should help to fill a significant gap in the access to credit for small, women-run businesses in Yemen. The program will require a lot of hard work to develop and the frustrations will be many. However, similar programs in other parts of the world have experienced the same problems and much has been learned on how to solve them over the past fifteen years. The long-term sustainability of credit programs for the poor has been a thorn in the side of many development efforts for many years. Some solutions have been found that are leading the way in resolving this problem. The program design found in this report attempts to apply those solutions to the Yemen context.

It is important to remember that this consultancy is just the first step toward the development of a credit program for women which will work in Yemen. It has provided a broad design, but much more will have to be done to work out the details and to modify the suggested approaches to meet the reality on the ground.

In the end, the ultimate success of this project will not be the provision of credit to Yemeni women for business development. It will be, as one bank manager told us, "the broadening of the minds of individual Yemeni women and men as to the possibilities which exist to develop women-run businesses and the realization that all of society will benefit from the economic development resulting from those businesses." Once their minds have been broadened, the means of achieving their ends shall become much easier. The potential demand for this Credit Program is substantial and its positive effects can also be significant. The success of the program will rest mainly on the shoulders of the people who implement it on a day-to-day basis. We hope that this report will help to guide them in working out the many details necessary to establish the program.

# ANNEXES

## ANNEX 1

### DESCRIPTION OF ISLAMIC LENDING METHODS

Under an Islamic lending approach, different mechanisms can be used which can be acceptable to both the borrower and the lender regarding the security of funds and return on investment. There are different mechanisms that can be used under this approach to meet the needs of different types of businesses. Under Islamic methods, it is not the amount of money paid back over principal which matters, but the manner and basis on which it is charged. Additional charges can be justified under Islamic lending either if economic value is added to the commodities to be financed through some action by the financier or if the business risk is shared between the financier and the client. The three main methods that could be used to give loans to women in Yemen are described below.

#### MURABAHA - (Cost Plus Mark-up)

This is the closest method to the Western banking system. Murabaha works on a mark-up principle for in-kind loans. A specified percentage charge is added to the price of any goods or commodities delivered to the client on credit. This charge is amortized over the period of the loan and results in a higher effective annual rate of return than the actual percentage charged on the commodities. For example, if a 5% charge is added to the price of the commodities purchased by the financing body, this charge would be translated into an effective annual rate of return of 9.3% for a one year term loan, based on monthly repayments. A detailed example is shown in Table 1. The mark-up percentage charged is normally based on the market rate of interest in local financial markets.

#### Advantages of Murabaha

1. The client receives in-kind goods or commodities rather than cash. Therefore the program ensures that the loan is used to purchase the goods listed in the loan application.
2. The program ensures that the best quality of the commodities are purchased at the best available price.
3. Certain commodities (e.g., machines, but not fruits or vegetables or agricultural inputs) can be used as security, by

registering them informally in the name of the loan program. When the loan is fully paid, the title can be transferred to the borrower.

#### Disadvantages of Murabaha

1. The program will not develop the capacity of the women to handle the money herself to purchase goods or inputs.
2. This method requires additional administrative responsibility and costs either on the part of the loan program staff, the women's associations or both.

#### MUSHARAKA - (Joint Venture)

Musharaka is a partnership investment based on a contract between the Credit Program and the client stating the equity contribution of each and the responsibilities of the client in carrying out the project. For example, both parties could invest in a sheep fattening venture with the client putting up 30% of capital and the Credit Program 70%. When the project is completed and the sheep are sold, the client would first take 60% of the profits for her labor, management and the project site; the rest of the profit would be shared between the two parties according to the percentage of initial investment. In this case, the Credit Program would receive 70% of the remaining profit and the client 30%.

Various factors specific to the project would be considered in determining the capital contributions of the client and the Credit Program and would be done on a case-by-case process.

If the project loses money for reasons beyond the control of the borrower, then each party would absorb part of the loss according to their share of the capital. If the loss incurred would be due to negligence on the part of the borrower, she would be required to pay back the full amount of the loan. The loan agreement would state the circumstances under which each condition would apply.

#### Advantages of Musharaka

1. The feasibility of the project rather than the creditworthiness of the client would be the main basis for approval of the loan.
2. Inflation risk would be somewhat offset since the value of the product should automatically be sold at a price which accounts for inflation.
3. Since the Credit Program would be a partner in the project, it could provide greater incentives for the staff monitoring the project to ensure its success.

### Disadvantages of Musharaka

1. If the project failed for reasons beyond the control of the borrower, the Credit Program could risk absorbing a total loss.
2. If the overall or sectoral economic situation deteriorates then the risk of loss to the Credit Program will be greater.
3. This method must rely on honesty of the client to accurately report profits (or require closer monitoring by the local women's association).
4. More in-depth project analysis must be performed before approval of the loan.

### MUDARABA (Full Equity Finance)

Mudaraba is similar to Musharaka with the exception that the Credit Program would provide 100% of the equity capital for the project. This method would be used in cases where the woman has a good idea, but lacks any capital to contribute to the project. In this case, her returns would be based totally on her management, labor and project site costs and a predetermined percentage of profits to cover those costs as well as a reasonable profit margin for her. The Credit Program would receive the entire profits less those costs and margin.

### Advantages of Mudaraba

The advantages are similar to those mentioned under Musharaka. In addition, this method could assist those women who lack even limited funds, but have good ideas and experience.

### Disadvantages of Mudaraba

The disadvantages are similar to those mentioned under Musharaka. However, the risk to the Credit Program would be even greater using this method.

**TABLE 1**

**Example of the use of Murabaha and the effective rate of return**

**A charge of 11% using MURABAHA translates into an effective rate of 20.35%**

| Month        | Outstanding Loan | Monthly Principal Payment | Monthly return at 20.35%<br>On Principal | Monthly return at 20.35%<br>On credit reflows |
|--------------|------------------|---------------------------|--|---|
| 1            | 1,000.00         | 83.33                     | 16.96                                    | 0.00  |
| 2            | 916.67           | 83.33                     | 15.55                                    | 15.54   |
| 3            | 833.34           | 83.33                     | 14.13                                    | 14.13   |
| 4            | 750.01           | 83.33                     | 12.72                                    | 12.72   |
| 5            | 666.68           | 83.33                     | 11.31                                    | 11.31   |
| 6            | 583.35           | 83.33                     | 9.89                                     | 9.89  |
| 7            | 500.02           | 83.33                     | 8.48                                     | 8.48  |
| 8            | 416.69           | 83.33                     | 7.07                                     | 7.07  |
| 9            | 333.36           | 83.33                     | 5.65                                     | 5.65  |
| 10           | 250.03           | 83.33                     | 4.24                                     | 4.24  |
| 11           | 166.70           | 83.33                     | 2.83                                     | 2.83  |
| 12           | 83.37            | 83.37                     | 1.41                                     | 1.41  |
| <b>Total</b> |                  | <b>1,000.00</b>           | <b>110.23</b>                            | <b>93.27</b>                                  |
|              |                  |                           | <b>110.23 + 93.27 =</b>                  | <b>203.50</b>                                 |

44-

## ANNEX 2

### LIST OF MEETINGS/SCHEDULE

#### CREDIT PROGRAM CONSULTANCY FOR THE SWAY PROJECT

Tues, June 23                    Steve Silcox (SS) arrives in Sanaa

Weds, 24 June                    Magda Mohammed Ali (MMA) and SS meet with George Flores at USAID to brief him on the consultancy and to discuss the scope of work and approach.

   Samir Bseiso (SB) arrives in Sanaa

Thurs, 25 June                    SB, MMA and SS meet with the Coop and Agricultural Credit Bank and with the Small Enterprise Development Unit of the Industrial Development Bank.

Fri, 26 June                      SB, MMA and SS have breakfast meeting with John Lister of U. S. Embassy

   Travel to Taiz

Sat, 27 June                      SB & SS are introduced to SWAY Project staff and the head of the Women's Association for Taiz and discuss the plan of action for field visits in the Taiz area and issues regarding a credit program.

   SB, SS & Arafa Sahal Amer (ASA), Financial Officer, meet with the Indo Suez Bank Manager

   SB, SS & Ilham A/Wali (IAW), Program Officer, make field visits to meet with the women's associations in Quresha and Azaez to discuss business opportunities and constraints for women, credit needs, and potential projects - both group and individual.

Sun, 28 June                      SB, MMA & SS determine and prepare schedule and workplan for remaining period of the consultancy

   SB, SS & ASA meet with the Yemen Bank for Reconstruction and Development, the Arab Bank, and the Hayel Saeed Anam & Co.

SB, SS & IAW make field visit to women's association in Al Mukha

Mon, 29 June Anissa A. Hadi (AAH), Nahed Ahmed Taher (NAT), SB & SS meet with Ministry of Insurance and Social Affairs (MISA), Ibb office and with Deputy Gen., Ibb Governorate

AAH, NAT, SB & SS meet with Ibb Women's Association

Tues, 30 June AAH, SB & SS meet with MISA, Taiz Office

IAW, SB, SS & Andra Herriott, USAID Education/Human Resources Officer & family make field visit to women's associations in Turbah and Al Akahila

Weds, 1 July MMA, SB & SS travel to Aden

MMA, SB & SS meet with MISA, Aden Office; with the Management Committee of the Aden Women's Union, with the Central Bank, Aden Office, and with managers of a women's clothesmaking cooperative

Thurs, 2 July SB & SS review documents and draft sections of the Issues/Options Paper

MMA, SB & SS meet with consultants to FAO

Fri, 3 July SB & SS travel to Sanaa

Sat, 4 July SB & SS meet with SEDU

SS calls various organizations to arrange for meetings

SB & SS review documents and draft sections of Issues/Options Paper

Sun, 5 July SB & SS meet with Productive Families Unit MISA

SB & SS finalize draft outline of Issues/Options Paper

Jill Harmsworth (JH) arrives.

Mon, 6 July SB & SS discuss progress with JH

JH, SB & SS meet with Dutch Embassy

representatives

SB & SS perform document search at USAID library and review documents for credit program

Tues, 7 July JH, SB & SS meet with project officer at SEDU handling women's projects

SB & SS draft Issues/Options Paper & financial scenarios

Weds, 8 July JH, SB & SS meet with UNDP

JH, SB & SS meet to discuss schedule for remaining two weeks including meetings, options and final report

Thurs, 9 July JH, SB & SS travel to Taiz

SB & SS draft Options/Issues Paper

Fri, 10 July SB & SS finalize Options/Issues Paper

Sat, 11 July SB & SS present options to SWAY Project staff and discuss rationale and criteria for choices. The staff reach tentative decisions on preferred options.

JH departs for Boston

Sun, 12 July Further refinement of Issues/Options paper based on discussions with SWAY staff

AAH, SB & SS visit Taiz Women's Association Center

SB meets with Yemen Bank branch manager to discuss possible loan collection deposits by women's associations

MMA, AAH, SB & SS meet with George Flores and Nasr Al-Ghoorairy to discuss Issues/Options Paper

Mon, 13 July SB & SS discuss various issues with members of SWAY staff and draft financial scenarios and supplement to Issues/Options paper based on discussions with George Flores

MMA, SB & SS travel to Sanaa

|                |   |
|----------------|---|
| Tues, 14 July  | MMA, SB & SS present Issues/Options Paper to George Flores, Andra Herriott and Banilia Ajinah at USAID Office in Sanaa and receive comments   |
| Weds, 15 July  | SB & SS meet with GTZ<br>SB & SS draft final report   |
| Thurs, 16 July | SB & SS draft final report<br>MMA travels to Taiz   |
| Fri, 17 July   | SB & SS draft final report  |
| Sat, 18 July   | SB & SS draft final report and submit to USAID<br>SB & SS meet with Aisha Abdul Aziz and Radia Shamsheer of the National Women's Union Board of Directors and with Ahmed A. Al-Eryani, Chief, Promotion Sector, General Investment Authority and member of SWAY Project Advisory Board. |
| 19 July        | SB & SS present project design concept paper and hold debriefing session at USAID   |
| 20 July        | SB & SS depart Yemen  |

48

## ANNEX 3

### LIST OF PERSONS/ORGANIZATIONS INTERVIEWED

#### Women's Associations

Aisha Abdul Aziz and Radia Shamsheer, Members of Board of Directors of the National Women's Union

Members of the Management Committees and other members of the women's associations in Taiz, Quresha, Azaez, Turbah, Al Akahila, Al Mukha, Aden and Ibb

Management Committee of a women's clothesmaking cooperative in Aden

#### Government Ministries/Agencies

Ministry of Social Affairs - Abdulah M. Alsaar, Director General, Taiz Office; Abdel Salam, Director General, Ibb Office; Abdel Rahman Abdel-Kadir, Aden Office; Abdel Karim Nasr, General Manager and Bilquis Rabahi, Deputy General Manager, Productive Families Unit

General Investment Authority - Ahmed A. Al-Eryanai, Chief Promotion Sector (former member of SEDU Loan Review Committee and member of SWAY Advisory Board)

Governorate of Ibb - Abdel Rahman Al-Hadad, Gen. Mgr.

#### Financial Institutions

Central Bank of Yemen - Abdullah Al-Aulafi, Sanaa Office; Abdul-Aziz Basudan, Aden Office

Small Enterprise Development Unit (SEDU), Industrial Development Bank - Ahmed H. Alruba, Manager; Ignacito U. Alviso, Senior Management Advisor; Latifa A. Khamis, Project Officer

Cooperative and Agricultural Credit Bank - Hussein K. Amer, Director General; Mohammed F. Ajjaaj, Manager, Foreign Loans Dept.; Burhan Sharabi, Team Leader, IFAD Project

Yemen Bank for Reconstruction and Development - Abduo Rahman A Thabet, Manager, Taiz Branch

Bank Indosuez - Mahmoud A. Ali Al Zikri, Manager, Taiz Branch

Arab Bank - Yousef Mahmood Al-Saeed, Manager, Taiz Branch

Private Companies

Hayel Saeed Anam & Co., Ltd. (Taiz) - Mohamed Amin Kasem, Deputy General Manager

Donors

United Nations Development Program - Phillipe Ghouayel, Deputy (Acting) Director, Arie Schuurmans, UNCDF Representative

FAO - Dr. Mohammed Y. Yamoor, Chief Technical Advisor, Livestock Development Project; Dr. Eltayeb F. Balla, Fodder Production Expert

GTZ (German Foundation for Technical Cooperation) - Jeurgen Depta, Head of Project Administration Service

Royal Netherlands Embassy - Margriet Verwijk, Marianne Nolte, Consultants for Women's Programs

USAID/Yemen - George Flores, Director; Andra Herriott, Education/Human Resources Officer; Nasr Al-Ghoorairy, Nasr Al-Ghoorairy, Program Specialist, Banilia Ajinah, WID Specialist, Abdul Hamid Al-Ajami, Program Specialist

SWAY Project Staff

Magda Mohammed Ali, Project Manager  
Anissa A. Hadi, Project Coordinator  
Ilham A/Wali, Project Officer  
Nahed Ahmed Taher, Project Officer  
Sudat Mohammed A. Al-Qadasi, Training Officer  
Arafa Sahal Amer, Financial Officer

## ANNEX 4

### BIBLIOGRAPHY

- Agabin, Meliza H., "Rural Financial Institutions in the Yemen Arab Republic: A Report on the 1989 Agricultural Credit Survey", ACDI, Dec. 1989.
- Business International, Critical Issues for American Investors in the Yemen Arab Republic, USAID, Nov. 1988.
- Central Bank of Yemen, "1989 Annual Report"
- Central Bank of Yemen, "Quarterly Statistical Bulletin for 1989"
- Cooperative and Agricultural Credit Bank (CACB), "Annual Report, 1989"
- CACB, "Strategy of the CACB", (Undated)
- CACB, "Regulations for Loans", (undated, internal document).
- Eveleth, Stimson & Shoraka, Jalil, "A Study of the Financial System of the Yemen Arab Republic, USAID, Dec. 1987.
- Hoogenboom, Annemiek, et. al., (Draft Report) "Support to the Yemeni Women's Union Project - Formulation Mission", Min. of Foreign Affairs, Kingdom of the Netherlands, June 1992.
- Hyland, Mark, "Peoples Democratic Republic of Yemen: Economic and Social Data Base", USAID/Yemen, Aug. 1990.
- Raheem, S., A. Al-Munthasir & F. Shehab, "Studies on Socio-Economic Impacts of the Role of Rural Women in Livestock Development in the Southern Governorates of Yemen", FAO, June 1991.
- Small Enterprise Development Unit, (Draft Report) "Annual Report 1991 & 1992 Plan and Budget", Industrial Development Bank, Feb. 1992.
- USAID, "Project Paper - Yemen Enterprise Support Project", USAID/Yemen, March 1990.
- Watson, Judith, "SWAY Project Consultant Report", World Education, Feb. 1992.
- World Bank, "Republic of Yemen - Human Resources Sector Study", World Bank, March 1991.

World Bank, (Draft Report) "Republic of Yemen - Human Development: Societal Needs and Human Capital Response", World Bank, Jan. 1992.

Yamoor, Mohammed Y., "Preparatory Assistance for Six Months Extension of the Livestock Development Project", May 1992.

Yemen Bank for Reconstruction and Development, "1990 Annual Report".

52