Final Evaluation

Small Scale Enterprise Component

Community Enterprise and Development Project

Contract No. 685-0260-C-00-3381-00

Prepared for USAID/Senegal

By

Social Consultants International, Inc.

January 1994

Maurice Samaan

Yolanda A. Takesian

Acknowledgments

The evaluation team wishes to express its appreciation to the management and staff of ACEP, and in particular, to Mr. Nicolas Rofe and Mr. Mayoro Loum for their cooperation and assistance during our evaluation at ACEP's headquarters and in the field .

Special thanks to Ms. Lisa Franchett and Mr. Kemo Balajo of USAID/Dakar for all their help and guidance during the course of this evaluation.

Maurice Samaan
Team Leader
January 1994

ACRONYMS

USAID	United States Agency for International Development
CED	Community and Enterprise Development Project
PVO	Private Voluntary Organization
VO	Village Organizations
SSE	Small Scale Enterprises
ACEP	Agence de Credit pour l'Entreprise Privee - Credit Agency for Private Enterprise
GOS	Government of Senegal
MIS	Management Information System
NGO	Non Government Organization
NPC	National Project Committee
NTF	New Transcentury Foundation
PACD	Project Assistance Completion Date
EOPS	End Of Project Status
LOP	Life Of Project
FCFA	Local currency of Senegal
WAMU	West African Monetary Union

Table of Contents

Basic Project Identification Data Face Sheet

Country:	Senegal
Project title:	Community and Enterprise Development Project
Project No. :	685-0260
Obligation Date:	September 6, 1983
Project Agreement signed:	January 4, 1984
Coop. Agreement with NTF:	August 2, 1985
First Amendment to Project:	August 9, 1985 (Extend PACD from September 30, 1989 to June 30, 1990)
2nd. Amendment to project:	April 28, 1989 (Increase amount of USAID grant from $9,000,000 to $10,600,000; Extend PACD to September 30, 1991; Expand regional coverage.)
3rd. Amendment to Project:	August 31, 1989 (Increase amount of USAID grant from $10,600,000 to $12,100,000 ; Extend PACD to December 31, 1993; Expand SSE Activities to include the Dakar region)
4th. Amendment to Project:	September 20, 1989 (Increase amount of USAID grant from $12,100,000 to $13,729,000)
5th. Amendment to Project:	June 13, 1990 (Extend completion date of PVO/NGO component of the project from June 30, 1990 to December 31, 1990; Increase amount of USAID funding from $13,729,000 To $15,229,000) ; Expand SSE regional coverage to include Dakar and Thies.
6th. Amendment to Project:	August 12, 1992 (permit the GOS to contribute to the project $1,706,440 through a separate agreement between GOS and NTF ; Expand SSE geographic coverage to the regions of Ziguinchor, Kola, and Tambacounda)
LOP USAID Funding:	**$15,229,000**
NTF Coop. Ag. Funds:	**$14,355,739**
Project T.A. Completion:	**December 31, 1993.**

Executive Summary

The focus of this evaluation is to determine whether or not the SSE component of this project has attained its targets and realized the expected outputs.

On January 15, 1990 ACEP (Agence de Credit pour l'Entreprise Privee - Credit Agency for Private Enterprises.) was created representing the Small Scale Enterprise component of the Community and Enterprise Development project. This provided it the autonomy to operate independently and concentrate solely on extending credit to Small Scale Enterprises (SSEs).

Project Objectives

1. Institutionalization of a profitable, private financial institution, with headquarters in Dakar, to continue SSE credit activities in the project area after PACD.

   Result: Institutionalization of this project through the creation of a Credit Union was legally carried out on May 9, 1993. On December 2, 1993, all project assets were transferred to the Credit Union. This private financial institution that assumed all the profitable activities of the ACEP project will commence operations as of January 1, 1994.

2. Profit potential of lending to small enterprises in the project regions clearly demonstrated and appropriate procedures, manuals, and credit management systems established for continued replication in other, mainly urban, areas of Senegal.

   Result: Profitability of this project was clearly demonstrated as it posted net profits of CFA 19.970 million in 1991, CFA 63.625 million in 1992, and CFA 56.368 million as of Aug. 31, 1993. Appropriate procedures, manuals, and credit management systems are in place and have been replicated in other regions of Senegal.

Project's Expected Outputs

1. A total of 1750 SSEs would have received credit from the project.

   Result: As of August 31, 1993, a total of 3793 enterprises in five major economic sectors had received loans from the project.

2. The creation of 800 new jobs.

   Result: As of August 31, 1993, a total of 2477 new jobs had been created. This is based on 2209 evaluated loans. As such this represents 1.12 new jobs created per loan. Projecting such a factor on total loans made by ACEP, it is conceivable that on the 5412 loans made to date a potential number of 6061 new jobs could have been created.

3. To create an appropriate model for institutionalizing and replicating urban based SSE lending activities.

Result: This has been achieved. However, the WAMU countries do not yet have a legal framework for credit unions. Senegal enacted interim legislation to allow such institutions to operate until permanent legislation is enacted. It is expected that this legislation will be approved by the West African Central Bank in 1994.

Institutionalization

The end of project status of the SSE component requires the institutionalization of a profitable, private financial institutional, with headquarters in Dakar, to continue SSE credit activities in the project area after its completion date.

On May 9, 1993, the institutionalization of this project was officially and legally completed through the creation of the Credit Union. ACEP's staff were fully trained in all aspects of providing and administering loans to SSEs. Their abilities to manage the project were demonstrated over the past year, during which period the project was under total Senegalese management and continued to be successful and profitable. However, the new entity was not able to be a functioning viable institution until full title to the assets of ACEP Project were transferred to this new institution.

On December 2, 1993, a Project Implementation Letter was agreed upon and signed by both USAID and the Ministry of Finance, transferring all project assets to the ACEP Credit Union. Thus, the project institutionalization has truly been attained. (Copy Attached)

USAID's Role

The following are USAID's major contributions to the success of this project:

- USAID permitted the Project to operate with autonomy as an independent private institution, supporting its management decisions and avoiding micro-management of the project.

- USAID represented the Project and took charge of all Host Country related Project matters with the GOS, allowing the Project to avoid bureaucratic procedures and interventions.

- USAID was very instrumental in convincing the Ministry of Finance to establish interim legislation defining the modality under which credit unions could function in Senegal. Thus it made it possible to establish the Credit Union as the new institution to replace and take over ACEP's project activities.

- USAID selected a well-qualified experienced expatriate Project Director, Nicolas Rofe.

Demonstrated Profit Potential of Small Enterprise Credit

The second project objective has also been achieved. The project has successfully demonstrated the profit potential of lending to small enterprises and has established the appropriate procedures, manuals, and credit management systems to permit its continuation in other, mainly urban areas of Senegal.

In five years, the SSE component of the CED project, also known as ACEP, expanded from two to five regional offices with a total of nineteen branches covering most areas of the country. It has shown a profit, net of donor assistance, for three consecutive years. Its operating procedures are documented and are effectively used by staff to carry out ACEP's mission. All of ACEP's asset ratios have been steadily improving as the institution grows. According to ACEP's FY93 records, write-offs as a percentage of the outstanding loan balance are down to 1%. Despite Senegal's troubled economy, non-performing loans were 3% and the provision for bad debt was 2% of the outstanding balance in FY93. The following are the major attributes contributing to the successful implementation of the Project.

- Targeted entrepreneurs to receive credit were selected from small scale and micro enterprises that are generally unable to secure loans from traditional institutions. This group tends to be very conscientious in repaying its debts.

- Lending practices, including loan amounts and term, permit lending on character and collateral rather than complicated feasibility studies.

- The organization strictly applies its policies of not rescheduling loans and realizing collateral for non-performing loans (generally three installments in arrears). This sends a message to its clients that ACEP will enforce the terms of its loan contracts.

- Each loan must receive unanimous approval by the loan committee. The confidentiality of the committee ensures frank and open discussion of each application. No reason can be given to the applicant for denial, further protecting the committee and keeping ACEP out of the business decisions of its clients.

- ACEP's follow-up with its clients through frequent visits by its Branch Managers ensures the proper use of loan funds and timely repayment.

- ACEP shows no favoritism and does not yield to political pressure from well-connected potential borrowers. It strictly adheres to its procedures and operational regulations.

- Centralization of all administrative functions and loan documents at headquarters ensures management a firm handle on finances and information. Costs are controlled. Accounting and statistical data is reliable Continuity in process and decision-making in legal and management issues is assured. The integrity of each client file is consistent and complete, including the enterprise's financial data and registry of secured collateral.

- Branch offices operate to achieve the highest possible quality and volume in their loan portfolios. They have few administrative tasks and do not maintain the official client records. This keeps branch costs very low and increases time spent improving the branch's loan portfolio.

- Regional managers supervise four to five branches. Always former branch managers, they provide a single and vital link between upper management and the branch. They have the tenure and experience needed to give a second opinion on the loan. They verify the existence of collateral and other aspects of each application in their region.

- Upper management includes the director, the head of credit operations, the legal advisor, the regional managers, and the internal auditor. The director has final authority on all issues. The integrity and professional skill of upper management, especially the director and legal advisor, is key to the success of the institution.

- ACEP's profit-sharing policy for its employees, and in particular Branch Managers, induces them to increase their loan portfolio and insure timely repayment of loans as they are judged by their performance and results.

- ACEP's wide use of interns helps it tap into Senegal's pool of well-educated unemployed and keeps a constant pool of potential branch managers on hand to fill positions as the organization grows.

- The simplicity of the ACEP organization helps information move efficiently through the system.

- An unchanging monthly schedule for all loan repayments, loan committees, aging reports and portfolio review helps staff organize their tasks and reduces the need for direct supervision. The production of income statements for each branch permits regular control of branch activity.

- ACEP staff have clearly defined tasks and strictly enforced rules of personal accountability that exist because of its lean and efficient staffing pattern. The result is each employee's focus on his/her individual tasks, a strong sense of teamwork among staff, low labor costs, and the effective transfer of information and experience.

NTF/Washington support

Since the creation of ACEP in January 1990, NTF/W support to its field operations was very responsive to the project. The need for NTF/W support lessened after the new project manager had been heading the SSE component of the project for 6 months and after the project started to attain its targets. NTF/W support was limited to stateside procurement of equipment, financial management, and needed logistical support. All of which were executed efficiently and in a timely manner.

The National Project Committee

The NPC membership is comprised of representatives from USAID, and the GOS (Ministry of Finance, Ministry of Interior, and Ministry of Women, Children and Family).
The NPC's major contribution to the Project's success was allowing the Project to function independently as a private entity with very little interference from the public sector. In addition, policies affecting the operations were thoroughly discussed with ACEP's management prior to approval rather than dictated to them.

An essential factor for the success of a project such as ACEP is agreement among members of the NPC as to the objectives of the project. This enables the Committee to effectively guide and assist the project's activities.

Recommendations for future projects:

For future projects, USAID should consider the following points:

- Future similar project grant agreements should clearly define the fate of project assets at the end of the project period and reflect detailed procedures concerning the final disposition of such assets.

- USAID should expedite approval of major policy decisions and execute necessary documentation to insure timely implementation of project activities. As an example, Amendment No. 6 took one year to be finalized to permit the GOS to contribute $1.7 million to the project (an action unprecedented by the GOS). The GOS was willing to effect such a contribution about a year prior to the Amendment date. (See attached letter from the Prime Minister's Office dated October 11, 1991.)

- USAID should more effectively rely on the advice and expertise of its contractor regarding issues affecting the project and its institutionalization.

- At the outset of a similar project where financial statement monitoring of profitability is important, USAID should insure that the project establish an accounting system that complies with the laws and procedures of the Host Country. This would insure that USAID will be able to secure a certified financial statement at the end of each year. Both USAID and the Contractor have to make adjustments to understand and interpret Host Country accounting systems to accommodate USAID requirements.

The Future after Project Completion

The Ministry of Finance has the responsibility of monitoring the activities of all credit unions including ACEP in accordance with their statutes which the Ministry had previously approved. The Ministry of Finance intends to continue its very supportive environment for this newly formed institution to expand its activities and extend its services into the agricultural sector.

During the last two years of the project several donors expressed interest in supporting ACEP's activities, after USAID decided not to extend its Technical Assistance support to the project beyond the project completion date. During the course of this project existing staff were well-versed in all the activities of credit but have very little experience in savings or the operations of a credit union, membership relations or general assembly meetings, etc. They will need additional technical assistance to upgrade their capabilities and guide them through the transition.

De Jardin, a large Canadian Credit Union has agreed to provide all necessary Technical Assistance inputs to ACEP over the next three years. They will provide full time and short-term technical staff experienced in the establishment of Credit Unions networks to assist and guide ACEP in its new operations. This activity will be funded by the Canadian Government.

Final Evaluation
Community and Enterprise Development Project

Project Profile

Since its inception the project has provided assistance to Small Scale Enterprises (SSE), Private Voluntary Organizations (PVO), and Village Organizations (VO) to engage in income generating activities. The project was amended six times increasing its funding to $15,229,000, extending its completion date to December 31, 1993, and expanding its geographic coverage to seven regions. The last amendment included $1,706,440 entirely financed by the GOS for the expansion of the SSE component of the project in Ziguinchor, Kolda, and Tambacounda regions.

On January 15, 1990, ACEP (Agence de Credit pour l'Entreprise Privet) was created representing an independent project activity housing the functions of the SSE component of the CED project. Although technically ACEP is still part of the CED project, it was physically separated with its own offices, staff, separate accounts, payment of its own expenditures, etc. This provided it the autonomy to operate independently and concentrate on extending credit to small scale enterprises.

The focus of this evaluation is to determine whether or not the SSE component of the Community and Enterprise Development project has attained its objectives and realized the expected outputs.

Project Objectives

1. Institutionalization of a profitable, private financial institution, with headquarters in Dakar, to continue SSE credit activities in the project area after PACD.

2. Profit potential of lending to small enterprises in the project regions clearly demonstrated and appropriate procedures, manuals, and credit management systems established for continued replication in other, mainly urban, areas of Senegal.

Project Outputs

1. 1750 SSE, in Project that have received credit, repaid loans on time, and run profitable operations.
2. Appropriate model for institutionalizing and replicating urban based SSE lending activities within Senegalese banking law.
3. Appropriate and creative linkages between SSE credit institution and other institutions supporting SSE and informal sector in projeot area including training and outreach programs.

Project Background

Since June 1985, the Community and Enterprise Development Project provided assistance to small-scale enterprises (SSEs), private voluntary organizations (PVO) and village organizations (VOs) to engage in income-generating activities. The project was amended on four occasions. The cumulative effect of the four amendments was to increase LOP funding to $15,229,000; to extend geographic coverage to include a total of 7 regions. The fourth project amendment provided approximately $1.7 million entirely financed by the GOS for the expansion of the projects activities to the Ziguinchor, Kolda, and Tambacounda regions. USAID signed a cooperative agreement with the New Transcentury Foundation (NTF) on August 2, 1985, to implement the project. USAID/Senegal approved PP Amendment One on April 13, 1989, to expand the original PACD for fifteen months from June 30, 1990 to September 30, 1991; to increase the life-of-project (LOP) funding by $2 million to a total of $11 million; and to revise the project goal and purpose. At the same time, the project's SSE component was extended from the original Kaolack and Fatick regions to neighboring regions to expand the loan portfolio base and improve chances for self-sustainability.

The project developed an effective model for providing credit to SSE's. This early success, and the GOS's request for assistance in employment generation, led to a decision to expand SSE credit activities to Dakar. The second project amendment, signed on August 30, 1989, extended the PACD for 27 months, from September 30, 1991 to December 31, 1993, and increased the LOP funding by $2,729,000 bringing the total approved project funding to $13,729,000. In addition, Amendment No. Two revised the projects goal and purpose by expanding the geographic scope to Dakar region and included project inputs and outputs adjusted for the expansion. The third project amendment extended the PVO component for six months through December 31, 1990. It also provided an additional $1.5 million required because of delays in the project, consolidation of operations in Kaolack, and a Mission decision to expand the SSE component to Dakar. The expansion to Dakar occurred in early July 1990 with the headquarters opening. The seven new branches (Dakar ,4; Thies, 2; MBour, 1) were fully functional within two months. ACEP installed a new computerized loan tracking system, and in September 1990, ACEP granted its first loans to clients in the Dakar region. In March 1991, an additional branch was opened in the city of Rufisque and in February, 1992, another branch office was opened in Louga bringing the total of new branches to nine, and the total of ACEP branches to fourteen.

By the end of FY90, ACEP's restructuring and expansion began paying off. It was well on its way to becoming a financial viable institution. Provisions for losses in FY90 were reduced to 4% of the outstanding balance (compared to 11% in FY89), the volume of loans had increased by 67%, and interest revenue had gone up by 75%. These results reflected primarily an improved situation in the Kaolack branches (loans in Dakar had begun only in September 1990, the last month of FY90). The only element missing by the end of FY90 was approval to increase ACEP's interest rates. After several vigorous debates within the National Project Committee (NPC), the NPC finally allowed ACEP, in March 1991, to align its rates with the maximum rate charged by banks. ACEP's interest rate was hiked to 16 % "add-on" (28% APR).

By FY91, ACEP's loan portfolio began to reflect improvements resulting from the move to Dakar. The volume of loans passed the one billion FCFA mark, and ACEP lent an average of

325,000 FCFA to over 100 enterprises each month. This increase in volume, a consistently low default rate, and the higher interest rate effected a remarkable change in ACEP's financial picture.

Costs also increased with the move to Dakar. FY91 operating costs were 65% greater than the previous year. However, revenue rose by 260%, allowing ACEP to cover all local costs and post a profit. ACEP was nine months ahead of schedule in meeting its self-sufficiency objective. For FY91, all branch offices were profitable, and ACEP instituted profit-sharing for its branch managers representing about 5% of the branch's net income.

Over the last three years, the composition of the loan portfolio also evolved. The portion of loans to general commerce was reduced, dropping from 43% of volume in FY90 to 39% in FY93. Loans to agricultural commerce also dropped from 14% to 4%. While loan volume to manufacturing dropped slightly, from 17% to 15%, the number of borrowers went from 15% to 24%. Services loan volume increased from 23% to 37%. Responding to the May 1990 GAO audit, ACEP increased loans to smaller enterprises (50,000-500,000 FCFA) from 6% in 1989 to 51% in 1993. Loans greater than 2,000,000 FCFA dropped to 5% compared to 47% in 1989. A significant effort was made to increase the number of female beneficiaries. Women now represent 20% of ACEP's borrowers, up from 10% in 1990. For many entrepreneurs, an ACEP loan is the first step into the formal sector. For clients requesting loans of 1,000,000 FCFA or more, ACEP's requirements of business registry and registration of collateral push these enterprises to join the formal sector.

From FY89 to FY93, ACEP's loan portfolio was increased more than six fold (from 218 million FCFA to 1.59 billion FCFA). The quality of assets also improved with write-offs for credit losses down from 11% in FY89 to 1% in FY93. During the same period, interest revenue grew by 675% while operating expenses increased by only 150%. This permitted ACEP to cover its operating costs, including provisions for depreciation and credit loses, for three consecutive years.

ACEP's performance has established it as one of the most efficient providers of credit to SSEs in Senegal. In terms of volume and quality, ACEP has the most important portfolio of loans to SSEs in the country. This has made ACEP an important player in the GOS strategy to promote SSEs. In fact, ACEP's success prompted the GOS to offer $1.7 million for expansion of operations in the Casamance and in Tamacounda. Negotiations between USAID, the GOS and NTF were finalized in September, 1992. Activities began in October 1992 in these areas with the opening of five new branches.

As of August 31, 1993, ACEP operated nineteen branch offices servicing all ten regions of Senegal. In addition, as of that date 5412 loans were made totalling 4.376 billion FCFA to a total of 3793 enterprises.

Institutionalization

At the outset of the project it was presumed that once the project was developed and demonstrated that extending credit to SSE was a viable and profitable activity, local commercial banks would take over the activity and streamline it among its own operations. Thus the institutionalization of the project would be accomplished and the project objectives attained.

By 1988, it was evident that none of the banks were interested in this activity nor the SSE portfolio of loans. Accordingly, it was decided by the project management that an institution would have to be created to continue the activities of the project at its conclusion.

Among the types of institutions considered were:

- A non-profit foundation serving SSE.
- A Non-Governmental Organization (NGO).
- A credit union despite the fact that there were no credit unions in Senegal and consequently there was no legislation governing their activities. This solution depended on the GOS and its Central Bank acceptance of the credit union concept and consequently regulating their activities through enacted legislation.

The consensus was to select the alternative of creating an NGO capable of implementing the activities of the SSE project. However, it was decided that no action would be taken to formalize such an institution until the project proved its financial viability. On January 15, 1990, the SSE credit component was physically separated from the CED project though technically it still was part of the CED project. This credit activity was named ACEP (Agence de Credit pour l'Entreprise Privee) and started to operate independently extending credit to SSEs.

By 1991, the ACEP component started to prove its financial viability. The Cent al Bank of West African States became aware of the urgent need to promote savings and credit organizations. The Bank ordered several studies to determine the most appropriate legal framework for such institutions to operate effectively in Senegal. At the same time, ACEP had identified the most important criteria and conditions under which it could operate efficiently as a viable and profitable institution. These were:

1. It must be tax exempt in order for it to maintain its financial viability.

2. It must be granted the freedom to set its interest rates for both savings and credit.

3. It must have the ability to solicit and receive savings from the general public and receive grants and credit lines from donor countries and other organizations.

4. It must remain a private institution with no outside interference.

Based on the above criteria and after reviewing the results of the preliminary studies conducted at the request of the Central Bank, ACEP's management decided that the most appropriate type of institution to take over the activities of ACEP would be a Credit Union . The alternative of an NGO was ruled out because it would not have allowed ACEP to legally operate as a credit union.

The management of ACEP began discussions with USAID, and drafted its proposed credit union statutes taking into consideration the economic and financial climate in Senegal, the studies made by the Central Bank as well as other entities, and keeping in mind the emerging requests of its clients for a savings facility on a small scale where they can lay away excess proceeds and earn some income on such idle capital. USAID agreed with the concept of a credit union and was able to convince the Ministry of Finance to secure an interim legislation for the establishment of credit unions. This legislation was issued on February 23, 1993. In early March 1993, membership was opened to create the new Credit Union.

On March 23, 1993, the founding members (77 members) officially established the newly created Credit Union "Alliance de Credit et d'Epargne pour la Production" to take over the activities of the existing ACEP. The founding members approved the proposed statutes, named a Director General, appointed members to the Board of Directors and other committees.

On May 9, 1993 the Ministry of Finance officially approved the new institution's statutes and granted it its Charter.

As of the end of November, the institutionalization of this project has been technically achieved. However, it was incomplete as the new institution could not begin to function and assume the operations of ACEP until the ACEP project assets were transferred intact to the new institution. The transfer was finally completed on December 2, 1993 when both USAID and GOS signed a Prcject Implementation Letter transferring all project assets to the newly created credit union.

The Central Bank of West African States (representing the West African Monetary Union) has drafted a proposed legislation regulating Credit Unions. This proposed law is currently under review and discussion within the GOS. After reviewing the proposed legislation there appears to be no conflict between it and the approved statutes of the newly formed Credit Union.

As the proposed WAMU legislation framework does not appear to be in conflict with the newly created ACEP (Credit Union) statutes, it will have, if passed, no effect on changing ACEP's approach, philosophy in lending, monitoring system, nor its operational methodology.

Project Assets

The Grant Agreement did not clearly define the conditions and procedures by which the assets of the project would be transferred to the resulting institution. This created unnecessary confusion and misunderstandings concerning the final disposition of the project's assets. It is recommended that in other future similar projects the fate of assets be clearly defined in the project agreement.

One of USAID's major contributions to the institutionalization of the project was its ability to convince the Ministry of Finance to establish interim legislation defining the modality under which Credit Unions could function. This action made it possible to establish ACEP as a credit union.

As the new institution was unable to function properly until assets were transferred, USAID exerted every effort to complete such a transaction before the end of the project which is December 31, 1993.

We are pleased to report that on December 2, 1993, Project Implementation Letter (PIL) Number 685-0260-09 was agreed upon and signed by both USAID and The Ministry of Finance. This action resolves the pending problem of transfer of assets to the Credit Union, and as such completes the true institutionalization of the project. Copy of the PIL is attached for quick reference.

Upon the evaluation of the value of assets by an independent audit firm, such assets will be considered as non-distributable capital either during the institution's lifetime or at its liquidation.

In the event of liquidation, assets will be liquidated in the following order:

1. Repayment of debts to creditors.
2. Repayment of original capital subscribed to by the members at par value.
3. The balance of assets will be transferred to the GOS for the sole purpose of contributing it to another institution pursuing the same goals of this project.

The above is provided by ACEP statutes as approved by the GOS and resolves the issue of possible windfall profits.

Factors contributing to the success of the project

First and foremost, part of the credit for the success of this project must be given to Mr. Nicolas Rofe, representing the Contractor NTF, who stood at the helm of this project since 1989 and who is responsible for taking over the project at a difficult stage and guiding it through the expansion phase until it attained its objectives. Mr. Rofe has demonstrated outstanding ability in all facets of this project. For the past year the project has been operating under total Senegalese management. Mr. Mayoro Loum was appointed as Director General on October 1, 1992, and since then he continues to manage all the affairs of ACEP project with exceptional expertise and business acumen. Since January 1, 1993, the project has operated using its own financial resources with no additional operating funds from USAID.

For the past year, Mr. Rofe has been advising the ACEP's top management to insure its continued success during the period of transition.

Other factors contributing to the success of the SSE component of this project are as follows:

- Total autonomy of ACEP, permitting it to operate as an independent private institution.

- The Technical Assistance Team was given executive powers with no interference or micro management from USAID or GOS. The expatriate Director was given the power to sign loans, veto power on credit, and no limit on approval of expenses within project budget amounts.

- USAID acted as an intermediary between ACEP and the GOS shielding ACEP from outside political pressures.

- Targeted group to receive credit was selected from small scale and micro enterprises which were not able to secure loans from traditional institutions. The project management felt that had it selected more affluent borrowers who were familiar with the banking system, it would have had more costs related to debt repayment due to the potential of such borrowers to abuse the system.

- Defined loan size that permits lending on character and collateral rather than complicated feasibility studies usually made unreliable by the lack of adequate accounting documents or records. Selection was also based on enterprise owners being engaged full time in their activities, this eliminated civil servants, politicians, and religious orders. Thus political problems were eliminated.

- ACEP's follow-up with its clients through frequent visits by its Branch Managers insures the proper use of loan funds and timely repayment.

- ACEP shows no favoritism and does not yield to political pressure from well-connected potential borrowers. It strictly adheres to its procedures and operational regulations. The requirement that all loans be unanimously approved by the loan committee, and that the members need not justify the basis for their decisions, allows the policy of "when in doubt say no" to work. The vote at the loan committee is confidential. Clients are not provided the reason for denial. This sustains free discussions and decision making within the committee.

- ACEP's presence in areas that are void of any credit institutions contributed to its success and rapid expansion.

- Very low administrative overhead and modest "no frills" branch offices keeps operating costs to a minimum . The branch operations are carried out of a one room office with only a Branch Manager and occasionally a trainee. No secretarial, clerical or administrative staff are employed at the branch offices.

- ACEP's profit sharing policy for its employees, and in particular Branch Managers, induces them to increase their loan portfolio and insure timely repayment of loans as they are judged by their performance and results.

Future Technical Assistance Needs

Although ACEP 's credit operations have been in place since the beginning of the project, it only became a credit union on May 9, 1993. At present, ACEP management effectively manages the credit activities with no outside assistance. However the new institution will become involved in several new activities in which the current staff does not have sufficient experience such as:

1. The functioning of a Credit Union membership.
2. Savings operations.
3. Relating to and working with the Credit Union's General Assembly as well as its Board of Directors.
4. Training members in how to fully participate in a Credit Union.

Because providing credit to small scale enterprises is no longer part of USAID/Senegal's strategy, the Mission made the decision not to continue providing technical assistance after the Project's completion date. Other donors have expressed interest in supporting the needs of the newly created Credit Union.

De Jardin has agreed to provide such assistance. It is a large, very successful and experienced Canadian Credit Union with more than $40 billion in assets and employs over 16,000 employees. De Jardin will provide technical staff to assist ACEP and establish Savings operations. This technical assistance input will be funded by the Canadian Government International Development Agency. It is our opinion that such technical assistance is appropriate and necessary for the continued success of ACEP as a Credit Union.

Recommendations for future projects:

For future projects, USAID should keep the following points in mind:

- Future similar project grant agreements should clearly define the fate of project assets at the end of the project period and reflect detailed procedures concerning the final disposition of such assets.

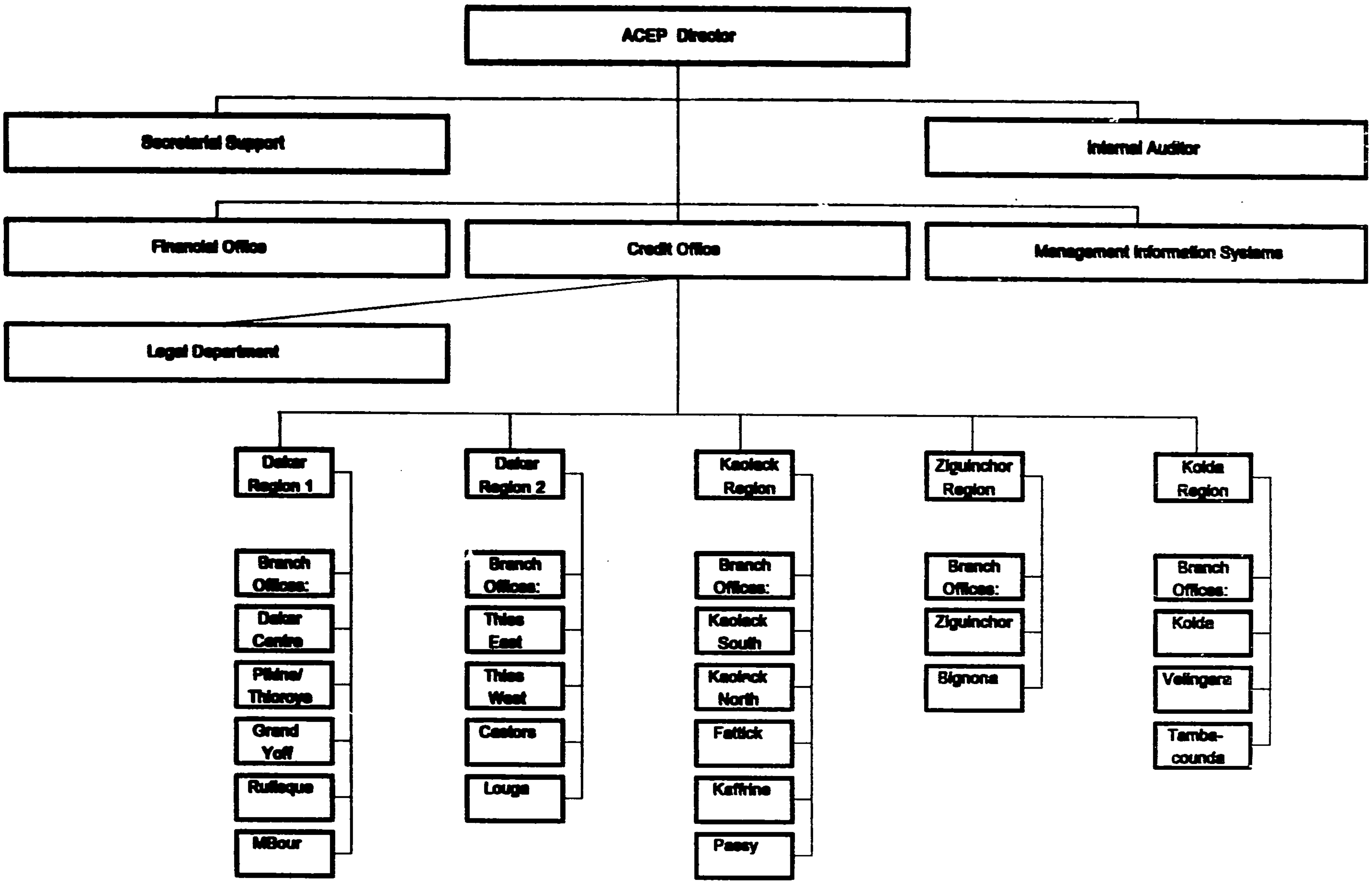
- USAID should expedite approval of major policy decisions and execute necessary documentation to insure timely implementation of project activities. As an example, Amendment No. 6 took one year to be finalized to permit the GOS to contribute $1.7 million to the project (an action unprecedented by the GOS). The GOS was willing to effect such a contribution about a year prior to the Amendment date.

- USAID should more effectively rely on the advice and expertise of its contractor regarding issues affecting the project and its institutionalization.

- At the outset of a similar project where financial statement monitoring of profitability is important, USAID should insure that the project establish an accounting system that complies with the laws and procedures of the Host Country. This would insure that USAID will be able to secure a certified financial statement at the end of each year. Both USAID and the Contractor have to make adjustments to understand and interpret Host Country accounting systems to accommodate USAID requirements.

ACEP ORGANIZATION

as of September 30, 1993



ACEP's Organizational Structure and Staff

Background

Prior to ACEP, the SSE component was structured in great measure for the production of reports rather than financial results. Thus, professional staff devoted much time to the writing of financial analysis for each loan application despite the fact that data in the informal sector was unavailable or unreliable. Branch Managers were required to produce monthly activity reports, detailed accounts of visits to clients, written justifications for rejection of loan applications, reports on loans in arrears, etc. According to ex-SSE staff, too much time was spent in meetings and on memo writing. As one of them stated: "It was a project, not a business."

Reorganization

New management radically changed the structure of the SSE component. First, the component was physically separated from the rest of the project. Second, its name was changed to more accurately reflect its business. The component was renamed ACEP (*Agence de Credit pour L'Entreprise Privee*). The organization structure was changed to conform to a model for territory-based sale of ACEP's financial services (Figure 1). Financial analyst positions were eliminated and the post of regional manager was created. Each regional manager was responsible for the portfolio and supervision of four to five branches. All accounting, loan tracking, production of aging reports, tracking of non-performing loans became the responsibility of headquarters. With a complete support system from headquarters, the branch and regional managers' only concern was to develop volume while maintaining quality. Monthly activity reports from branch mangers were eliminated allowing them to concentrate completely on the production of a portfolio. Branch managers were given full freedom to manage their time and resources (motorcycle and gas allocation) as they saw fit. Branches were considered as individual profit centers. From the start, new management made it clear that performance would be judged strictly by financial results. To further this idea and provide performance incentives, ACEP established a bonus system based on profit-sharing. The bonus that a branch manager receives at the end of each fiscal year is based on the net income of his branch.

Limiting the branch managers responsibility was also a way of controlling operating costs. Branch offices are modestly equipped since branch managers are not responsible for complicated office tasks. A desk, three chairs, a filing cabinet, and a motorcycle are the entire equipment expense for a typical branch office.

The entire loan process is made formal at Headquarters. This includes the registry of collateral, the disbursement of the loan, and maintenance of current client accounts, aging reports, and outstanding balances. Branches are remarkably autonomous units; their contact with headquarters is usually limited to once a month during the loan committee meeting. It is at this time that branch managers take advantage of their visit to headquarters to solve any administrative problems that they have. Any contact outside this scheduled loan committee meeting is usually with the legal department concerning non-performing loans. Besides the legal office, headquarters includes the director's office, credit operations, accounting, internal audit, and information management.

ACEP Management

The key positions within the ACEP headquarters are the director general, the internal auditor, the head of credit operations, the legal advisor, the chief accountant, and the regional managers. The director's main responsibility is the complete management of the organization. He proposes lending policy and interest rates to the National Project Committee and to USAID for approval. He sets general policy on per diem, on work schedules, and all other administrative issues. He has the power to hire and fire all personnel. He sets the salary scales and benefits. He is the chairperson and a voting member of the loan committee. He signs all checks and contracts.

The internal auditor's responsibility is to ensure that the procedures in place in ACEP are adequate to protect ACEP's assets and that they are followed. He also evaluates and controls reports produced by the accounting department. He must verify the financial statements at the end of each fiscal year before ACEP submits them to an external auditor for certification.

The head of the credit operations is responsible for the general management of lending operations, this includes lending and repayment. He coordinates the schedule of loan committees and reviews the performance of each region. On the fifteenth of each month, MIS provides him aging reports for each branch (reports which track loans in arrears) and he coordinates actions to assure repayment. He also helps the director general define credit policy. He is also a voting member of the loan committee.

ACEP's legal advisor verifies the validity of all engagements. He prepares all documents necessary for securing collateral, offers an opinion on the value and ease of realization of collateral. He takes necessary action on all non-performing loans and monitors the activity of outside legal counsel and bailiffs.

The chief accountant assures all accounting functions. He oversees maintenance of all journals, the preparation of disbursements, and the preparation of financial statements.

ACEP's manual of procedures clearly defines each of these positions. The evaluation team interviewed the staff and found that they were well aware of their duties and fully comply.

Between 1989 and October 1992, the NTF representative served as ACEP's director. During that period, besides being responsible for the management of ACEP, he also managed all relations with the donor community, in particular USAID. On October 1, 1992, Mr. Loum was named director general. Since that date the NTF representative has taken on the responsibility for the institutionalization of the project, defining the future needs for technical assistance, and identifying a donor to finance the new TA. Since October 1992, the NTF representative has also served as advisor to the director general.

The existence of a competent staff, effective procedures, and accumulated experience provide reasonable certainty that the organization can perform its present functions without technical assistance. It is important to recognize that ACEP now functions like a finance company and if it remained just that, it would need no further TA. As a private credit union with a board of directors and a general assembly, the relationship between ACEP staff and the new members, formerly ACEP clients, will change. Both union members and ACEP staff will need some training to ensure a smooth transition and full comprehension of their new responsibilities. Furthermore, integrating the savings component of the new credit union will require adapting the organization to new processes. To adjust to its new function as a credit union, ACEP will need some technical assistance. This technical assistance and the financing are now assured by the Canadian government.

ACEP today employs 29 professionals, of which 23 are field staff, to handle its growing loan portfolio. ACEP granted 2,109 loans totaling 1.5 billion FCFA during the first eleven months of FY93 representing a 40% increase over last year. ACEP's headquarters are in Dakar. Its five regional offices in Dakar (2) Kaolack, Ziguinchor and Kolda supervise nineteen branch offices. The simplicity and efficiency of its organizational structure helps to explain in great part ACEP's success. Added to that, a finely tuned MIS provides management reliable and timely information. Particularly impressive is the aging report providing all information on loans in arrears (# of installments late, percentage reimbursed, arrears as a percentage of outstanding balance, etc.). This is a key tool in maintaining a high recovery rate. The simplicity of the ACEP structure allows information to move quickly through the system. The fact that ACEP maintains an unchanging monthly schedule for all major operations (loan committees, payment dates, aging reports, portfolio reviews) helps staff organize their tasks. This structure and the quality of ACEP personnel contribute to transparency in the organization. The following are key features of the organization's operations:

- Staff executes their duties according to clear lines of authority and definition of responsibility. ACEP's operations manual accurately details these responsibilities.

- Centralization of all administrative functions at headquarters ensures management a firm handle on finances and information. Costs are controlled. Accounting and statistical data is reliable. Continuity in process and decision-making in legal and management issues is assured. Centralization of administrative and accounting functions allows field staff to focus on loans and clients.

- Final decision on all matters rests with the Director. His principal advisors in the organization are the Head of Credit Operations, the Legal Advisor, the regional managers, and the Auditor.

- Branch managers conduct reliable, detailed investigations of all potential borrowers. They are knowledgeable of the specific aspects of individual enterprises such as processes, costs of materials, and size of labor force per process, etc. This helps to estimate the true need for loan and the proper loan amount. The branch manager also conducts a rigorous follow-up on the borrower's business activities. This work ensures repayments according to schedule and fosters a solid, reliable client base for future loans.

- Regional managers, always former branch managers, provide a single and vital link between upper management and the branch. Generally having more tenure and experience within ACEP, their principal duty is to provide a second opinion on the loan. In doing so they verify the collateral and other aspects of each loan application.

- During interviews regional managers and branch mangers seemed dynamic and intelligent. Comments that the evaluation team received of other organizations (ISRA, NPC) concerning ACEP staff confirmed this observation.

Staff Recruitment, Training, and Promotion

ACEP trainees, recruited from Senegal's large pool of educated unemployed, provide an inexpensive source of labor, and a fairly reliable resource for future branch managers. Although educational disciplines vary, many have some knowledge of accounting, business and basic economics. Once selected, trainees receive a small sum for transportation and lunch. Trainees work for a total of six months, divided into two three-month cycles. Their first two weeks are often spent at headquarters where they work with all the major departments. Next they go to a branch office for approximately three weeks to a month. At the branch office they perform, with the branch manager, all of the tasks required of the branch. They are evaluated at the end of the first three-month cycle. If they are competent they are kept for the second cycle. If their performance remains satisfactory at the end of the second cycle, they are offered a contract or are informed that they will be contracted when a position opens. For ACEP staff in general, ACEP is their first employer and thus represents an important opportunity. With the dismal employment prospects in Senegal, ACEP represents for them an important break in life. Branch managers are aware that a pool of prepared trainees is available to ACEP and this is another motivation for excellent performance.

At the outset, as executive director of ACEP, Mr. Rofe established two major policies in staff hiring and training. First, people are promoted from within the organization based on performance. Thus, Mr. Mayoro Loum (Mr. Rofe's successor), formerly a legal assistant in ACEP's legal department, was identified early in the project as a person with potential. Particularly, his integrity was considered essential for future management responsibilities. All regional managers are selected from the pool of branch managers. Several cases occurred where people first hired for the jobs of guard and clerk were later promoted to branch manager and cashier once they displayed the competence to move up.

Secondly, ACEP does not hire any of its staff from the formal banking sector or donor financed organizations. The formal banking system in Senegal was a general failure. Much of the failure was due to corruption and sloppy banking practices. The donor community can also instill undesirable habits in its employees. According to Mr. Rofe, "People from donor financed projects are used to more bureaucratic systems where nothing gets done without a memo, a per diem, and a chauffeur."

"Organizational Culture"

One important attribute of ACEP's distinct organizational culture is that staff performs as part of a team. Evidence to that fact is the ready sharing of information and experience among staff. Each member of the organization seems to take responsibility for the whole. This genuine team spirit is important and contrasts an organizational culture prevalent in West Africa where conflict and disagreement are often masked by social courtesy. The evaluation team witnessed a loan committee meeting where there was heated debate of the issues. These discussions seemed clearly motivated by a shared desire for the best result. Contact between regional managers and branch managers is also very professional. In all cases observed during the site visits each was aware of the role of the other in evaluating and serving the client. During our work with ACEP, the staff seemed singularly concentrated on ACEP's business, even in informal discussions. Clear task definition, personal accountability, and the lack of fat in ACEP's structure keep staff focused on their individual responsibilities, create a sense that each is a vital part of the whole, keeps staff costs under control, and ensures transfer of information and experience among staff.

Profit-sharing is another important aspect of staff's feeling of ownership and responsibility for results. Branch managers are especially aware of the relationship between effort and income because they witness it in the business community. ACEP has an objective and clear policy on profit sharing. At the end of each fiscal year, an income statement for each branch is established and the branch manager is awarded 5% of its net income. This clear and direct relationship between financial results and reward represents a fundamental incentive to produce a quality portfolio.

Branch managers interviewed in the field took pride in their work's importance and share in their client's successes. Contrary to other projects where staff is often condescending to less-educated or illiterate beneficiaries, ACEP staff was respectful but firm in their dealings with clients. This is an important characteristic in staff that must be effective in gaining the confidence and loyalty of their clients. It is especially important in an environment where colonial attitudes and social class distinctions are prevalent.

Role of Technical Assistance

Obviously, staff selection was critical to ACEP's rapid success. By being the only technical assistant, Mr. Rofe had to select all of his staff locally. This prepared the organization from the beginning for institutionalization. The fact that the TA, as director, had the power to hire and fire, allowed him to rapidly remove staff that dragged on the system. The present contractor's business and credit experience in developing countries, and, his fluent command of French were essential to his success in this area. The contractor defined a workable strategy for expansion. He recommended that the idea of two separate organizations in Kaolack and Dakar be abandoned, and that a single organization be created with headquarters in Dakar and branches throughout the country. He established credit policies that lead to financial viability (a hike in the interest rate, prohibition of rescheduling loans, introduction of employee profit-sharing incentives). The contractor was also effective in defining the management systems required and identifying the appropriate providers. Finally, staff has been trained and is well-prepared to assume its responsibilities.

The fact that the contractor was able to achieve all of the above is due in no small measure to the wide-ranging executive powers that he was given. This fact is especially important if USAID considers duplicating ACEP.

ACEP's Financial and Accounting Procedures

Our review of ACEP's Manual of Procedures gave us a sense that the necessary procedures to guarantee safety of assets are in place. The manual describes every accounting step and all cycles in the disbursement and recovery of loans. Responsibilities for each member of the professional staff are described in detail. The regular reports required from each department are defined. It details all accountability relationships between staff within the organization. The security system for collateral and loan data was particularly impressive. Since collateral can easily be traded or sold by corrupt agents (as has happened in many West African banks), it is important that procedures detail measures to secure collateral and limit access to it. At ACEP, collateral is kept separately in a strong room. The Internal Auditor and the Legal Advisor have one of the two keys needed to open the door and must be present for anyone to have access to collateral. The same care is taken for preserving essential client account data. MIS staff makes daily backups and ACEP safeguards a copy in a vault at one of Dakar's major banks.

In a sense, ACEP's excellent loan portfolio is proof of the effectiveness of the organizations financial and accounting procedures. It would be nearly impossible to maintain ACEP's asset quality ratios (2% write-off rate and 3.4% rate of non-performing assets to outstanding balance) without a very secure system of checks and balances.

Outside Audits

ACEP's accounting and financial systems have been the subject of regular audits. Ernst & Young auditors are presently certifying FY93 financial statements. In 1990, a procedures compliance review found no exceptions. The recommendations retained by RIG following the 1992 nonfederated audit do not cast any doubt on the quality of ACEP's portfolio and disbursement and loan recovery procedures.

In 1993, USAID contracted with the local Price Waterhouse firm for an audit of the financial statements submitted by ACEP to USAID. The firm was unable to complete the audit stating that ACEP's financial statements could not be audited because it did not have a double-entry accounting system. As a project, ACEP's accounting system was set up primarily to track project expenditures and did not conform to the Senegalese chart of accounts. The option between maintaining an NTF designed, USAID approved accounting system or instituting a double entry accounting system based on Senegalese accounting practices was source of discussion between various auditors, USAID and ACEP over the years. It was finally decided that ACEP would institute a full double entry accounting system once it became an independent financial institution. In preparation for this new status, ACEP hired Ernst & Young in 1993 to review ACEP's accounting procedures and adapt them to the Senegalese chart of accounts and the Central Bank of West Africa's regulations. During FY93 ACEP maintained two parallel systems; one answering the needs of NTF expenditure reports, and a double entry system based on the Senegalese chart of accounts. The financial statements for FY93, produced by this double entry system, are the ones being certified by Ernst and Young. In the future, USAID and the contractor should use or adapt their systems to the host country accounting system even if it proves awkward and time-consuming to convert the data to their preferred reporting format.

Internal Audits

As the organization expanded and loan volume grew, ACEP recognized the need to hire an internal auditor. This was done in 1992. The auditor answers only to the director. His responsibilities are described in previous section of this report. His regular duties include:

- Verifying all credit contracts and major purchases for calculation accuracy and procedures compliance before signature by the director.

- Ensuring agreement between monthly credit reports from the accounting office and the management information systems office. While the accounting office documents disbursements and recoveries in ACEP's journals, the MIS office records activity on individual borrower accounts. He must cross-check each disbursement and bank deposit.

- Auditing field operations for procedures compliance, i.e., the regional cash box and numbered cash receipts used by cashiers and branches authorized to collect payments.

- Maintaining the security of collateral in ACEP's possession.

Fund Transfers

All checks for disbursement originate at headquarters and all receipts originating in the field go to headquarters. Headquarters houses all official loan documents including application, contract, and secured collateral. This highly centralized system is effective and ensures maximum control of financial resources. After each committee, the loan contracts are signed and checks are written. Headquarters transfers them to the regional office to be remitted to and signed by the clients. Each regional office (except Dakar which shares space with headquarters) has its own staff to handle bookkeeping and cash transfers (junior accountant and cashier). Regional offices deposit all disbursements collected from clients to a bank located in their region. Receipts are transferred weekly to headquarters for control and registry (accounting office and MIS). The internal auditor controls each phase of these processes.

Administrative contact with the client is generally limited to receipt of collateral, signature of the loan agreement, disbursement of the loan check, receipt of monthly payments, and return of collateral upon termination of the loan. More distant offices require that ACEP provide some administrative services in the field. In the case of the Casamance, for example, a legal advisor is located in Ziguinchor and serves Tambacounda, Kolda and Ziguinchor. Dakar's legal advisor does collateral evaluations and registry on site in Louga, Thies and MBour. Generally the distances between branches and their clients are not excessive, except in the cases of Tambacounda and Louga where 200 km separate the branch from their regional offices. In Tambacounda's case, the regional manager delivers loan checks and contracts to the clients at the

Branch Office. For Louga, ACEP does not see the need to do this because Louga entrepreneurs travel frequently to Dakar on business. In general because ACEP's clients are entrepreneurs who often travel to urban centers to pick up supplies and deliver goods, the distance between them and the regional office is not a critical concern. The low density of population makes it very expensive to duplicate ACEP's administrative services. However, ACEP clearly provides far greater access and convenience than other financial institutions in Senegal today. The branch network of all banks in Senegal is limited to large urban centers.

Loan Tracking

ACEP, with the help of an American computer expert, has designed a specialized loan tracking system that regularly produces the following reports:

- Client Account Statements;
- Outstanding balances by Branch, Region, and all of ACEP;
- Aging Reports;
- Income Reports;
- Projections of Revenue;
- Complete status reports on the non-performing portfolio;
- Volume changes on a monthly basis by Branch; and,
- Reports on portfolio diversification by economic sector, gender and other indicators.

During the evaluation, ACEP was able to satisfy requests for such reports quickly.

ACEP's Lending Practices

Loan Application: The Branch Office

The branch office is the first and main contact between ACEP and the client. All loans must originate at the branch office. Clients cannot apply at any other level. Recommendations from other staff are prohibited. This guarantees the branch manager independence in his choice of clients and full responsibility for his portfolio.

The branch manager makes his preliminary selection based on criteria established by ACEP policy.

- The entrepreneur must be a Senegalese national.
- The enterprise must be located within the branch's territory.
- The enterprise must have existed at least six months prior to loan application and have some track record. (For cases introducing new technologies or manufacturing products of interest to Senegal, ACEP makes an exception to this policy and finances startups.)
- Loan value cannot exceed 75% of collateral. Acceptable collateral includes mortgages, liens on equipment, liens on vehicles, comakers with sufficient assets or securable income.
- The entrepreneur must work full-time in his business. This allows ACEP a graceful way to refuse loans to politicians, public employees, religious leaders, etc. These groups have proven to be bad risk. Public employees accustomed to drawing a salary rarely have the entrepreneurial qualities to develop a successful enterprise. The World Bank-financed voluntary departure program gave large financial incentives for business startups to willing participants. Few cases were successful. Politicians and religious leaders are prone to use their position to prevent the realization of collateral, and thus represent a high risk.

The branch manager determines the loan amount based on the specific use, repayment potential of the borrower, and loan collateral. Working with the client, branch managers are able to formalize extremely informal data. They are able to establish an elementary cashflow and evaluate assets. Finally, and this is a critical aspect of the process, the branch managers must evaluate the credit worthiness of the potential client. This is done through informal interviews with neighbors and other ACEP clients familiar with the applicant. Routinely, the branch manager makes an unannounced visit to the entrepreneur's home to evaluate his social obligations. For repeat borrowers, the branch manager considers the physical signs that the business is growing such as major improvements, additional employees, higher volumes of stock, and business diversification. Generally formal loan applications do not occur until the branch manager is reasonably certain of the borrower's ability to repay.

Loan Application: The Regional Manager

Loan applications selected by the branch manager for approval are next evaluated by the regional manager. He meets with the client, visits the enterprises, and cross-checks the information prepared by the branch. The regional manager, always a former branch manager, bases his opinion on a wide experience in the field. The regional manager notes his opinion on the loan application.

Loan Approval: The Loan Committee

A loan committee meets in each region once a month. The voting members of the committee are the Director, Head of Credit Operations, Legal Advisor and the regional manager from whose region the loans are being examined. The branch managers attend only to present their loans and defend the loan's merits. They do not vote. Once the presentation is over, the regional manager makes his comments and the voting members discuss the loan.

In addition to cash flow, the committee evaluates collateral, ease of collateral realization, stated use of the credit, family obligations, and standing in the community. The committee applies economic sector ratios to assure the diversity of a branch's portfolio. Amounts requested by the applicant are occasionally reduced, in particular for loans to commerce, to conform to estimated actual need. ACEP staff has developed a set of informal standards to guide their review. All loans must receive the unanimous vote of all committee members. In FY93, loans approved averaged about 141,000,000 FCFA or US$530,000 per committee meeting.

Interviews with committee members, observation of a committee meeting, and review of comments on loan applications verified the effectiveness of the committee's work. The best proof of the quality of ACEP's loan committee decisions is the exceptionally low write-off rate. Over the last three years it has averaged 1.4% of outstanding loans, exceptional in any environment.

Loan Follow-up

The use of credit funds is stated in the contract between ACEP and the borrower. Within 30 days of loan disbursement the branch manager visits the client to see that funds have been spent for the intended purpose. If funds have been misspent, the branch manager begins the process to call in the loan.

Loan Recovery

Generally loans are amortized on a monthly basis and installments are due on the first of the month. On the fifth of each month all loans are posted and penalties on late payments are assessed. On the fifteenth of the month MIS provides the aging reports. Based on the information provided in these reports, ACEP staff takes action on clients in arrears. A loan is considered non-performing if it is in arrears for two months and the process to seize collateral begins after the third nonpayment. Loans are not rescheduled. These policies help to account for ACEP's high recovery rates and ensures diligence by the branch manager when developing the application. It also helps to develop the long-term ACEP/client relationship. Generally, ACEP borrowers receive a branch manager visit about once a month just before the scheduled payment (on or before the fifth of each month) to verify that the installment will not be late, to keep up regular contact, and to remain current on the development of the business.

Term of Loans

Loans are generally amortized over twelve or thirteen months. Loans for agriculture may be shorter, running with the agricultural season, and provide a grace period consistent with revenue streams. ACEP's relatively limited amortization period confines ACEP's involvement in certain sectors and with firms of a certain size. It is a growth constraint and may require revision in years to come. Any change to this policy in the future should go slowly and with caution given the risks of medium term lending in West Africa.

ACEP's reasons for not financing medium term loans or larger enterprises are as follows:

- The managerial talent of most enterprises financed by ACEP is concentrated in one person. Should that person fall ill or be absent from the business, the enterprise may completely collapse.
- The poor maintenance of equipment found in most enterprises does not permit accepting equipment as collateral for long periods.
- The incentive to repay diminishes with the size of the loan and the time needed before applying for another loan. Many of ACEP's clients return at the end of each loan for a new loan. This allows ACEP to reevaluate periodically the state of the business, the state of collateral, and capacity to reimburse.
- ACEP's position is that financing larger enterprises is too risky. ACEP management believes most owners of these enterprises are more sophisticated entrepreneurs who know how to go around the law and prevent realization of any collateral.
- Staff was selected primarily to do character loans not loans based on highly sophisticated financial analysis that would be required for larger sized enterprises.
- ACEP has not fully exhausted the market niche it currently handles successfully.

The evaluators found these reasons valid. Further, ACEP was created to serve small scale enterprises that do not have access to formal banking. This is exactly what it is doing. It is important during the institutional phase that ACEP concentrate on what it does best while it is adjusting to its new status.

ACEP's lending practices, criteria, collateral requirements, and repayment policies will be maintained in the new credit union. Membership will be decided using the same criteria as presently used for loans.

ACEP's Clients

Borrower Profile

Most of ACEP's clients are owners of small scale enterprises. Slightly more than 60% of ACEP's loans in FY93 went to businesses with assets of 2,000,000 FCFA or less. The great majority have less than ten employees. Most of them have substantial business experience (12 years on average). Usually they are the sole owners of their business assets. In 1993, approximately 50% of all ACEP loans went to repeat borrowers showing a healthy balance between building on a solid client base and expanding its presence in the market.

Diversity by Gender and Economic Sector

ACEP's loan portfolio has strong positions in commerce and services, representing 38% and 37% of volume respectively in FY93 (Table 2a). Manufacturing stands at 15% and agriculture plus marketing of agricultural goods stand at 10%. Currently, women represent 20% of ACEP's clients and receive 11% of the volume representing a steady increase since FY89 (Table 2b). Their loans are generally concentrated in commerce and manufacturing (Table 1). ACEP has made efforts, by adjusting a branch manager's bonus for diversification of his portfolio, to encourage more lending to the manufacturing sector. However in Senegal's informal sector, manufacturing is relatively limited as compared to commerce or services (principally transport). Further difficulty in financing the manufacturing sector is their lack of collateral, thus, the size of their loans remains small. While 24% of ACEP's clients are in the manufacturing sector they receive only 15% of the volume. In the service sector, on the other hand, where collateral exists and loans are greater, 20% of FY93 clients received 37% of the loan volume. The agricultural sector remains stable at 5%. Most agricultural loans in Senegal are financed by the *Caisse Nationale de Credit Agricole.*

ACEP relies on the commerce and service sector for most of its revenue. Financing these sectors permits taking more risks in the manufacturing and agricultural sectors. Since ACEP must be financially viable, it needs a sufficient number of large-size secure loans to offset the administrative costs of providing very small loans to women and the manufacturing sector. This also helps to diversify the loan portfolio which allows higher risk lending in agriculture. The portfolio composition seems appropriate for obtaining project objectives.

Table 1: All ACEP Loans by Gender and Eonomic Sector
Number of Loans as a Percentage of all Loans between FY89 and FY93

Economic Sector	Women		Men		All Borrowers	
	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total
Agriculture	41	4%	414	10%	414	10%
Agric Commerce	62	5%	282	7%	282	7%
Commerce	568	50%	1719	40%	1,719	40%
Manufacturing	389	34%	881	21%	881	21%
Services	84	7%	972	23%	972	23%
Total	1,144	100%	4,268	100%	4,268	100%

or

Number and Volume of Loans as a Percentage of All Loans by Year

Numbers	1989		1990		1991		1992		1993		Cummulative 1989-1993	
	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total
Agriculture	7	5%	20	6%	109	8%	132	9%	187	9%	455	8%
Agric Commerce	27	19%	44	14%	77	6%	73	5%	123	6%	344	6%
Commerce	62	43%	137	43%	538	39%	671	46%	879	42%	2,287	42%
Manufacturing	23	16%	48	15%	344	25%	351	24%	504	24%	1,270	23%
Services	24	17%	66	21%	306	22%	244	17%	416	20%	1,056	20%
Total	143	100%	315	100%	1,374	100%	1,471	100%	2,109	100%	5,412	100%
Expressed in 1000 FCFA	1989		1990		1991		1992		1993		Cummulative 1989-1993	
	Loan Volume	% of Total	Loan Volume	% of Total	Loan Volume	% of Total	Loan Volume	% of Total	Loan Volume	% of Total	Loan Volume	% of Total
Agriculture	10,300	5%	15,050	4%	68,850	7%	82,175	7%	84,090	5%	260,465	6%
Agric Commerce	33,695	15%	55,800	14%	70,860	7%	64,900	6%	67,700	4%	292,955	7%
Commerce	91,124	42%	175.636	43%	320,000	31%	445,900	39%	610,630	39%	1,643,290	38%
Manufacturing	39,967	18%	67,900	17%	155,400	15%	159,075	14%	234,900	15%	657,242	15%
Services	43,338	20%	95,615	23%	414,785	40%	381,150	34%	586,900	37%	1,521,788	35%
Total	218,424	100%	410,001	100%	1,029,895	100%	1,133,200	100%	1,584,220	100%	4,375,740	100%

Table 2b: Evolution of ACEP Loans by Gender

Number and Volume of Loans as a Percentage of All Loans by Year

Numbers	1989		1990		1991		1992		1993		Cummulative 1989 -1993	
	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total
Women	16	11%	32	10%	325	24%	343	23%	428	20%	1,144	21%
Men	127	89%	283	90%	1,049	76%	1,128	77%	1,681	80%	4,268	79%
Total	143	100%	315	100%	1,374	100%	1,471	100%	2,109	100%	5,412	100%
Expressed in 1000 FCFA	1989		1990		1991		1992		1993		Cummulative 1989 -1993	
	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total	# of Loans	% of Total
Women	10,974	5%	22,650	6%	117,200	11%	136,625	12%	179,030	11%	466,479	11%
Men	207,450	95%	387,351	94%	912,695	89%	996,575	88%	1,405,190	89%	3,909,261	89%
Total	218,424	100%	410,001	100%	1,029,895	100%	1,133,200	100%	1,584,220	100%	4,375,740	100%

Loan Impact

Information on loan impact on assets, profits and employment comes from assessments made by branch managers when loans are evaluated for renewal and from a random sample of closed loans. As of August 31, 1993, 2209 loans were evaluated. The statistics provided by the branch are controlled by MIS for logic and consistency. Explanations in cases of unusual changes are requested and incorporated in the documentation. Using MIS data impact on assets and profits is as follows:

Table 3a: Business Growth Indicators

	Before ACEP	After ACEP	Percentage Change
Average Business Assets	3,800,000	4,390,000	**16%**
Average Personal Assets	2,683,000	3,873,000	**44%**
Monthly Profit	193,000	247,000	**24%**

The impact on employment is detailed below. Generally, businesses associated with ACEP show a net gain of employment except for permanent employment for women (-20 jobs). No new jobs were created in permanent employment for women. An analysis of the 20 cases cited showed that only two of the 20 jobs lost were lost due to economic slowdown. In six cases, the business-owner had wrongly included herself when reporting the number of employees. In the rest of the cases, outside help was replaced with family members or men. This is not unusual because women often leave full-time employment due to maternity or family obligations.

Table 3b: Employment Growth

Women:	Before ACEP	After ACEP	Net Employment
Permanent	196	176	-20
Temporary	50	77	27
Apprentices	567	777	210
Total	813	1,030	217
Men:			
Permanent	2,454	3,000	546
Temporary	2,289	3,137	848
Apprentices	3,905	4,771	866
Total	8,648	10,908	2,260
Total Employment:			
Permanent	2,650	3,176	526
Temporary	2,339	3,214	875
Apprentices	4,472	5,548	1,076
Total All	9,461	11,938	2,477

Visits to ACEP Clients

Thirty client visits included several businesses in each economic sector served by ACEP. The sample was not statistically significant and was chosen in collaboration with ACEP representatives. All clients visited had never participated in the formal sector before their experience with ACEP. Often they had started their business activity with the help of a family member, a previous employer, or on their own. Their businesses included agricultural production, i.e., poultry, fruits, vegetables and grains; retail sales of agricultural inputs, clothing, hardware, automotive parts and general merchandise; manufacture of cookware, clothing, furniture, and metal-based construction materials such as fencing, market-stalls, stall doors, and scaffolding; services including restaurants, autobody and automotive repair, and public transportation.

Besides clients whose accounts are current, the visit included one client with a previous non-performing loan and one client currently in arrears. The first borrower, a furniture manufacturer, spent his working capital intended for raw materials on a lease for retail space to market his products. When the branch manager made his routine follow-up visit and found that he had violated the terms of his contract, he immediately recommended that the loan be called-in. Clearly the retail space was too expensive and was putting the loan at risk. ACEP was able to recover the loan without need to realize collateral. After repayment of the first loan the entrepreneur requested a new loan. ACEP granted the loan because it considered that the entrepreneur simply made an honest error of judgment and that there was no intention to misuse the loan. He has been current on this loan and was grateful that ACEP correctly evaluated the situation. This was an interesting case because it illustrates the fact that ACEP follows up on its investments and is quite strict on the intended use of the loan funds.

The second case involved a woman whose account was in arrears. She complained that she was not expecting a return on her purchase of roaster chicks before two months. She felt she should be granted a grace period based on the nature of her business. Continued discussions brought out the fact that the reserve fund, that she declared at the time of application and which was to be used to support operating costs during the first months, had been spent on the purchase of personal real estate. The regional and branch managers explained that her cash flow analysis considered the existence of this fund and that she had not managed her resources as agreed. She was warned that continuation of nonpayment puts her collateral in jeopardy. Although ACEP grants grace periods for agricultural activities, it does not do it for poultry. Poultry is considered a high risk investment. It needs timely technical expertise (veterinarian) and quick decision-making because disease can wipe out an entire stock in a matter of days. Poultry projects are generally not provided a grace period. ACEP requires that the entrepreneur have the necessary cash reserves to carry the cost of operations during the maturation period. Because ACEP finances businesses already existing and having a cash flow, ACEP presumes its clients can meet their obligations if they manage their resources correctly. It is also important that ACEP insist on compliance of obligations and not allow changes in terms of the signed contract.

The positive effects of ACEP on its clients' enterprises, may sometimes be understated in ACEP's documents. This can occur because of its policy not to include in a client's net worth, the existence of other businesses owned by the client but not related to the loan being requested. This policy was set up to avoid the excess cost and reduced certainty involved in verifying proprietorship and income statements for businesses located outside the branch territory. A case in particular came to our attention during these visits. The borrower interviewed is currently repaying his fifth loan. When he began with ACEP, he had a single grain mill, a small commercial enterprise selling cattle feed and grains, and about 150,000 FCFA in cash. Over the years with the assistance of ACEP he has accumulated a peanut grinder, and several other food processors. He has diversified his business to include sales of sewing supplies and services, and purchased a taxi. He now employs three people and estimates his current net worth at between 3.5 and four million FCFA. Because ACEP records only the asset value of the business for which the most recent loan is being applied, its statistical records showed only 700,000 FCFA in business assets. This reflects that ACEP's primary concern in establishing loan data is to maintain a conservative evaluation to minimize risks and control the origination cost of loans. The fact that ACEP tends to err on the side of prudence in estimating business growth because of its primary objective, should be recognized when evaluating the impact of ACEP on its clients.

Among the entrepreneurs visited were several businesses owned by women. In each case the positive impact was quite dramatic. One restaurant owner had made major improvements to her business. Improvements to her place included covering concrete floors with tiles, installing mosquito screens and toilets, and adding furnishings and client amenities in the dining area. She also installed a telephone to receive reservations from local tourist hotels. Her improved cash flow has allowed her to offer meals on credit. This has increased her regular clientele. She has been able to accumulate substantial savings. Another restauranteur has increased the size and volume of her business. Starting as a one-person operation, she now employs eight other women and occupies a larger space. Her daily revenues have increased from about 5,000 FCFA to 25,000 FCFA.

Women in small retail commerce are quite prevalent in Senegal. We visited one of ACEP's entrepreneurs whose activity was rather atypical. Her shop carried primarily home improvement and construction materials. She explained the difficulty she had in obtaining her first ACEP loan. The branch manager admitted to being skeptical of her ability to repay. He was concerned that her business was very new. Also, "young, well-educated women are prone to abandon the business at the first sign of trouble" and seek other opportunities. He made many unannounced visits to her shop, reviewed her books, contacted her suppliers, and even arranged for her to meet with ACEP's legal department to discuss her case. The regional manager explained that this conservative but thorough investigation of clients is what ensures that ACEP clients do not have problems repaying their loan. Loans that fail are not only costly to ACEP, but very unpleasant for the branch managers and their clients. The branch manager was clearly proud of his work as her business was prospering and he had a solid client for future loans.

Generally the manufacturing enterprises for women involve clothing, including design and production. Since this activity is not gender oriented in Senegal, training of young boys and girls as apprentices is the norm in this cottage industry. Client loans were a source of working capital to purchase raw materials in bulk and the means to purchase new machines. While many of ACEP's clients supply uniforms for Senegalese workers, others in Senegal's well-known "haute-couture" are marketing their original African designs internationally.

Among ACEP's large borrowers, we visited one owner of a mass transit operation who was currently repaying the most recent of three loans averaging 4,000,000 FCFA each. He began his business with a family loan for one Mercedes bus. His business rapidly grew with ACEP's support allowing him to bring in other family members and take on significant family responsibilities for a man of his young age. With his most recent loan and cash reserves he was able to diversify into a lucrative automotive parts business, traditionally dominated by Lebanese in Senegal.

ACEP staff was particularly proud of their organization of successful village association borrowers. Using the combination of cooperatives and collateral, they have organized groups that have group solidarity reinforced with collateral. The village we visited was quite small and had only five association members who were all very pleased with their work with ACEP. They explained that ACEP allowed them to purchase fertilizer on time and in the necessary quantity. This ability to completely control input applications greatly improved crop yields this year. The contrast was confirmed by the result of neighboring fields where farmers relied on government inputs that arrived too late in the growing season.

Several clients in the agricultural sector were very enthusiastic about their discovery of ACEP. Trained as agronomists and veterinarians, they regularly apply new technologies and products in their business ventures. ACEP has provided them with capital that has allowed them easy access and use of these new methods. Growth in these businesses promotes testing and use of new technologies, including automated irrigation. This helps disseminate more efficient techniques to other entrepreneurs in the area. One large agricultural entrepreneur had a very impressive family agribusiness that included fruit orchards and vegetable gardens. The products from these are sold to wholesalers. He had significant investment in his business before ACEP loans and was trained abroad in agronomy. He is currently trying to organize other local farmers to produce similar products that can be aggregated for export and discussed many other practical initiatives to improve agricultural efficiency in the area.

Many of ACEP's clients use courses in business management from other donor organizations to improve the data provided for loan justification to ACEP. Several were quite proud to share their accounting journals with the team. ACEP's policy not to provide any training or technical advice to its clients is often questioned by outside visitors. ACEP's policy is based on its desire not to assume any responsibility for the business' success or failure through participation in business decisions. It wants to remain strictly a source of finance. When clients express desire for training, ACEP recommends other organizations that provide such training. The need to separate finance activity from training seems to be winning approval. Two examples come to mind. The Friedreich Ebert Foundation that is providing technical training in manufacturing in Senegal, decided to abandon its credit component and signed an agreement with ACEP to finance the foundation's clients. Africare is also negotiating with ACEP to have it manage its credit activities under a separate USAID funded project.

In summary, ACEP clients were very pleased with the availability of credit that has helped the growth of their businesses. Many of these people are very resourceful. Eventually they probably would have progressed without ACEP. However, access to ACEP credit speeded up their growth. ACEP clearly serves a dynamic market whose success has a ripple effect throughout the community. The ripple effect provides increased employment and economic opportunities, a wider availability of goods, and improves quality and variety of services.

In the manufacturing sector, ACEP clients report an increased ability to take on more orders due to a reliable source of working capital for the acquisition of raw materials. With their success, many entrepreneurs were able to diversify into other related businesses, make physical improvements providing room for expansion of activity, improved hygiene and better marketing conditions, and, apply higher technologies than previously used.

Several clients mentioned improved accounting and business planning because of their ACEP loan. They explained that the requirements to justify the loan made them more aware of costs and more thoughtful about what they could do next to improve business.

Another aspect of the ripple effect is the ability that some of ACEP's clients to provide credit to their clients. In the fishing sector ACEP helps primarily through loans for marketing operations. It finances refrigeration equipment, packaging materials, and small refrigerated trucks. ACEP had to limit lending to fishermen because these have proven to be poor payers. By financing intermediaries who in turn finance the fishermen ACEP is able to remain in the fishing sector with acceptable risks. This was verified during a client visit to a fish wholesaler in MBour.

Social benefits included increased personal assets, a sense of control over one's future, improved living quarters, and the ability to add to one's family responsibilities, i.e., taking in children from other family members or an additional spouse as prosperity permits.

Most borrowers felt a strong loyalty to ACEP and said they would be willing to use savings services if they were available. Several among those interviewed were already members of the new credit union. Borrowers discussed the need for loans of greater amounts and longer terms. Lower interest rates were also requested by some borrowers. These requests were reasonable and should be periodically reevaluated as previously discussed.

Financial Analysis

Source of funds

ACEP's funds originate from three major sources: USAID, ACEP revenues, and the GOS. The cost of these funds was zero. For details by year see Table 4. Between 1990 and 1993 the total funding available to ACEP was US$ 8,919,491 and is broken down by source as follows:

▸	USAID		5,031,437
▸	ACEP Revenue from operations		2,111,498
▸	ACEP Interest income from deposits		70,556
▸	Government of Senegal		1,706,000
	TOTAL	US$	8,919,491

Uses of funds

As of August 31, 1993, US$ 8,498,836 had been used as follows:

▸	Credit fund		4,886,921
▸	Operating Costs		2,086,668
▸	Technical Assistance		1,525,247
	TOTAL	US$	8,498,836

USAID contributed:

▸	Credit fund		2,050,000
▸	Operating Costs		1,479,680
▸	Technical Assistance		1,501,757
	TOTAL	US$	5,031,437

ACEP contributed:

▸	Credit fund		1,708,958
▸	Operating Costs		473,096
	TOTAL	US$	2,182,054

GOS contributed:

▸	Credit fund		1,127,963
•	Operating Costs		133,892
•	Technical Assistance		23,490
	TOTAL	US$	1,285,345

Note: The remaining US$ 420,655 of the GOS total contribution of US$ 1,706,000 is carried forward for credit and operating costs for FY94.

Table 6: Sources and Uses of Total SBE Project Funds

	PRIOR	FY90			FY91				FY92				
Sources of Funds	USAID Letter of Credit	USAID Letter of Credit	Revenue from Operations	TOTAL	USAID Letter of Credit	Revenue from Operations	Interest from Deposits	TOTAL	USAID Letter of Credit	Gov't of Senegal	Revenue from Operations	Interest from Deposits	TOTAL
USAID Letter of Credit	750,000	1,446,560		1,446,560	1,539,406			1,539,406	928,065				928,065
Govern of Senegal										552,000			552,000
Int Inc from Loans Net of Prov			92,593	92,593		386,485		386,485			653,725		653,725
Other Income			24,630	24,630		47,000		47,000			65,803		65,803
Interest from Bank Deposits							11,819	11,819				2,771	2,771
Total Sources	750,000	1,446,560	117,222	1,563,783	1,539,406	433,485	11,819	1,984,710	928,065	552,000	719,529	2,771	2,202,365
Uses of Funds													
TA Salary		86,304		86,304	86,330			86,330	86,360				86,360
NTF Salaries		22,456		22,456	12,963			12,963	6,499				6,499
TA Fringe		25,891		25,891	25,899			25,899	25,908				25,908
NTF Fringe		6,736		6,736	3,889			3,889	1,950				1,950
NTF Overhead		93,755		93,755	51,900			51,900	34,373				34,373
Consultants		14,000		14,000	18,753			18,753	14,425				14,425
TA Associated Costs		30,637		30,637	30,642			30,642	30,648				30,648
G&A		218,598		218,598	176,563			176,563	133,698				133,698
TA Related Sub-Total		498,377	0	498,377	406,938	0	0	406,938	333,861	0	0	0	333,861
Local Hire Salaries		172,259		172,259	222,457			222,457	316,703	2,000			318,703
Travel & Transport		7,738		7,738	7,748			7,748	7,754	0			7,754
Per Diem		5,000		5,000	5,000			5,000	5,206	253			5,459
Equipment		47,437		47,437	32,077			32,077	123,917				123,917
Other Direct Costs		140,420		140,420	140,515			140,515	140,624	1,400			142,024
Employee Profit Sharing						15,504		15,504			34,500		34,500
ACEP Operations Sub-Total	0	372,854	0	372,854	407,798	15,504	0	423,302	594,204	3,653	34,500	0	632,357
Credit Fund	750,000	575,330	117,222	692,552	724,670	417,981	11,819	1,154,470			685,029	2,771	687,800
Subtotal	750,000	1,446,560	117,222	1,563,782	1,539,406	433,485	11,819	1,984,710	928,065	3,653	719,529	2,771	1,654,018
Carry over to next (from prev) year		0	0	0	0	0	0	0	0	548,347	(0)	0	548,347

Notes: Analysis of USAID Letter of Credit are limited to Fiscal Years 1990 to 1993. This period corresponds to ACEP's existence as an autonomous separate component of the CED Project.
USAID figures are extrapolated from New Transcentury Foundation Expense Reports. Costs related to other components of the project were deducted to accurately reflect the cost of support for ACEP.

Table 4 (cont): Sources and Uses of Total [illegible] Project Funds

	FY93					Cumulative 19[illegible]-1993				
Sources of Funds	USAID Letter of Credit	Gov't of Senegal	Revenue from Operations	Interest from Deposits	TOTAL	USAID Letter of Credit	Gov't of Senegal	Revenue from Operations	Interest from Deposits	TOTAL
USAID Letter of Credit	367,406				367,406	5,031,437				5,031,437
Govern of Senegal		1,154,000			1,154,000		1,796,083			1,706,000
Int Inc from Loans Net of Prov			720,311		720,311			1,853,114		1,853,114
Other Income			120,951		120,951			258,384		258,384
Interest from Bank Deposits				55,965	55,965				70,556	70,556
Total Sources	367,406	1,154,000	841,262	55,965	2,418,633	5,031,437	1,706,000	2,111,498	70,556	8,919,491
Uses of Funds										
TA Salary	94,787				94,787	353,700	0	0	0	353,700
NTF Salaries	9,631				9,631	51,540	0	0	0	51,540
TA Fringe	28,436				28,436	106,134	0	0	0	106,134
NTF Fringe	2,889				2,889	15,464	9	0	0	15,464
NTF Overhead	44,341				44,341	224,369	0	0	0	224,369
Consultants	120				120	47,298	0	0	0	47,298
TA Associated Costs	37,742				37,742	129,669	0	0	0	129,669
G&A	44,635	23,490			68,125	573,494	23,490	0	0	596,984
T A Related Sub-Total	262,581	23,490	0	0	286,071	1,501,757	23,490	0	0	1,525,247
Local Hire Salaries	56,815	78,577	250,756		386,148	768,234	80,577	250,756	0	1,099,567
Travel & Transport	3,504	2,708	7,795		14,007	26,744	2,706	7,795	0	37,247
Per Diem	1,350	2,897	2,628		6,875	16,556	3,130	2,628	0	22,334
Equipment	8,787				8,787	212,218	0	0	0	212,218
Other Direct Costs	34,369	46,057	111,014		191,440	455,928	47,457	111,014	0	614,399
Employee Profit Sharing			50,899		50,899	0	0	108,983	0	108,983
ACEP Operations Sub-Total	104,825	130,239	423,092	0	658,156	1,479,680	133,892	473,096	0	2,086,668
Credit Fund	0	1,127,963	418,170	55,965	1,602,098	2,050,000	1,127,963	1,638,402	70,556	4,886,921
Subtotal	367,406	1,281,692	841,262	55,965	2,546,325	5,031,437	1,285,345	2,111,498	70,556	8,498,836
Carry over to next (from prev) year	0	(127,692)	(0)	0	(127,692)	0	420,655	(0)	0	

Notes: Analysis of USAID Letter of Credit are limited to Fiscal Years 1990 to 1993. This period corresponds to ACEP's exist as an autonomous separate component of the CED Project.
USAID figures are extrapolated from New Transcentury Foundation Expense Reports. Costs releated to other components of the project were deducted to accurately reflect the cost of support for ACEP.

Until August 1992, the only source of outside funds was USAID. In August 1992, the Government of Senegal (GOS) contributed $1,706,440 to the project (project agreement amendment No. 6 of August 12, 1992) for an expansion of ACEP's network to the Casamance. Of this amount, $ 288,000 was to cover operating costs in the Casamance over an 18 month period. The $1,418,440 balance was to be used for the credit fund. Also, USAID provided $145,000 for the purchase of equipment for the Casamance expansion. It did so by allowing NTF to use unearmarked funds from already allocated funding.

USAID contribution to ACEP operating costs ceased on November 30, 1992. From that date on, ACEP covered all operating costs from its revenues. The GOS will continue to cover all operating costs in the Casamance until May 1994.

Analysis of Income Statements

Table 5 identifies income, expenditures and profits for FY89 thru FY93. The FY93 statements are being certified and previous balances are being validated by an outside audit firm (Ernst & Young). We are therefore assuming that the data provided in ACEP's income statements is reasonably accurate. An analysis of these statements leads to the following conclusions.

1. Revenue grows steadily from 1989 to 1993, showing a six fold increase over the period, going from 28 million FCFA in 1989 to 217 million FCFA in 1993. This is directly related to the dramatic increase in the volume of loans which goes from 218 million FCFA in 1989 to 1.5 billion FCFA in 1993 and a decrease in write-offs which goes from 11% in 1990 to 1% in 1993.

2. Provision for credit losses drop dramatically from 1989 to 1993 going from 22% of outstanding loans in 1989 to 2.3% in 1993. This is a result of tightening procedures on lending and collateral registry.

3. Operating expenses also rise substantially during the period going from 67 million FCFA to 171 million FCFA, an increase of 150%. This increase in operating cost is due primarily to an increase in staff and rents resulting from ACEP's enormous expansion. In 1989 ACEP was present in the Kaolack and Fatick regions only. By 1993, ACEP's network of branches covered almost every region of Senegal. The number of Branches went from 5 to 19. Salaries, rent and utilities represent 80% of ACEP's local operating costs.

4. The costs of technical assistance, including NTF home office costs and G&A, goes from 498,377 US$ in 1989 to 286,071 US$ in 1993. The drop is a result of reduced G&A as ACEP assumes more and more of its own expenses.

	FY1989	FY1990	FY1991	FY1992	FY1993
Interest Revenue					
Interest on loans net of unearned	28,267,341	36,037,597	121,600,138	182,356,891	217,592,056
Gross Interest Revenue	28,267,341	36,037,597	121,600,138	182,356,891	217,592,056
Provisions for Credit Losses	(36,500,000)	(11,000,000)	(17,248,929)	(5,851,054)	(22,164,623)
Net Interest Income after Prov	(8,232,659)	25,037,597	104,351,209	176,505,837	195,427,433
Other Revenue			3,191,140	6,401,896	16,587,851
USAID support for operations	66,648,694	67,762,189	101,652,518	134,672,968	19,387,762
Gov of Senegal Ops Support				78,674,423	
Fees and Commissions		6,649,591	9,500,000	11,365,000	16,068,870
TOTAL NET REVENUE	58,416,035	99,449,377	218,694,867	407,620,124	247,471,916
Operating Expenses					
Salaries	35,460,408	43,380,067	56,553,456	81,983,152	104,260,154
Premises (rent/utilities)	7,225,938	15,375,815	18,188,637	28,309,381	32,600,558
Other costs (Gas, office furn)	5,899,183	3,959,395	13,432,005	10,289,233	9,814,355
Transport			802,570	905,735	2,835,848
Maintenance and Repair		3,630,155			
Depreciation Allowance	674,739	3,092,585	6,261,353	7,550,861	18,465,574
Provision for losses/deter furnish			158,370		
Insurance					1,344,239
Other	6,931,429	4,973,763	1,675,850	1,609,066	2,395,319
Expenses before extraordinary items	56,191,697	74,411,780	97,072,241	130,647,428	171,716,047
Audits	11,131,860				
TOTAL OPERATION EXPENSES	67,323,557	74,411,780	97,072,241	130,647,428	171,716,047
NET INCOME	(8,907,522)	25,037,597	121,622,626	276,972,696	75,755,869
Less Donor Support	66,648,694	67,762,189	101,652,518	213,347,391	19,387,762
INCOME NET OF DIRECT SUPPORT	(75,556,216)	(42,724,592)	19,970,108	63,625,305	56,368,107

Notes: FY1993 Financial Statements being validated by Ernst Young. Figures subject to modification.
FY1993 Financial Statements are for a period of 11 months of operation ending August 31, 1993.

Source: ACEP Financial Statements

5. Income net of donor operating support went from a loss of 75,556,216 FCFA in FY89 to a profit of 56,368,107 FCFA in FY93. In FY93, net income drops slightly compared to FY92, going from 63 million FCFA to 56 million FCFA. The reasons for this change are:

> For end of project reporting needs, financial statements in FY93 end on August 31 instead of September 30. Thus, net income is calculated on only eleven months, on a twelve month basis it would be about 61,000,000 FCFA.
> The Casamance network has been operating only nine months and according to projections it is expected to break even in 14 months. In 1993 it produced an operating deficit of 12 million FCFA.
> A substantially larger provision for loan losses in absolute numbers is provided in FY93 to cover possible losses due to Senegal's unstable political condition and the possible effects it may have on the economy (strikes, possible depreciation of the FCFA, etc.)
> Depreciation on equipment and furniture has been fully amortized adding 7,000,000 FCFA over last year's amount as recommended by the audit firm currently involved in ACEP's certification.

ACEP's Asset Quality Ratios

The table below shows steady progress toward achieving excellent asset quality ratios. Previous management never produced financial statements and therefore never made provisions for credit losses or wrote off bad debt. In 1990, ACEP had to write off 36 million FCFA accumulated by previous management. The drastic change in all ratios between FY89 and FY90 demonstrates the effectiveness of the lending policies initiated when ACEP was created, detailed earlier in this report. Even with Senegal's serious economic problems, ACEP continues to show only 0.9% write-offs and 3.1% non-performing loans as of August 31, 1993.

Table 6: Asset Quality Ratios and Volume of Evolution of Loans

Asset Quality Ratios	1989	1990	1991	1992	1993
Non-performing/Outstanding Balance	24.4%	6.5%	4.6%	3.5%	3.1%
Write-offs/Outstanding Balance	0.0%	11.7%	1.6%	1.6%	0.9%
Loan Provisions/Outstanding Balance	22.2%	3.6%	2.9%	2.0%	2.3%
Total Outstanding Balance	164,144,188	311,365,499	718,837,486	815,618,166	1,220,871,148
Total Non-performing	40,000,000	20,103,690	33,241,364	28,276,523	37,371,000
Provisions for Credit Losses	36,500,000	11,177,500	21,000,000	16,140,274	27,670,071
Write -Offs	0	36,322,500	11,177,500	13,100,976	11,274,384
Volume Evolution of Loans					
Total Loan Portfolio	216,000,000	412,000,000	1,030,000,000	1,133,000,000	1,594,220,000
Total Number of Loans	143	315	1,374	1,471	2,109

Note: FY1993 Financial Statements are for a period of 11 months of operation ending August 31, 1993.
Source ACEP Financial Statements

Branch Break-even Analysis

An analysis of operating costs by branch was performed for FY93 (Table 7). Because ACEP branches carry similar charges, their operating costs are almost equal whatever the age and location of the branch. All branches fell within a 20% range of 2.4 million FCFA per year. This includes salaries, rentals, utilities, depreciation, per diem, etc. To cover direct branch operating costs, the branch needs an average outstanding balance 24 million FCFA over a period of one year and provisions for losses not exceeding 2.5% of outstanding balance. Most branches reach this point at the end of 14 months of operation. On average a branch's direct costs of operations represent 3.5% of its total outstanding balance.

With 19 branches covering most regions of Senegal, ACEP does not expect any further expansion in its network. In 1993, overhead costs (headquarters & regional offices) totaled 131 million FCFA representing an average of 6.9 million FCFA per branch. A branch can assume its share of overhead at the end of three years if it reaches an average outstanding balance of 50 million FCFA by year two of operation and maintains provisions for losses at 2.5% of outstanding balance. Of the eight branches opened in 1990 all were able to cover all costs by the end of FY92. On average, total cost of operations represents 14% of outstanding balance. As volume grows, this percentage will decrease. It is expected that as volume attains expected levels in the Casamance in 1994, total operating will represent 10% of outstanding loans.

In ACEP's financial statements the Branch Manager's bonus is treated as profit sharing and not a charge to operations. It is reflected on the balance sheet rather than income statement. However, for the purposes of this break-even analysis we have the bonus as a charge to operations. See Table 8 for analysis by branch.

Table 7: ACEP Branch Offices 1993 Costs (FCFA)

	Opened	Gas	Electric	Oil	Transp	Rent	Rep/Main	Bank	PerDiem	Post/TT	Insure	Salaries	Deprecia	All Branch Oper Costs	Ave Cost per Month	Outstanding Balance	Br Cost/ Out Bal	Total Cost/ Out Bal	Total Revenues	Branch Net Income
Grand Yoff	1990	75,827	23,276	8,372	0	400,000	68,100	0	0	72,200	70,232	1,626,608	152,655	2,577,270	234,297	94,233,939	2.7%	9.8%	24,384,272	21,807,002
Castor	1990	75,827	3,465	12,299	0	400,000	44,636	0	0	65,355	70,232	1,626,608	152,655	2,531,077	230,098	107,137,752	2.4%	8.6%	21,487,777	18,956,700
Dakar Center	1990	75,827	11,553	4,000	0	658,944	85,790	0	0	0	70,232	1,632,740	152,655	2,691,821	244,711	61,802,678	4.4%	15.1%	13,805,537	11,113,716
Thies Est	1990	75,827	8,852	2,000	31,350	216,900	21,881	0	5,500	17,836	70,232	1,598,875	152,655	2,201,108	200,101	55,826,299	3.9%	15.8%	9,970,547	7,769,439
Thies Ouest	1990	75,827	2,765	7,731	31,350	216,900	35,062	0	5,000	6,665	70,232	1,820,108	152,655	2,424,295	220,390	59,452,510	4.1%	15.2%	12,318,817	9,894,522
Rufisque	1990	75,827	12,070	6,130	0	520,000	39,711	0	0	69,818	70,232	1,603,570	152,655	2,550,813	231,892	55,409,903	4.6%	16.6%	11,719,695	9,168,882
M'Bour	1990	75,827	23,700	9,245	27,370	544,500	29,500	0	5,500	54,264	70,232	1,797,070	152,655	2,789,943	253,631	50,105,292	5.6%	18.8%	11,945,346	9,155,403
Pikine	1990	75,827	2,670	9,486	0	300,000	97,356	0	0	2,249	70,232	1,626,608	152,655	2,337,083	212,462	55,799,545	4.2%	16.1%	11,295,171	8,958,088
Louga	1992	75,827	0	11,735	39,000	400,000	29,000	0	5,000	61,569	70,232	1,820,108	152,655	2,745,126	249,557	48,454,815	5.7%	19.4%	8,152,703	5,407,577
Kaolack Sud	1988	75,827	6,000	13,599	250	220,000	55,690	0	0	40,072	70,232	1,418,845	152,655	2,053,170	186,652	132,793,452	1.5%	6.5%	28,738,649	26,685,479
Kaolack Nord	1988	75,827	6,000	12,165	0	220,000	21,900	0	0	40,072	70,232	1,984,099	152,655	2,582,930	234,814	104,853,823	2.5%	8.8%	22,723,289	20,140,339
Kaffrine	1988	75,827	10,229	5,185	79,600	240,000	79,283	500	31,500	52,072	70,232	1,595,815	152,655	2,392,898	217,536	80,535,745	3.0%	11.2%	18,577,590	16,184,692
Passoy/Fatick	1988	75,827	5,236		34,000	460,000	55,020	0	40,500	0	70,736	1,808,220	152,656	2,702,195	245,654	91,969,328	2.9%	10.2%	17,734,423	15,032,228
Ziguinchor	1993	75,827	11,307	7,655	5,490	112,500	24,700	0	0	0	22,086	1,419,145	225,913	1,904,623	173,148	104,246,104	1.8%	8.2%	9,959,373	8,054,750
Bignona	1993	75,827	7,846	14,515	8,030	180,000	48,700	0	14,000	2,150	22,086	1,743,878	225,913	2,342,945	212,995	23,935,099	9.8%	37.5%	2,574,572	231,627
Kolda	1993	75,827	11,307	13,925	7,800	150,000	42,590	0	0	0	22,086	1,418,845	225,913	1,968,293	178,936	35,339,696	5.6%	24.3%	3,722,900	1,754,607
Velingara	1993	101,103	11,825	10,760	15,800	180,000	12,650	0	10,000	2,150	22,086	1,537,345	225,913	2,128,832	193,530	13,472,447	15.8%	65.1%	1,453,681	(675,151)
Tambacounda	1993	101,103	15,049	9,880	21,100	120,000	33,310	0	10,000	0	22,086	1,537,345	225,918	2,095,791	190,526	52,989,301	4.0%	16.5%	4,946,532	2,850,741
Grand Total		1,415,438	172,430	158,762	301,140	5,780,544	824,079	500	127,000	486,472	1,023,950	29,615,832	3,114,086	43,020,233	3,910,930	1,228,357,808	3.5%	13.2%	235,510,874	192,490,641
Ave per Branch		78,635	9,579	8,820	16,730	321,141	45,782	28	7,056	27,026	56,886	1,645,324	173,005	2,390,013	217,274	68,24[illegible],100			13,083,937	10,693,925
Dakar																				
Region Total		682,443	88,431	71,078	129,070	3,898,044	450,236	0	21,000	349,956	632,088	15,152,295	1,373,895	22,848,536	2,077,140	721,816,365	3.2%	12.4%	153,818,514	128,916,888
Branch Ave		75,827	9,826	7,898	14,341	433,116	50,026	0	2,333	38,884	70,232	1,683,588	152,655	2,538,726		72,181,627			15,381,851	12,891,681
Kaolack																				
Region Total		303,308	27,465	30,949	113,850	1,140,000	211,893	500	72,000	132,216	281,432	6,805,979	610,621	9,731,213	884,656	277,358,896	3.5%	10.7%	59,035,382	51,357,259
Branch Ave		75,827	6,866	7,737	28,463	285,000	52,973	125	18,000	33,054	70,358	1,701,745	152,655	2,432,803		92,452,965			19,678,434	17,119,086
Ziguinchor																				
Region Total		429,687	56,534	56,735	58,220	742,500	161,950	0	34,000	4,300	110,430	7,656,558	1,129,570	10,440,404	949,135	229,982,647	4.5%	19.0%	22,657,058	12,216,574
Branch Ave		85,937	11,307	11,347	11,644	148,500	32,390	0	6,800	860	22,086	1,531,312	225,914	2,088,097		45,996,529			4,531,412	2,443,315

Notes: Only 11 months of operations are included in FY93 statements.

Outstanding Balance refers to all loans payable as of August 31, 1993.

Cost refer only to Branch operations, no administrative or overhead costs are included. FY93 Adminin and Overhead is 9.7% of the Outstanding Balance.

Source: ACEP Expense Journals and Branch Office Net Result Statements.

Interest rates

ACEP's current interest rate is one point below the maximum allowed by the Central Bank and Senegalese law. The usury rate in Senegal stands at 29.16% APR, ACEP charges 28% APR (16% add-on). ACEP's rate of interest was set after a detailed sensitivity analysis examined various scenarios using probable portfolio growth rates, default rates and administrative costs. It was established that the rate of 28% APR with a default rate of 6% would allow ACEP to reach break-even point in the middle of FY91 and a 20 million FCFA profit by the middle of FY92. It was projected that ACEP gross interest revenues would be 125 million FCFA in 1991 and 181 million FCFA in 1992. It was also projected that operating expenses would be 120 million FCFA in 1991 and 130 million in 1992. Because the analysis was already suggesting an interest rate close to the usury rate, the cost of inflation was not considered in the analysis. USAID reviewed the analysis and approved the proposed change in project paper Amendment Number 3, dated June 8, 1990.

The analysis proved to be quite accurate on revenue and cost projections and much too conservative on projected write-off rates. The write-off rate has been maintained at 2% instead of the 6% projected; thus, provisions for possible credit losses in 1991 were 17 million FCFA instead of the 43 million projected. In 1992, provisions stood at 16 million FCFA instead of 62 million as projected. This has in practical terms produced revenues sufficient to cover administrative costs and inflation. ACEP realized the necessity of maintaining the value of its capital, and therefore capitalizes all its profits for 1991 and 1992 for 307,000 US$ representing 15.4% of capital.

It is planned that after the transfer of assets to the newly created institution (the credit union), a provision of 5% of annual net profits will be capitalized before any distribution of profits to its members.

Table 8: ACEP Branch Offices

Income Statements 1991, 1992, 1993

	Kaolak Sud			Kaolak Nord			Kaffrine			Fatick		
	1991	1992	1993	1991	1992	1993	1991	1992	1993	1991	1992	1993
REVENUES												
Interest	18,652,854	27,836,050	25,529,593	14,314,191	18,668,870	20,567,566	13,767,596	18,229,828	16,852,776	11,641,075	16,025,197	16,321,068
Less Loan Provision	(3,334,643)	(1,427,820)	(9,945,607)	(4,695,331)	(604,074)	(3,912,650)	(1,339,316)	(1,394,825)	(2,443,092)	(601,725)	(673,580)	(2,519,519)
Penalties	1,573,238	1,268,254	1,572,056	1,069,717	1,049,600	819,223	1,070,716	1,074,913	632,814	1,376,088	720,748	431,055
Origination Fees	1,526,500	1,703,500	1,650,670	1,084,500	1,056,000	1,347,500	1,094,000	1,057,000	1,103,000	996,000	1,059,000	993,300
TOTAL REVENUES	18,417,949	29,379,984	18,806,712	11,773,077	20,170,396	18,821,639	14,592,996	18,966,916	16,145,498	13,411,438	17,131,365	15,225,904
Ajustments	0	(1,966,640)			(1,647,021)			(1,409,498)			(1,782,006)	
TOTAL ADJUSTED REVENUES	18,417,949	27,413,344	18,806,712	11,773,077	18,523,375	18,821,639	14,592,996	17,557,418	16,145,498	13,411,438	15,349,359	15,225,904
OPERATING EXPENSES	2,576,402	2,689,616	3,014,098	2,187,233	2,506,423	3,323,878	2,322,253	2,687,719	2,372,898	2,293,318	4,221,998	2,684,095
NET INCOME	15,841,547	24,723,728	15,792,614	9,585,844	16,016,952	15,497,761	12,270,743	14,869,699	13,772,600	11,118,120	11,127,361	12,541,809
Administrative Overhead	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972
NET INCOME Less Administrative Overhead	9,985,878	17,279,049	8,905,642	3,730,175	8,572,273	8,610,789	6,415,074	7,425,020	6,885,628	5,262,451	3,682,682	5,654,837
Employee Profit Sharing	792,077	1,154,615	250,000	229,292	755,194	767,059	260,537	704,501	250,000	855,906	502,605	541,536
NET INCOME Less Branch Profit Sharing	15,049,470	23,569,113	15,542,614	9,356,552	15,261,758	14,730,702	12,010,206	14,165,198	13,522,600	10,262,214	10,624,756	12,000,273
NET INCOME Less AO & BPS	9,193,801	16,124,434	8,655,642	3,500,883	7,817,079	7,843,730	6,154,537	6,720,519	6,635,628	4,406,545	3,180,077	5,113,301

Notes: FY93 reported revenues and expenses for only eleven months.

Profit Sharing has been reduced from net income only for the purposes of this analysis. In the financial statements profit sharing affects retained earnings.

Source: ACEP financial statements and accounting documents.

Table 8: ACEP Branch Offices

Income Statements 1991, 1992, 1993

	Castors			Dakar Centre			Grand Yoff			Thiaroye		
	1991	1992	1993	1991	1992	1993	1991	1992	1993	1991	1992	1993
REVENUES												
Interest	8,621,763	18,604,184	18,356,369	5,101,487	10,606,745	12,077,834	11,645,642	19,024,967	21,777,866	5,930,963	11,424,681	9,685,606
Less Loan Provision	(1,078,485)	(60,148)	(532,067)	(224,491)	0	(425,665)	(792,629)	(2,639,623)	0	(1,059,242)	0	(1,316,651)
Penalties	494,068	1,745,381	1,685,881	327,632	908,573	898,703	487,325	1,609,477	1,183,406	368,651	884,972	894,065
Origination Fees	918,500	1,029,000	1,458,500	497,500	795,500	840,000	1,206,000	1,094,500	1,434,000	595,600	750,500	729,500
TOTAL REVENUES	8,955,846	21,318,417	20,968,683	5,702,128	12,310,818	13,390,872	12,546,338	19,089,321	24,395,272	5,835,972	13,060,153	9,992,520
Ajustments		(1,253,079)			(496,732)			(1,534,354)			(776,879)	
TOTAL ADJUSTED REVENUES	8,955,846	20,065,338	20,968,683	5,702,128	11,814,086	13,390,872	12,546,338	17,554,967	24,395,272	5,835,972	12,283,274	9,992,520
OPERATING EXPENSES	2,762,755	2,937,417	2,491,077	2,645,823	2,704,771	2,630,609	2,404,438	2,647,796	2,537,270	2,540,354	2,431,219	2,588,764
NET INCOME	6,193,091	17,127,921	18,477,606	3,056,305	9,109,315	10,760,263	10,141,900	14,907,171	21,858,002	3,295,618	9,852,055	7,403,756
Administrative Overhead	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972
NET INCOME Less Administrative Overhead	337,422	9,683,242	11,590,634	(2,799,364)	1,664,636	3,873,291	4,286,231	7,462,492	14,971,030	(2,560,051)	2,407,376	516,784
Employee Profit Sharing	309,655	805,289	892,657	0	455,466	538,013	507,095	709,428	1,013,350	164,781	454,984	353,037
NET INCOME Less Branch Profit Sharing	5,883,436	16,322,632	17,584,949	3,056,305	8,653,849	10,222,250	9,634,805	14,197,743	20,844,652	3,130,837	9,397,071	7,050,719
NET INCOME Less AO & BPS	27,768	8,877,953	10,697,977	(2,799,364)	1,209,170	3,335,277	3,779,136	6,753,064	13,957,680	(2,724,831)	1,952,392	163,747

Table 8: ACEP Branch Offices

Income Statements 1991, 1992, 1993

	Mbour			Thies Ouest			Thies Est			Rufisque		
	1991	1992	1993	1991	1992	1993	1991	1992	1993	1991	1992	1993
REVENUES												
Interest	7,098,231	11,191,807	10,251,479	8,284,241	11,565,329	11,262,653	8,251,639	9,638,465	8,997,749	1,196,315	5,910,700	10,128,420
Loan Loss Provision	(355,760)	(612,313)	(1,245,565)	(1,012,401)	0	0	(4,135,574)	(2,288,605)	0	0	(675,069)	(557,472)
Penalties	427,878	1,567,204	1,001,367	226,397	637,436	275,164	307,051	1,013,414	297,798	42,230	739,589	797,275
Origination Fees	623,500	712,500	703,500	709,450	815,000	807,000	725,400	552,000	686,000	217,500	466,500	805,000
TOTAL REVENUES	7,793,849	12,859,198	10,710,781	8,207,687	13,017,765	12,344,817	5,148,516	8,915,274	9,981,547	1,456,045	6,441,720	11,173,223
Ajustments		(817,928)			(791,915)			(766,889)			(273,172)	
TOTAL ADJUSTED REVENUES	7,793,849	12,041,270	10,710,781	8,207,687	12,225,850	12,344,817	5,148,516	8,148,385	9,981,547	1,456,045	6,168,548	11,173,223
OPERATING EXPENSES	2,990,492	3,615,800	2,743,443	2,214,652	2,622,038	2,406,220	2,214,652	2,499,308	2,183,033	2,093,228	2,657,158	2,517,413
NET INCOME	4,803,357	8,425,470	7,967,338	5,993,035	9,603,812	9,938,597	2,933,864	5,649,077	7,798,514	(637,183)	3,311,390	8,655,810
Administrative Overhead	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972	5,855,669	7,444,679	6,886,972
NET INCOME Less Administrative Overhead	(1,052,312)	980,791	1,080,366	137,366	2,159,133	3,051,625	(2,921,805)	(1,795,602)	911,542	(6,492,852)	(4,133,289)	1,768,838
Employee Profit Sharing	240,168	260,446	338,784	299,652	448,097	439,424	146,693	219,216	359,695	53,000	165,570	421,675
NET INCOME Less Branch Profit Sharing	4,563,189	8,165,024	7,628,554	5,693,383	9,155,715	9,499,173	2,787,171	5,429,861	7,438,819	(690,183)	3,145,821	8,234,135
NET INCOME Less AO & BPS	(1,292,479)	720,345	741,582	(162,285)	1,711,036	2,612,201	(3,068,498)	(2,014,818)	551,847	(6,545,852)	(4,298,859)	1,347,163

Table 8: ACEP Branch Offices

Income Statements 1991, 1992, 1993

	Louga			Ziguinchor			Bignona			Kolda		
	1991	1992	1993	1991	1992	1993	1991	1992	1993	1991	1992	1993
REVENUES												
Interest		1,153,971	7225447			8,411,003			2,227,233			3,227,730
Less Loss Provision	0	0	0	0	0	0	0	0	0	0	0	0
Penalties		8,814	346756			270,370			38,339			38,520
Origination Fees		274,000	591500			1,287,000			320,000			467,650
TOTAL REVENUES	0	1,436,785	8,163,703	0	0	9,968,373	0	0	2,585,572	0	0	3,733,900
Ajustments												
TOTAL ADJUSTED REVENUES	0	1,436,785	8,163,703	0	0	9,968,373	0	0	2,585,572	0	0	3,733,900
OPERATING EXPENSES		1,953,654	2705126			2,084,213			2,329 445			2,040,377
NET INCOME	0	(516,869)	5,458,577	0	0	7,884,160	0	0	256,127	0	0	1,693,523
Administrative Overhead		7,444,679	6,886,972			6,886,972			6,886,972			6,886,972
NET INCOME Less Administrative Overhead	0	(7,961,548)	(1,428,395)	0	0	997,188	0	0	(6,630,845)	0	0	(5,193,449)
Employee Profit Sharing	0	0	260,829	0	0	394,208	0	0	112,257	0	0	84,676
NET INCOME Less Branch Profit Sharing	0	(516,869)	5,197,748	0	0	7,489,952	0	0	143,870	0	0	1,608,847
NET INCOME Less AO & BPS	0	(7,961,548)	(1,689,224)	0	0	602,980	0	0	(6,743,102)	0	0	(5,278,126)

Table 8: ACEP Branch Offices

Income Statements 1991, 1992, 1993

	Velingara			Tambacounda			Total ACEP		
	1991	1992	1993	1991	1992	1993	1991	1992	1993
REVENUES									
Interest			1,265,399			4,295,581	114,505,997	179,880,794	208,461,372
Less Loss Provision	0	0	0	0	0	0	(18,629,597)	(10,376,057)	(22,898,288)
Penalties			10,032			4,451	7,770,991	13,228,375	11,197,275
Origination Fees			187,250			657,500	10,194,450	11,365,000	16,068,870
TOTAL REVENUES	0	0	1,462,681	0	0	4,957,532	113,841,841	194,098,112	212,829,229
Ajustments							2,611,000	(8,552,450)	2,998,170
TOTAL ADJUSTED REVENUES	0	0	1,462,681	0	0	4,957,532	116,452,841	185,545,662	215,827,399
OPERATING EXPENSES			2,100,615			2,076,074	26,804,218	33,866,597	40,863,570
NET INCOME	0	0	(637,934)	0	0	2,881,458	89,648,623	151,679,065	174,963,829
							97,072,241	130,647,428	171,716,047
Administrative Overhead			6,886,972			6,886,972	70,268,023	96,780,831	130,852,477
NET INCOME Less Administrative Overhead	0	0	(7,524,906)	0	0	(4,005,514)	19,380,600	54,898,234	44,111,352
Employee Profit Sharing	0	0	0	0	0	144,070	4,482,431	7,583,953	8,748,191
NET INCOME Less Branch Profit Sharing	0	0	(637,934)	0	0	2,737,388	85,166,192	144,095,112	166,215,638
NET INCOME Less AO & BPS	0	0	(7,524,906)	0	0	(4,149,584)	14,898,169	47,314,281	35,363,161

ATTACHMENTS AND ANNEX

Attachment 1:	Terms of Reference for this Evaluation
Attachment 2:	Project Implementation Letter of December 2, 1993
Attachment 3:	Letter from Prime Minister's Office of October 11, 1991
Annex 1:	AID Evaluation Summary Form # 1330-5 Sections H & J

V. Statement of Work of this Contract

In evaluating this project, the evaluation team will assess questions of process, impact, institutionalization and the roles played by USAID, the GOS, and the NTF. USAID/Senegal is seeking information from the CED Project's SSE Component that will help AID better manage credit activities in the future.

The evaluation team will analyze the factors that were most critical to program successes or failures. The Contractor will examine each of the issues and questions listed below in order to identify those factors.

1. Analysis of the strengths and weaknesses of ACEP's overall management and structure and USAID and GOS Participation

   1.1. Is ACEP's structure appropriate for its operations ?

   1.2. What are the roles and responsibilities of each key staff member? (Director General, Chief Accountant, Auditor, Legal Advisor, Regional Managers, Branch Managers, the NTF Representative etc...)

   1.3. Are personnel being used effectively ?

1.4. Will ACEP staff be able to assure the smooth functioning of the organization after the departure of the technical assistant?

1.5. Is the support provided to the field by NTF headquarter's staff in Washington adequate ?

1.6. Is the ACEP loan committee functionning effectively ?

1.7. How effective are the types of training given to ACEP's local staff.

1.8. To what degree is ACEP's Manual of Procedures effectively responding to all the financial, administrative and technical requirements needed to assure the success of the project's operations and objectives?

1.9. Is ACEP using an effective system for financial management an_ control?

1.10. Does the proj t have an effective method for transferring funds from its headquarters to its clients and suppliers?

1.11. Did ACEP establish and use an effective monitoring system for its internal management, for its staff members management tasks outside of the headquarters and with its clients, dossiers, etc?

1.12. What was the contribution of the national project committee to the project's success? What could be done to improve their participation ?

1.13. What was the contribution of USAID/Senegal to the project's success? What were the major weakness in USAID's participation ? Could the collaboration be better improved and in what sense?

1.14. How effective was USAID support and guidance to ACEP/NTF ?

2. Analysis of Lending Practices

2.1. Are ACEP's lending practices (criteria, collateral requirements, repayment policies etc) appropriate given project objectives and institutionalization goals ?

2.2. Does ACEP hav an adequate system for tracking loans ?

2.3. Is the sectoral diversification of the portfolio appropriate ? Is the loan size appropriate ?

2.4. Are there any potential clients currently not receiving loans that should be considered for future loans?

3. Institutionalization

3.1. What was the institutionalization process and when was it begun ? What were the major problems encountered and how were they resolved ?

3.2. Will the proposed WAMU legislation on credit unions permit ACEP to operate as it currently does or will it force them to significantly modify their current systems?

3.3. Were the assets of the project transfered to the new institution in such a way that they are adequately protected?

3.4. Can ACEP withstand political and other pressures to lend to well-connected borrowers? Can it survive as a truly indigenous institution?

3.5. Do ACEP members have a sense ofloyalty to the institution? Do they have a sense of membership or ownership?

3.6. Were the necessary steps taken to assure the institutionalization of ACEP ? If not, what could be done differently the next time to facilitate institutionalization ?

3.7. What was USAID's role in the institutionalization process ? Was it effective ?

3.8. If the project institution is not yet fully institutionalized what additional steps should be taken by USAID or the entity itself ?

3.9. Is the type of technical assistance to be provided by ACDI appropriate and adequate? Does ACEP require any additional assistance in order to institutionalize credit activities ? If so what type of assistance is required ?

4. Economic Analysis Overview only... Detailed impact to be subject of another study.

In this section, the economic and financial aspects of ACEP's operations will be studied and fully explored through an analysis of data covering a broad range of activities. Some of that data will cover: (a) an assessment of impact at the level of the borrowing enterprises and, (b) an economic and financial analysis of the overall credit program. In this section the Contractor will determine if current project status, as reported in section IV.1. above, is accurate.

4.1. Assessment of impact of borrowing enterprises. Questions and issues to be examined by the evaluators in order to assess the impact of borrowing enterprises will include:

4.1.1. Information on loan disbursements by amount, gender and purpose by year.

4.1.2. What are the borrower's profile (e.g. repeat borrowers, large borrowers, micro-enterprise borrowers etc.)

4.1.3. Did enterprise income rise ? By how much? Are there differences by type of enterprise, by gender of entrepreneur, by size of enterprise, by repeat versus first-time borrowers, etc. ?

4.1.4. Did employment rise (using similar categories as above; what kinds of employment: casual, permanent, male, female, etc) ?

4.1.5. Was there any capital accumulation in the borrowing enterprises (if so, how much; are there differences by types, etc.)?

4.1.6. Were there any unanticipated effects of the credit on the borrowers, their employees, and their families? Did their access to loans have a significant impact on the quality of their lives?

4.2. Economic and Financial Analysis

The Contractor will assess and analyze the profitability of ACEP. In so doing, the Contractor will assess and analyze separately the profitability of the credit operations of ACEP. The Contractor will:

4.2.1. Identify and analyze the source costs of funds (including grant funds) made available to ACEP on an annual basis for each of the Fiscal Years (starting October 1989 to June 1993, with the understanding that only 9 months will be covered during the last fiscal year).

4.2.2. Identify and analyze the uses of funds and incomes (specifically including interest income on loans) of such funds.

4.2.3. Identify and analyze the annual operating expenses of ACEP to include salaries and allowances, depreciation, provision for bad debt, and other expenses for each of the years from October 1989 to June 1993. Project costs related to the establishment, expansion and pending institutionalization of ACEP will be included and identified, as will all costs of management including expatriate and technical assistance services and all other project costs.

4.2.4. Assess the process by which branch offices ordinarily reach maturity by tracking costs of operations and income for a sample of mature branches from inception to maturity. The Contractor will collect data on salaries and allowances, bonuses, other expenses and amount of loans outstanding, and will calculate and analyze the resulting expenses as a share of outstanding loans. The Contractor will analyze each branch in the sample as a profit center.

4.2.5. Prepare and analyze profit and loss accounts for ACEP as a whole for each for each year (from October 1989 to June 1993), identify income, expenditures, and profits. These accounts will be expressed in terms of FCFA and in terms of percentages of loan amounts.

4.2.6. Assess and analyze the explicit and implicit subsidies to ACEP in each year (from October 1989 to June 1993)

4.2.7. Analyse the way interest rates are set. Does it cover administrative and inflation costs?

5. Assessment of Impact/replicability of ACEP

5.1. Given current implementation arrangements, is this project replicable? What are the key parts that could be replicated at a reasonable cost? What alterations in the implementation procedures could increase efficiency or facilitate replication?

5.2. What does the ACEP experience suggest with respect to theories regarding the creation of credit unions? In the past it was argued that credit unions must be started through savings programs which eventually lead into lending activities. ACEP took the opposite approach and began with lending activities utilizing donor funding. What does the ACEP experience suggest regarding the start-up of credit unions? Is a well-managed lending program a more effective (in terms of time) and appropriate base from which to build a credit union?

5.3. Given the importance of gender considerations assessing the "people level impacts" of the SSE Component of the CED project, the Contractor will document the differential participation of men and women at each level of project activity, subject to the availability of data.

Special attention will be given to documenting on a gender disaggregated basis the allocation of loans and other benefits to ACEP's clients. Based on this analysis, the Contractor will draw conclusions regarding the principal constraints to effective participation by men and women in project activities, and will draw conclusions regarding opportunities to maximize effective participation of men and women in ACEP's activities in future A.I.D. - funded projects in Senegal.

6. Development of Operational Manual

In order to facilitate the replication of this type of credit program, the Contractor will, after the evaluation has been completed, develop an operation manual.

This manual will identify, in chronological order, all of the key steps that would have to be taken if one were to replicate ACEP in another country. The manual will identify major lending and operation practices that were key to the programs success. These practices must be described in sufficient detail to permit someone unfamiliar with ACEP to establish a similar institution. Lastly, the manual will identify any pitfalls to be avoided in establishing a credit union. In undertaking the evaluation, the Contractor shall obtain sufficient information through its interviews with ACEP so as to be able to develop this manual. The final manual shall be of publishing quality, i.e. properly formatted, letter quality print, etc.

Attachment 2

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID - BP 49 DAKAR, SENEGAL

Dakar, le 02 décembre 1993

Monsieur Mamadou Lamine Loum
Ministre Délégué auprès du
Ministre de l'Economie, des Finances
et du Plan, Chargé du Budget
Centre Peytavin
DAKAR

Ref: AID/PDO/063/93

Subject: Community and Enterprise Development Project (CEDP, 685-0260) Project Implementation Letter No. 0260-09; Transfer of Project Assets to the newly established credit union, Alliance de Credit et d'Epargne pour la Production (ACEP)

Dear Mr. Minister:

Pursuant to the discussions between USAID and GOS representatives, the purpose of this PIL is to formalize our agreement that all Project assets will be transferred to ACEP at the end of the Project.

Annex 1 of the Grant Agreement states that at the end of the Project, there will be a "profitable, private financial institution, with a headquarters in Dakar, to continue small scale enterprise (SSE) credit activities in the project area after the Project Assistance Completion Date (PACD) of December 31, 1993."

To this end, the project established an institution to provide loans to small enterprises. In May 1993, the GOS approved the statutes of this institution, the Alliance de Credit de d'Epargne pour la Production (dite ACEP), and authorized it to operate as a credit union in Senegal.

Objet : Projet de Développement des Collectivités Locales et de l'Entreprise Privée en Milieu Rural (685-0260). Lettre d'Exécution de Projet No. 685-0260-9. Transfert des Actifs du Projet à l'Alliance de Crédit et d'Epargne pour la Production (ACEP).

Monsieur le Ministre,

Suite aux discussions entre les représentants de l'USAID et du Gouvernement du Sénégal, l'objet de la présente Lettre d'Exécution de Projet (PIL) a pour objet de formaliser notre accord que tous les actifs du Projet seront transférés à l'ACEP à la fin du Projet.

L'Annexe I à l'Accord de Subvention indique qu'il y aura à la fin du Projet "une institution financière privée rentable ayant son siège à Dakar pour continuer les activités de crédit à la petite entreprise (PE) dans la zone du projet après la Date d'Achèvement de l'Assistance au Projet (DAAP) fixée au 31 décembre 1993."

A cette fin, le Projet a créé une institution destinée à octroyer des crédits aux petites entreprises. En Mai 1993, le Gouvernement du Sénégal a approuvé les statuts de cette institution, l'Alliance de Crédit et d'Epargne pour la Production (ACEP), et l'a autorisée à fonctionner comme une mutuelle de crédit au Sénégal

In order for ACEP to be a viable, profitable institution, it is imperative that all of the project assets detailed below be given to it before the end of the project. Without this transfer, the project purpose of enabling small scale enterprises to manage and sustain their own development will not be achieved because the mechanism for accomplishing this will not be in place. The Parties (USAID and the GOS) agree that ACEP will use these assets in accordance with ACEP's statutes.

Assets include a loan portfolio, fixed assets, equipment, and bank deposits (see attached financial statement), all of which are being validated by the audit firm of Ernst and Young.

In case of dissolution, the Parties agree that the assets will be disposed of in accordance with Article 10 of Arrete No. 001702 dated February 23, 1993 concerning Fixation des Dispostions Transitoires relatives à l'Organisation, aux Conditions d'Agrément et de Fonctionnement des Structures Mutualistes d'Epargne et de Crédit which provides: "Article 10: Dissolution - Liquidation: La décision de dissolution de la structure mutualiste revient à l'assemblée générale qui le soumet au Ministère chargé des finances qui l'entérine et nomme un liquidateur. La dissolution peut également être prononcée d'office par le Ministre chargé des finances qui désigne un liquidateur, s'il y a violation des dispositions légales, réglementaires ou statutaires, s'il y a méconnaissance grave des intérêts de la caisse ou inaptitude des administrateurs"; and in accordance with Article 11 of ACEP's statutes

Pour que l'ACEP soit une institution viable et rentable, il est indispensable que tous les actifs du projet détaillés ci-dessous lui soient transférés avant la fin du Projet. Faute de cela, l'objet du Projet qui est de permettre aux petites entreprises de gérer et de soutenir leur propre développement, ne sera pas réalisé parce que le mécanisme prévu à cet effet n'aura pas été mis en place. Les Parties (le Gouvernement du Sénégal et l'USAID) conviennent que l'ACEP utilisera les actifs conformément à ses statuts.

Les actifs incluent un portefeuille de prêts, des immobilisations, des équipements et des dépôts bancaires qui sont tous en train d'être validés par le cabinet d'audit Ernst & Young.

En cas de dissolution, les Parties conviennent que les actifs seront cédés conformément à l'Article 10 de l'Arrêté No. 001702 du 23 février 1993 portant Fixation des Dispositions Transitoires relatives à l'Organisation, aux Conditions d'Agrément et de Fonctionnement des Structures Mutualistes d'Epargne et de Crédit, qui stipule : "Article 10: Dissolution - Liquidation: La décision de dissolution de la structure mutualiste revient à l'assemblée générale qui le soumet au Ministère chargé des finances qui l'entérine et nomme un liquidateur. La dissolution peut également être prononcée d'office par le Ministre chargé des finances qui désigne un liquidateur, s'il y a violation des dispositions légales, réglementaires ou statutaires, s'il y a méconnaissance grave des intérêts de la caisse ou inaptitude des administrateurs; et conformément à l'Article 11 des

58

which provides: "Titre 11 -
...ution et Liquidation : La
...ution et la liquidation de la
...se feront conformément aux
...itions prévues par l'Arrêté
...ériel No. 001702 du 23 février
...ixant les dispositions
...toires relatives à
...ion aux conditions
...et de fonctionnement des
...mutualistes d'épargne et de
crédit.

... cas de liquidation, lorsque ACEP
a épuisé ses réserves destinées à
...nger ses dettes, elle pourra faire
...el à ses membres dans les limites
...leur responsabilité telle que fizée
...'article 9 des présents statuts.

En revanche en cas d'excédent l'actif net subsistant après l'apurement du passif et le remboursement du capital effectivement libéré, est à verser soit à d'autres caisses mutualistes d'épargne et de crédit, soit à des oeuvres d'intérêt général ou professionnel."

Nothing in this PIL alters the terms, conditions or scope of the Project Agreement.

This Implementation Letter is written both in English and French; the English version will control in the event of ambiguity or conflict between the versions.

The USAID Project Officer or myself will be pleased to discuss any aspects of implementing the Project or any matters pertaining to this PIL with you or your representatives.

Statuts de l'ACEP qui stipule: Titre 11 - Dissolution et Liquidation : La dissolution et la liquidation de la Caisse se feront conformément aux dispositions prévues par l'Arrêté Ministériel No. 001702 du 23 février 1993 fixant les dispositions transitoires relatives à l'organisation aux conditions d'agrément et de fonctionnement des structures mutualistes d'épargne et de crédit.

En cas de liquidation, lorsque ACEP aura épuisé ses réserves destinées à éponger ses dettes, elle pourra faire appel à ses membres dans les limites de leur responsabilité telle que fizée à l'article 9 des présents statuts.

En revanche en cas d'excédent l'actif net subsistant après l'apurement du passif et le remboursement du capital effectivement libéré, est à verser soit à d'autres caisses mutualistes d'épargne et de crédit, soit à des oeuvres d'intérêt général ou professionnel."

Aucune disposition de la présente Lettre d'Exécution ne modifie les termes, conditions ou la portée de l'Accord de Projet.

La présente lettre est rédigée en anglais et en français; en cas d'ambiguïté ou de désaccord entre les deux versions, la version anglaise fera foi.

Le Responsable USAID du Projet ou moi-même serions heureux de discuter avec vous ou vos représentants de tous aspects de l'exécution du Projet ou de toute question se rapportant à la présente Lettre d'Exécution.

If you agree with the proposals contained herein, please return the signed original of this letter to us acknowledging receipt and indicating your acceptance of the letter. A copy is enclosed for your records

Si vous êtes d'accord sur les propositions ci-dessus, nous vous prions de signer l'original de la présente Lettre d'Exécution et de le renvoyer à l'USAID pour en accuser réception et marquer votre acceptation des présentes dispositions. Une copie de la présente Lettre d'Exécution est ci-jointe pour vos archives.

Sincerely,

Julius E. Coles

12/3/93

Julius E. Coles
Director

U.S.A.I.D.

Je vous prie de croire, Monsieur le Ministre, à l'assurance de ma considération distinguée.

2 DEC. 1993

Mamadou Lamine Loum
Ministre Délégué auprès du Ministre de l'Economie des Finances et du Plan, Chargé du Budget

2198T

2199T

- 60

AGENCE DE CREDIT POUR L'ENTREPRISE PRIVEE Saari V 6.20

Bilan Actif
BILAN 1993

Edition avec écritures de simulation.

	au MA 31- 8-93			au ME 30- 9-92
Intitulé	Brut	Montant amort.	NET	Montant net N-1
Concessions,Brevets,Droits...	1 250 000	(83 333)	1 166 667	0
FRAIS & VALEURS INCORPORELS IMMOBI	1 250 000	(83 333)	1 166 667	0
terrains	1 600 000	0	1 600 000	1 600 000
outillage	11 266 372	(7 449 365)	3 817 007	4 322 822
mobiliers de bureaux	6 504 543	(1 438 304)	5 066 239	4 520 945
materiel de bureaux	11 530 719	(2 470 527)	9 060 192	9 677 047
agencement amenagement & installa	10 090 976	(2 217 017)	7 873 959	8 108 101
Materiel de Transport	42 744 261	(22 172 607)	20 571 654	31 078 878
IMMOBILISATIONS CORPORELLES	83 736 871	(35 747 820)	47 989 051	59 307 793
depots & cautionnements	1 622 649	0	1 622 649	1 287 197
AUTRES IMMOBILISATIONS CORPORELLES	1 622 649	0	1 622 649	1 287 197
Matieres & fournitures	4 057 276	(251 483)	3 805 793	7 700 362
VALEURS D'EXPLOITATION	4 057 276	(251 483)	3 805 793	7 700 362
Clients	1 183 673 831	0	1 183 673 831	787 341 643
Clients Douteux	37 197 317	(27 711 349)	9 485 968	12 136 249
Avances, Acptes, Frs. fonct. Pers.	2 264 490	0	2 264 490	3 444 015
Debiteurs Divers	2 730 204	0	2 730 204	2 220 880
Comptes de Regularisation Actif	5 732 994	0	5 732 994	4 738 461
Prets au Personnels	6 855 434	0	6 855 434	0
Sommes a Encaisser	9 364 096	0	9 364 096	0
VALEURS REALISABLES	1 247 818 366	(27 711 349)	1 220 107 017	809 881 248
Banques	468 648 623	0	468 648 623	456 075 041
Caisses	869 440	0	869 440	400 000
VALEURS DISPONIBLES	469 518 063	0	469 518 063	456 475 041
TOTAL GENERAL	1 808 003 225	(63 793 985)	1 744 209 240	1 334 651 641

61

DATE : 30- 8-93 ETAT FINANCIER DEFINITIF PAGE : 1

AGENCE DE CREDIT POUR L'ENTREPRISE PRIVEE Saari V 6.20

Bilan Passif
BILAN 1993

Edition avec écritures de simulation.

	au MA 31- 8-93	au ME 30- 9-92
Intitulé	NET	Montant net N-1
Capital Social	764 300 939	764 300 939
Report a Nouveau	424 538 153	434 083 032
SITUATION NETTE	1 188 839 092	1 198 383 971
Subvention D'equipement amorti.	47 555 718	51 867 137
Autres Subventions D'equipement	365 000 000	65 000 000
Subventions d'equipement non amort	8 250 299	12 311 463
EMPRUNTS & DETTES A LG TERMES	420 806 017	129 178 600
Etat	599 440	0
Crediteurs Divers	1 320 512	428 016
Comptes de Regularisation Passif	53 649 308	6 661 054
DETTES A COURT TERME	55 569 260	7 089 070
Resultat	78 994 871	0
TOTAL GENERAL	1 744 209 240	1 334 651 641

Attachment 3

République du Sénégal
Un Peuple - Un But - Une Foi.

PRIMATURE

LE MINISTRE CONSEIL SPECIAL

Ven 11 Oct 1991

Date Rec'd 15 OCT 1991
MRN № 3915
Action Taken
Date
Signature

Monsieur le Directeur général,

Monsieur le Premier Ministre et nous, ses collaborateurs, sommes très impressionnes par le travail remarquable réalisé par l'A.C.E.P. dans les régions de Fatick, Kaolack, Dakar, Thiès.

Les résultats obtenus sont uniques dans les annales de l'histoire du Développement économique du Sénégal.

Les entretiens que j'ai eus avec votre adjoint, Monsieur Nelson, entouré de vos autres collaborateurs, nous ont permis de mieux comprendre les mécanismes de fonctionnement de l'A.C.E.P., et d'en mesurer l'extraordinaire efficacité.

C'est pourquoi, Monsieur le Premier Ministre, portant un très grand intérêt à la poursuite du Programme de l'A.C.E.P. et à son extension dans d'autres régions du Sénégal, a pris les mesures financières appropriées pour appuyer l'action de l'A.C.E.P., si vous en aviez convenance.

Je serais heureux, s'il vous plaisait de me recevoir, de vous exprimer de vive voix notre profonde gratitude pour tout ce que vous faites pour le Sénégal, et vous redire, après d'autres voix plus autorisées que la mienne, le grand espoir que nous plaçons en vous pour gagner la bataille du Développement de notre cher Sénégal.

Veuillez agréer, Monsieur le Directeur général, l'expression de ma profonde gratitude.

Daniel CABOU.

Monsieur Julius COLES
Directeur général de
l'U.S.A.I.D.

12
10/28
PDO
63

Dear Mr. Director

The Prime Minister and his staff are very impressed by the remarkable work performed by ACEP in the regions of Fatick, Kaolack, Dakar and Thies.

The accomplishments of this project are unique in the history of economic development in Senegal.

The discussions that I have conducted with your deputy, Mr. Nelson, and his staff, have made it possible for us to better understand ACEP's methods of operation and thus to appreciate its extraordinary efficiency.

As a consequence, the Prime Minister, wishing to see ACEP's program continued and extended to other regions of Senegal, has taken the necessary financial measures to provide ACEP with added support, should it meet your approval.

I would be happy, if you would receive me, to express to you, in person, our profound gratitude for everything that you are doing for Senegal, and to express to you again the great hope we place in you to gain the battle of development of our dear Senegal.

Annex # 1

A.I.D. EVALUATION SUMMARY - PART I & II
(AID form # 1330-5 (10-78) sections H and J)

Part I, Section H - **Evaluation Abstract**

The purpose of this activity is to conduct a final evaluation of the Community and Enterprise Development project's small scale enterprises component (called ACEP), to determine whether or not it attained its objectives and expected outputs. The methodology used included: a) Reading project documentation, previous evaluation reports, audits, ACEP's annual reports, operations manual, statutes, and other pertinent documents. b) Briefings by the Project Development Office, and other technical offices of USAID involved in the implementation of the project. c) Interviews with New TransCentury Foundation and ACEP staff members, Government Of Senegal (GOS) officials, and project beneficiaries. d) Field visits to project branches and discussions with personnel and borrowers at their place of business in Dakar and project sites. The major findings and conclusions are:

The project has attained all its objectives and exceeded all its expected outputs. Results are:

- Institutionalization of this project through the creation of a Credit Union was legally attained on May 9, 1993. On December 2, 1993 , all project assets were transferred to the Credit Union.

- Profitability of this project was clearly demonstrated as it posted net profits of CFA 19.970 million in 1991, CFA 63.625 million in 1992, and CFA 56.368 million as of Aug. 31, 1993. Appropriate procedures, manuals, and credit management systems are in place and have been replicated in other regions of Senegal.

- As of August 31, 1993, a total of **3793** Enterprises have received credit from the project.

- As of August 31, 1993, a total of **2477** new jobs were created. This is based only on 2209 evaluated loans out of 5412 loans made.

- An appropriate model for institutionalizing and replicating urban based SSE lending activities has been created.

Conclusions and lessons learned for future projects:

- Future Project Agreements should clearly define the fate of project assets at the end of the project. An immunity clause should also be included to protect assets from lawsuites.

- Avoid starting the project without clear definition of project objectives and the type of institution to replace the project at its maturity.

- Do not use instruments that are legally binding unless drafted by lawyers.

Part II section J - Evaluation Summary

Purpose of evaluation and methodology used

The purpose of this activity is to conduct a final evaluation of the Community and Enterprise Development project's small scale enterprises component (called ACEP), to determine whether or not it attained its objectives and expected outputs. The methodology used included: a) Reading project documentation, previous evaluation reports, audits, ACEP's annual reports, operations manual, statutes, and other pertinent documents. b) Briefings by the Project Development Office, and other technical offices of USAID involved in the implementation of the project. c) Interviews with New TransCentury Foundation and ACEP staff members, Government Of Senegal (GOS) officials, and project beneficiaries. d) Field visits to project branches and discussions with personnel and borrowers at their place of business in Dakar and project sites.

Purpose of activity evaluated

To provide a line of credit to Small Scale Enterprises (SSE) in selected regions of Senegal to enable them to manage and sustain their own development. The objectives to be attained at the end of the project are:

1. Institutionalization of a Profitable, private financial institution with headquarters in Dakar.

2. Profit potential in lending to SSE in the project regions clearly demonstrated and appropriate procedures, manuals, and credit systems established for continued replication in other, mainly urban, areas of Senegal.

Findings and conclusions

Project's outputs

- Expected output: A total of 1750 SSEs would have received credit from the project.
  Result: As of August 31, 1993, a total of 3793 Enterprises have received credit from the project

- Expected output: The creation of 800 new jobs.
  Result: As of August 31, 1993, a total of 2477 new jobs were created. This is based on 2209 evaluated loans. As such this represents 1.12 new jobs created per loan. Projecting such a factor on total loans made by ACEP, it is conceivable that on the 5412 loans made to date a potential number of 6061 new jobs could have been created.

- Expected output: To create an appropriate model for institutionalizing and replicating urban based SSE lending activities.

  Result: This has been achieved. However, the WAMU countries do not yet have a legal framework for credit unions. Senegal enacted interim legislation to allow such institutions to exist until permanent legislation is enacted. It is expected that this legislation will be approved by the West African Central Bank in 1994.

Institutionalization

The end of project status of the SSE component requires the institutionalization of a profitable, private financial institutional, with headquarters in Dakar, to continue SSE credit activities in the project area after its completion date.

On May 9, 1993 , the institutionalization of this project was officially and legally completed through the creation of the Credit Union. However, the new institution was not able to be a functioning viable institution until full title to the assets of ACEP Project was transferred to this new institution. As of the end of November, discussions were still underway between USAID and the GOS to resolve this matter and permit the project to achieve its targeted output.

We are happy to report that, on December 2, 1993 a Project Implementation letter was agreed upon and signed by both USAID and the Ministry of Finance, transferring all project assets to the ACEP Credit Union. Thus, the project institutionalization has been completed.

USAID's Role

The following are USAID's major contributions to the success of this project:

- USAID permitted the project to operate in total autonomy as an independent private institution, supporting its management decisions and avoiding micro-management of the project.

- USAID represented the Project and took charge of all Host Country related Project matters with the GOS, allowing the Project to avoid bureaucratic procedures and interventions.

- USAID was very instrumental in convincing the Ministry of Finance to establish an interim legislation defining the modality under which credit unions could function in Senegal. Thus it made it possible to establish the Credit Union as the new institution to replace and take over ACEP's project activities.

Other factors contributing to the success of the SSE component of this project are as follows:

- The selection of a well qualified and experienced expatriate Project Director.
- Targeted group to receive credit was selected from small scale and micro enterprises which were not able to secure loans from traditional institutions. Thus reducing the potential of system abuse.

- Defined loan size that permits lending on character and collateral rather than complicated feasibility studies.
- ACEP's follow-up with its clients through frequent visits by its Branch Managers insures the proper use of loan funds and timely repayment.
- ACEP shows no favoritism and does not yield to political pressure from well-connected potential borrowers. It strictly adheres to its procedures and operational regulations.
- Very low administrative overhead and modest "no frills" branch offices keeps operating costs to a minimum .
- ACEP's profit sharing policy for its employees, and in particular Branch Managers, induces them to increase their loan portfolio and insure timely repayment of loans as they are judged by their performance and results.

Recommendations and Lessons Learned

For future projects, USAID should keep the following points in mind:

- Future similar project grant agreements should clearly define the fate of project assets at the end of the project period and reflect detailed procedures concerning the final disposition of such assets.

- USAID should Expedite approval of major policy decisions and execute necessary documentation to insure timely implementation of project activity.

- USAID should more effectively rely on the advice and expertise of its contractor regarding issues affecting the project and its institutionalization.

- At the outset of a similar project where financial statement monitoring of profitability is important, USAID should insure that the project establish an accounting system that complies with the laws and procedures of the Host Country. This would insure that USAID will be able to secure a certified financial statement at the end of each year. Both USAID and the Contractor have to make adjustments to understand and interpret Host Country accounting systems to accommodate USAID requirements.

- Avoid starting the project without clear definition of project objectives, and type of institution to replace the project at its maturity. A legal framework must be in place governing the activities of such an institution at the outset of the project.

- Avoid over computerization of the system. This could be detrimental to the reliability of data particularly from the field. A computerized system must be an outgrowth of the manual system.

- Do not use instruments that are legally binding unless drafted by lawyers. Loan contracts must clearly specify method of repayment, applicability of penalties, and procedure for foreclosure. In order to avoid leaving the project open to lawsuites, the Project Agreement must contain an immunity clause protecting the project's assets from any law suites, particularly as they relate to labor practices in terminating employment.