

**Consultancy Report
Quarterly Report: January - March, 1994**

**Egypt: Small Enterprise Credit Project (SECP)
263-0228-A-00-2026-00**

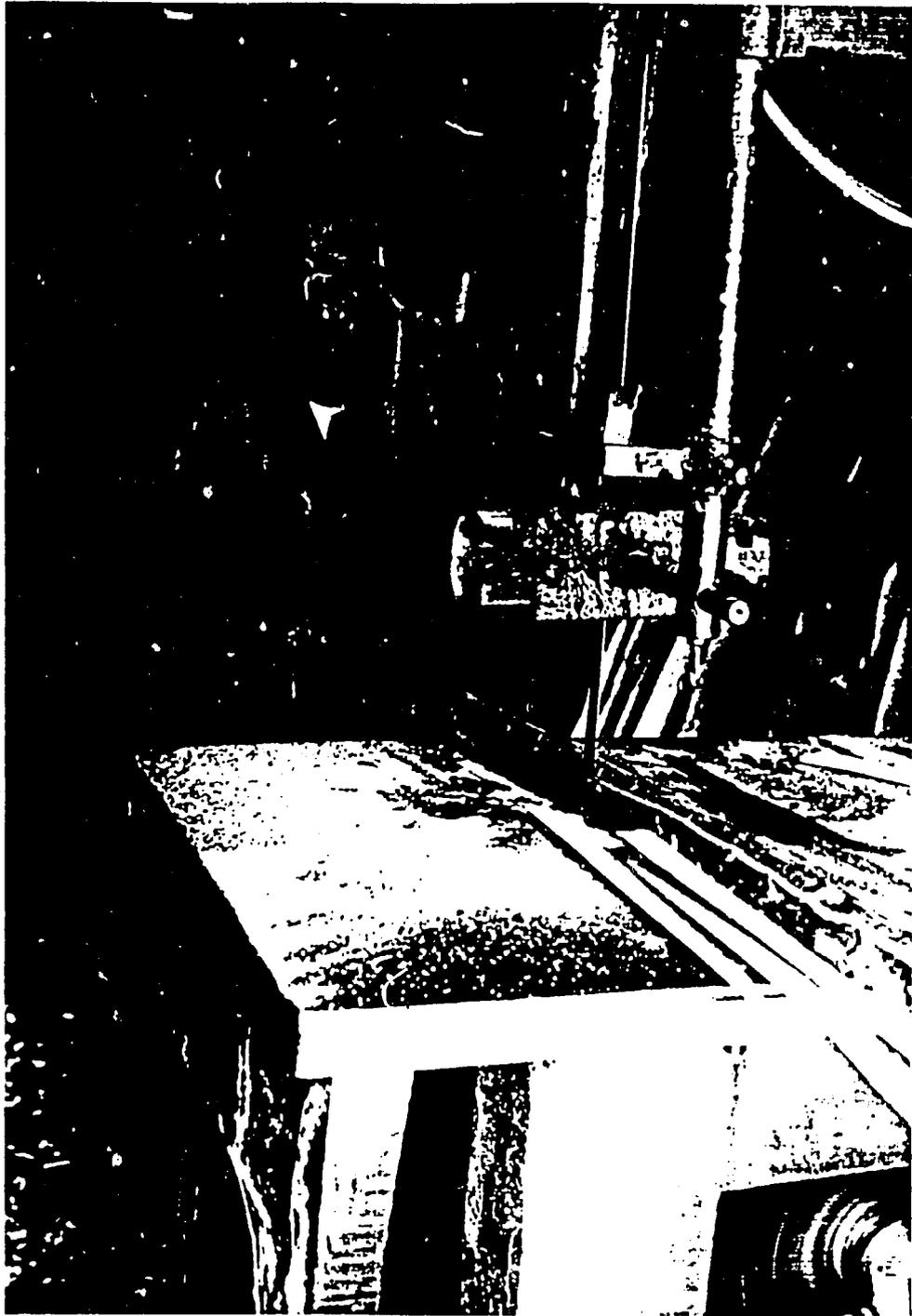
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March 1994

#263-0228-A-00-2026

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
(ACDI)

SMALL ENTERPRISE CREDIT PROGRAM
(SECP)



QUARTERLY REPORT

JANUARY 1 - MARCH 31, 1994

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SMALL ENTERPRISE CREDIT PROGRAM

Cooperative Agreement No. 263-0228-A-00-2026-00

Effective Dates: March 1, 1992 - June 30, 1995
PIO/T No.: 263-0228-3-91088
Project No.: 263-0228
Total Amount Obligated: \$1,288,105 and LE 415,921
Modification No. 1: March 5, 1992

I. INTRODUCTION

SECP has now completed the third quarter of lending operations. This quarter, like the first two quarters of operations, was remarkably successful, even with the anticipated slow down during Ramadan. Both the number and LE amount of loans exceeded targets for this phase of the program. In addition, remarkably low rates of late payments on installments have again been achieved. Economies of scale, such as client referrals for new customers and granting of repeat loans to established small business clients, are beginning to take root as loan extension personnel establish their service reputation with the target market. Project management also is gaining confidence and has prudently raised the allowable loan limits, controlled portfolio composition, brought the program to nearly full field staff numbers, pushed hard for completion of automation of the management information system, and defended the program's incentives policy for SECP employees who have exceeded targeted production and loan quality standards.

A weekend Advanced Training Conference was held in Ismailia for all initial program hires. The NBD's Chairman was among the active and enthusiastic trainers. This demonstration of senior bank management commitment to SECP was very successful in raising morale, reinforcing policy and procedure, and reviving the staffs' commitment to the clear project objectives.

Follow-up visits to specific clients continue to confirm that the SECP program is not subject to any potential competition, is very popular, and is readily accepted by the targeted population of small scale entrepreneurs. Potential clients who have never before visited a bank continue to go to NBD branches to inquire about loan eligibility, and the thousands of entrepreneurs already served by the project are pleased with their access to funds during this period of economic hardship.

The following sections of this report detail the activities implemented by the ACDI Technical Assistance team in relation to the SECP Master Plan of January 1993. The Master Plan of Action yearly up-date was submitted in draft for discussion with the NBD

and USAID during the quarter. Acceptance is expected early in the coming quarter. The activities envisaged in the revised plan serve to guide and reinforce the NBD's work throughout the 13 geographic areas targeted by the SECP in

- training staff
- automating the MIS system
- establishing policies and procedures for the program
- providing analysis on financial issues and operating trends
- disbursing good loans and making profitability targets
- monitoring installment collections

A proposed amendment to the Cooperative Agreement was submitted to USAID on August 21, 1993, in an effort to enhance the technical assistance provided to NBD. After discussions with the Project Officer and Agreement Officer, the proposal was altered to reflect the positive changes seen in the NBD's performance in the MIS area, and additional support received from NBD for the TA Team. The bank's need for matching the term of the Team Leader and Credit Specialist to the term of NBD's agreement with USAID remained an issue. ACDI's revised proposal to amend the Cooperative Agreement will be presented to the USAID Agreement Officer early in the new quarter.

In late March, USAID began discussions with the NBD regarding an expansion of the program in Upper Egypt. It was not clear as the reporting period ended what effect, if any, such an expansion might have on the current project and its proposed amendment.

II. CREDIT MANAGEMENT AND POLICY SUPPORT MODULE

Planned Activities This Quarter

1. Policy guidance:

- a. Encourage the Project Director to schedule Executive Committee meetings to assess project performance, consolidate plans, finalize manuals, and address other project-related issues on a regular basis.
- b. Draft policies on use of computers and computer security.
- c. Stress the importance of finalizing existing procedures manuals.

2. Credit reporting:

- a. Assist with the transition from manual to automated systems.

3. Administration for profitability:

- a. Produce a status report on profitability expectations based on six (now nine) months of operations.
- b. Finalize draft marketing and promotional plans
- c. Continue follow-up visits to branches and client businesses

Achievements This Quarter

Overview

The reporting period was the third full quarter of lending activity. Achievements again exceeded the expectations of all parties. The lending staff has now disbursed 13,676 loans, up from 8,898 at December 31st. This number surpasses the targeted plan by 9%. At the end of last quarter, loans averaged LE 1,842 with a total actual principal disbursed of LE 16,392,950. Now LE 1,998 is the average loan amount and cumulative disbursals are LE 27,321,200 (Appendix A presents this information in graphic form).

During the quarter, the number of total loans was increasing at an average of 1,593 per month up from 1,288 per month last quarter. Cumulative loans to female borrowers at the end of the current quarter were 11.1% of the portfolio with 1,513 loans, or LE 2,645,600 (9.7% of total cumulative outstanding).

In addition to achieving remarkable success in disbursing loan funds, SECP loan officers have already established an impressive rate of installment collection. LE 19,344,882 in principal, fees, and advanced payments has been collected to date, with virtually no late payments. Of this amount LE 1,412,504 was composed of interest and transportation fees collected (Project Income) with an additional LE 338,580 that was applied to the insurance reserve. LE 252,493 has also been applied to Late Payment Fees and held in escrow to be distributed at the end of the repayment cycles to clients whose installments have been on time.

During the reporting period, a SECP Headquarter follow-up team completed another major internal procedures and financial audit of the 13 participating branches, and found no significant items to question. The final results of this study will be available during the next quarter.

The program continues to have a positive impact on the small-scale business people who are the targeted beneficiaries. Appendix D gives 4 profiles as samples of the types of impact that are being achieved.

1. Policy Guidance

T.A. Team members participate in an advisory role in most phases of the NBD's decision making forums. They have access to all requested accounting records, account statements, and loan production reports. Information provided for this report by the NBD is spot checked by the T.A. Team.

The SECP Branch managers' meeting, held every week in the offices of the Project Director, provided an important method to assess cash position, portfolio composition, branch efficiency, training needs, and individual problems. All meetings were largely credit control discussions and management training sessions for the SECP branch managers, and were attended by the ACDI Team Leader, and the ACDI Credit Specialist.

ACDI's Technical Assistance team did deliver most of the planned outputs during the last quarter.

- a. Encourage meetings of Executive Committee to consolidate plans

The TA Team identified this objective as an institution building goal to widen communication with senior project managers under the Project Director and thereby better coordinate tasks. Time pressure on senior managers is increasing as volume of loans builds but progress was made as more time was spent in executive committee meetings than in the last quarter. Although not yet on a regular basis, the frequency of meetings increased compared to last quarter. Meetings were productive and improved H.Q. personnel's understanding of plans and senior managers' ability to solve problems, since bottlenecks were discussed and solutions decreed. The main issue continued to be MIS implementation and related personnel issues.

- b. Stress the importance of finalizing existing procedures manuals

The TA Team continues to emphasize the value of codifying procedures in manual form. As is often the case, however, this activity was not accorded the priority attention it will require to be successfully achieved. We are assured by the Project Director that in the next quarter the focus will be on H.Q. issues, including manuals.

2. Credit Reporting

- a. Assist with the transition from manual to automated system

The TA Team assisted the objective of automating the manual system in the last quarter through the Executive Committee meetings as described above. In addition, the TA Team members

participated in numerous MIS Committee meetings. Technical specifications for the module necessary to integrate the existing automated loan tracking system with the selected accounting system software were also developed. The Final Report of the TA Team MIS Specialist summarizes the assistance given and recommendations for the future, and is presented as Appendix E.

3. Administration for Profitability

- a. Produce a status report on profitability expectations based on the nine months of operations

The report was produced and a copy is attached as Appendix C: Part 2. It shows that the project is ahead of schedule in meeting profitability/break-even targets. Discussions have been held on the obligations of all parties when targets are met.

- b. Finalize marketing and promotional plans drafted during the quarter

The Project Director and TA Team agreed to the following marketing/promotional activities:

- 1) Develop a Project Description that can be entered at local and international conferences on Small and Micro-Enterprise Development.
- 2) Produce two videos, one targeted to Donors and the PVO community, and another as a training aid for new project personnel.
- 3) Develop and print a quarterly newsletter.
- 4) Develop a project brochure for clients and guests.
- 5) Plan a public sales/marketing event for SECP clients.
- 6) Produce case study portfolio with photos for guests and interested parties. (The TA Team has prepared 11 cases to date and more are scheduled.)
- 7) Produce C.V. of Project Director and key personnel of SECP for use at presentations about the project.
- 8) Make limited project specific presentations to interested parties as requested or approved by USAID. (This has been done and is on-going).
- 9) Market an international SECP Training center, first targeting Middle East and African counties.
- 10) Print SECP story in ACIDI's quarterly newsletter, "Cooperative News International".

The TA Team completed a first draft of all items above, with the exception of the videos and the training center, and presented them to the Project Director during the quarter. A draft video blocking script was done by the Team Leader, and a meeting with a producer resulted in a bid to make the film. Finalization is expected next quarter.

c. Continue follow-up visits to branches and client businesses

The technical assistance team members made an increased number of site visits during the reporting period. Branches were reviewed to site computers by the ACDI MIS specialist, and one branch and four clients were visited by the credit specialist with American University in Cairo consultants interested in the Project.

This is a popular and spirit lifting task that the T.A. Team enjoys. It allows direct observations to be made concerning employee morale, client selection, target market adherence, and credit methodology. All indications to date have been positive. It also enables TA Team members to develop borrower profiles such as those in Annex D.

d. Lending to Women Entrepreneurs

This on-going project activity saw a slight positive change in the composition of the number of loans in the quarter, increasing from 9.7% of loans to 11.1%. The ambitious project goal on this issue is to reach 35% of loans over the life of the project.

One SECP staff member of three who attended a London seminar on the subject sponsored by the Ford Foundation continues to attend a rotary of PVO's who discuss this aspect of development, which adds to management's knowledge on this important perspective.

The T.A. Team provided additional literature from Gemini and ACCION on this subject to project management, and continue to discuss this issue with project staff. The Team Leader joined the Project Director at the opening session of the U.N. sponsored Population and Family conference last quarter.

Comments on Planned Activities vs. Achievements

Our joint plan with the NBD and approved by USAID was to begin and reach lending and financial targets in the thirteen SECP branches prudently and conservatively. This is happening. We anticipated loans to be made initially at a rate of 10 loans per loan officer per month growing through the quarter to 13 loans per month per officer. This projection planned for loans with an average loan size of LE 2,000, or approximately LE 25,096,500 in principal outstanding by the end of the quarter. Actual achievement as reported was 13,676 loans at LE 27,321,200.

Not only did SECP exceed projections, it also established and maintained a high level of credit quality. Portfolio distribution, bad debts, portfolio composition, and savings were all within established guidelines. Risk is well spread and all branches appear to be in harmony regarding credit quality measures. Details of these credit quality indicators are in Appendix B.

While average loan size was slightly below the anticipated amount, the critical element of credit control was clearly demonstrated by the Project Director and his senior staff with input from the ACDI T.A. Team as they managed loan production this quarter. Branches that were advancing too quickly were ordered to slow down. Management clearly instructed officers to remain conservative and careful with their initial screening of borrowers and understate cash flow projections of client's income versus loan requests. Such control will be of vital importance to the long-term success of the SECP Section, and should be re-emphasized with on-going training.

These actions affected loan production figures on the downward side. However, ACDI agrees that this policy is prudent as the majority of the staff are new employees with little credit experience and there was concern about their marketing skills, double shift job demands, and their skills in assessing borrowers. In addition, the coordination of functions at all levels is being tested and measured. Staff turnover is low but 83 new employees did not yet attend formal training like the initial groups. The TA Team was informed that these people shall have this course in the next quarter.

Branches are now more fully staffed with credit officers at 98 (last quarter there were 93). Full staffing is 117. The NBD personnel department and project management also moved to fill 39 vacancies for computer operators last quarter, who are now in on-the-job training.

As can be seen in Appendices A and C, loan volume is ahead of schedule and projected break-even is on schedule. We anticipate that full profitability will be achieved at 125 loans per loan extension officer, with a default rate under 2% of total outstanding loans.

At the end of the reporting period, the average portfolio being managed by our 98 credit extension officers was LE 127,645 in 77 loans with an average outstanding loan size of LE 1,658.

Lending trends for the quarter are summarized as follows:

| Outstanding Loans and Loan Officer Numbers at Month End | | | | | |
|---|------------|-----------|---------------|------------------|-------------------|
| Month 1994 | Loans LE | Loans No. | Loan Officers | Ave. LE/ Officer | Ave. No./ Officer |
| Jan. | 11,095,481 | 6,561 | 88 | 126,085 | 75 |
| Feb. | 12,676,450 | 7,360 | 94 | 134,856 | 78 |
| March | 12,509,214 | 7,547 | 98 | 127,645 | 77 |

We anticipate that the average loan size shall increase to LE 4,000 next quarter (still well under the project lending limit of LE 10,000), which should also produce better than anticipated returns. This prediction is based on the RSSE experience that over 60% of first time borrowers became repeat borrowers (more credit worthy) and took a larger second loan. However, seasonal borrowing trends, client income cycles, marketing skills of SECP staff, and possible increased rate of default, as well as policy considerations could affect these trends and projections.

The TA Team had planned to draft policies on the use of computers and computer security. Although there was a great deal of computer-related activity in the project, this objective was not achieved. The SECP department's MIS manager was not available to assist in the production of written policies due to his training commitments. The ACDI MIS Specialist's contract was completed in mid-March. Additional setbacks were the loss of the MIS SECP Deputy who had extensive medical leave during the quarter, the slow negotiations with the accounting software house, and delays in delivery of the requested MIS budgeted funds from USAID.

Problems Encountered

1. The NBD SECP Steering Committee has not published minutes that have been passed to project management or the ACDI Technical Assistance Team.
2. Additional skilled H.Q personnel are necessary, such as computer literate secretaries, and experienced MIS personnel.
3. Training for 83 new employees is necessary as is a comprehensive on-going training plan.
4. The need for professional translation of documents was a communications constraint.
5. Other programs managed by the NBD's Small and Micro-Enterprise Section of which SECP is the major part, often require management attention.

Plans for Next Quarter

Policy Guidance:

1. Assist in finalization of promotional materials.
2. Continue branch and client visits.
3. Continue to encourage widening of management meetings and idea exchange.
4. Continue to help the project prepare for an evaluation.
5. Assist project management in finalization of SECP manuals.

Credit Reporting

1. Continue transfer of knowledge of USAID reporting requirements to H.Q. counterparts.
2. Expand the portfolio detail sections of regular reports, with a quarterly maturity schedule.

Administration for profitability

1. Continue to develop computer models and train NBD SECP counterparts in their use.
2. Add a written description to the data shown in the computer models.
3. Recommend a plan for the investment of excess funds to increase yields.

III. MIS MODULE

Planned Activities This Quarter:

1. Assist with installation of hardware.
2. Assist with finalization of accounting software procurement.
3. Assist with installation of software.
4. Assist with training of MIS Operators.
5. Assist with remaining recruitment of SECP HQ MIS personnel.
6. Produce final MIS report, including recommendations on future enhancements.

Achievements This Quarter:

1. Hardware Installation

Computers were received and installed in H.Q. and all branches. Space constraints and lack of ventilation and electrical problems were identified and reported to management.

2. Software Procurement

Procurement procedures for the accounting software were completed, but procurement was delayed pending release of USAID MIS funds to NBD.

3. Software Installation

The project director delegated responsibility for testing and selection of the accounting software to a committee supported by ACDI's MIS Specialist. Installation work for the ALTS loan tracking system was delegated to the SECP H.Q. MIS staff. At the end of the quarter, ALTS software was installed on PCs at each of the branches and data was being loaded by branch operators.

The accounting software package was further tested and the price of the software was discussed with SECP MIS personnel, but was not purchased by the end of the quarter.

4. Training MIS Operators

The TA Team provided support to this important effort, which was carried out by SECP staff. However, this was a stressful effort, given the other duties of the NBD SECP personnel assigned, and we feel additional training shall be required.

5. Recruitment of HQ computer personnel

ACDI personnel participated in the selection committee to fill vacancies in project MIS positions. 39 branch operators were hired, but staffing of the H.Q. unit is not yet complete. One of the six available H.Q. positions was filled, adding to the two senior staff in the H.Q. group. However, another person left this group and the Manager suffered from health difficulties. Three additional persons need to be hired; two of them should be experienced programmers.

6. Final Report of ACDI MIS Specialist

Mr. Mosleh's contract ended in mid-March. His final report provides details of the other achievements noted above, as well as recommendations for future enhancements to the SECP MIS effort.

Problems Encountered:

1. Funds for MIS-related software were requested from USAID by the NBD with ACDI assistance on February 23, 1993, August 29, 1993, February 23, 1994 and March 22, 1994, but had not been released by the end of the reporting period.
2. Delays in accounting software procurement, and consequent delays to link same to the loan tracking system.
3. Recruitment of experienced MIS staff for HQ.
4. Backlog of loans to input into the MIS system.

Comment on Planned Activities vs Achievements:

The problems in MIS automation have delayed an important component of SECP, since they affect not only the MIS module itself, but the project as a whole. In the future, as loan volume builds, lack of speed in spotting poor performance in credit may compromise NBD management's ability to analyze results and make needed changes in portfolio direction and policies. In the next quarter, we trust that this concern shall be alleviated, and that the recommendations previously proposed by ACDI as solutions will not be necessary.

Many of the tasks described above, such as software installation, training of operators, recruitment of other MIS personnel were largely delegated to the NBD staff by the Project Director. The project MIS plan was moved ahead, and the completed objectives were reviewed by the T.A. Team with satisfaction.

With the completion of the contract of ACDI's MIS Specialist the TA Team is removed from effective technical assistance in this project area. We will continue to provide informed support to the bank with our available resources, but will be unable to offer specialist expertise. Any future support related to MIS will be reported under the Project Management Support Module.

Plans for Next Quarter:

Although ACDI's responsibilities have been discharged with the completion of the MIS Specialist's contract, the Team Leader and Credit Specialist shall undertake the following planned activities:

1. Assist in the automation of SECP MIS, as members of the MIS Committee.
2. Recommend a plan to teach H.Q. staff use of PC software applications

IV. PROJECT MANAGEMENT SUPPORT MODULE

Planned Activities This Quarter:

1. Finalize the amendment to the Cooperative Agreement.
2. Complete training of accounting staff in preparation of operating expense reports for USAID.
3. Identify, document and resolve constraints affecting project implementation.
4. Report on work performed, impact achieved, constraints encountered, and changes recommended.
5. Assist the NBD and USAID in preparing for and conducting the program audit planned for March 1994.
6. Assist with training activities as requested by the Project Director and USAID.

Achievements This Quarter:

1. CA Amendment

A revised proposal was prepared which recognizes positive developments within NBD and new understandings reached among all parties. Staffing needs were clarified, though not agreed. The revised budget reflected the changes that have occurred since the original document was submitted in August 1993. A draft of the revised proposal was submitted to the Project Officer for review and comment.

2. Accounting Training

Training of the NBD accounting staff to enable them to prepare operating expense reports for USAID was begun. A monthly expenditure report that was previously designed by the TA Team was enhanced with a detailed set of instructions. Both of these were translated into Arabic and presented to the Project Director. The documents served as the basis for training the Head Accountant of SECP in the completion of the December, January and February expenditure reports to USAID. Team input is still required in completion of the reports.

3. Project Constraints

a. Other projects managed by the NBD such as RSSE, Ford Foundation, UNICEF, and CIDA take the time of senior management and staff away from SECP, as do proposals for new activities with the Social Fund and the Italian Government. While these are important to NBD in terms of an overall strategy, they distract from achieving project-specific SECP goals.

b. The lack of an approved SECP organization chart, firm job descriptions of H.Q. personnel, and concerns about the future of the group are also distractions for staff. The Project Director's decision making authority appears more clear as a result of increased frequency of Steering Committee meetings, and the Ismailia Training Conference. ACDI assistance in these internal issues is discrete and guarded. We have seen improvement in operations, institution building of the SECP section and recognition of its role inside the NBD. This is an on-going goal of all parties and takes time. From ACDI's viewpoint this is a vital part of the process of making SECP a viable operation.

c. As previously recommended, the appointment of a new deputy project director during the reporting period is expected to go a long way toward relieving these constraints. One of the tasks the new Deputy is expected to focus on is the preparation of manuals describing the project's lending and personnel procedures. Another is the finalization of marketing and promotional materials describing the project and its methodology.

4. Reporting

Reports produced for NBD during the quarter and submitted to USAID were as follows:

1. Loan Production Reports for December 93, January and February of 1994.
2. Expenditure Reports monthly from November 1993 through February 1994.
3. Listing of Operating Fund Requests and MIS Fund Requests which NBD had made of USAID and which were not acknowledged.

In addition, the TA Team identified cash flow deficits between NBD expenditures and USAID provided operating funds based on November, December, and February expenditure reports that NBD submitted to USAID. The TA Team counseled both Project Management and USAID officials regarding the situation.

5. Program Audit

ACDI has advised NBD Project management to finalize and distribute to all participating branches the manuals necessary, as a proper required step in the preparation for a March 1994 program audit by USAID, but regrettably this was a low priority of project management until now. The USAID Program Audit did not occur and we have not been advised of a new date for this activity.

6. Training

The NBD Project Director does value training and is himself the best trainer in SECP and Micro-Enterprise lending. His awareness of the subject and mastery of the skills is at a high level.

a. The TA Team provided input to the Project Director in planning for the Advanced Training Conference held in Ismailia February 18 and 19 and attended the event as well. The Conference provided a forum for staff input to policy issues. The participation of the Chairman was a clear demonstration of the Bank's commitment to the new Small and Micro-Enterprise Section activities and SECP in particular.

b. Procedures for procurement of audiovisual training equipment by NBD were completed and the TA Team was asked to review the equipment for compliance with the invoice. Additional equipment deliveries will take place next quarter, and training in the equipment's use by assigned people is needed.

c. The TA team conducted a number of branch visits to assess branch compliance with sound credit practices and reinforce the practices through on-site training. Training plans for new staff were discussed, as was the need for a formal plan for branch manager refresher training.

d. The TA Team participated in the creation of promotional material that can be easily modified for use as case studies.

7. Other

An updated annual Master Plan of Action was produced and reviewed with the Project Director. For the NBD to gain the maximum from technical assistance, agreement on work plan goals must be planned and then continually reviewed. As we were finalizing the TA Team Master Plan of Action for USAID, constant discussion did occur and to some degree was widened as H.Q. personnel other than the Project Director were involved.

With the Project Director's concurrence, the draft plan was submitted to USAID Project Officer for review and comment. The consensus on goals and direction to achieve them efficiently which the plan represents is a factor of the project's success in every area.

Comment on Planned Activities vs Achievements:

In light of communications problems that have surfaced, ACDI decided to submit important documents to the USAID Project Officer in draft for review and comment prior to final, official submission. While this extra step has delayed delivery of the

Master Plan and the revised amendment to the CA, we hope that it will speed the approval process. We will make every effort in future to allow time for all necessary steps to be completed before the required submission date.

Problems Encountered:

1. Inadequacies in C.A. budget items, identified in the revised C.A. Amendment Request.
2. Lack of clear definition of "implementation date" as used in the SELFA and CA. NBD argues that this must refer to the start of lending operations on July 1st, 1993.
3. ACDI no longer has the resources to fully support the training needs of SECP.

Plans for Next Quarter:

1. Finalize the proposed amendment to the Cooperative Agreement.
2. Complete the training of NBD accounting staff, enabling them to prepare operating expense reports for USAID.
3. Support Project Director in developing a formal, approved organization chart for NBD's SME Section as a separate Department and finalizing job descriptions for HQ staff positions. Focus particularly on the role of the new Deputy Project Director.
4. Identify, document and resolve constraints affecting project implementation.
5. Report on work performed, impact achieved, constraints encountered, and changes recommended.
6. Recommend and support the strengthening of the HQ training staff.
7. Assist the Project Director in planning and implementing future training.

V. FINANCIAL ANALYSIS MODULE

Planned Activities This Quarter:

1. Recruit and hire Financial Analyst
2. Describe the requirements for NBD to do an adequate financial analysis of their Small and Micro-Enterprise activity.

3. Provide portfolio reviews, risk assessments, and trend analysis.

Achievements This Quarter:

1. Financial Analyst

Discussion with the Project Director led to revision of the job description for this important position to include the functions of financial audit and evaluation. Two candidates who responded to the advertisement of the post were interviewed but neither was felt to be sufficiently qualified.

2. Analysis Requirements

The "Guide To Financial Analysis" prepared by the TA Team in previous reporting period stands as the standard required in the SECP, but its translation and distribution to local staff has not occurred. Financial analyses of the Program to date are presented in Appendix C.

3. Reports

The reports produced are an up-dated monthly financial history of SECP/NBD income and expenses, and a use of credit funds model developed by the Credit Specialist. These computer models have been of great assistance in quantifying break-even position to management and in credit fund request and loan activity report preparation. Revision of the models is an on-going activity of the TA Team, but this assistance is of major importance to the project. Data used in these models are often delayed since results from 13 branches must be manually combined in many cases, which hampers the timeliness of reports. The automated loan tracking system and the new accounting system should remove this constraint.

Problems Encountered:

1. The delay in hiring the Financial Analyst does stress project objectives and burdens the T.A. Team with analytical work that this person should be doing.
2. Delay in software procurement slows obtaining of data necessary for financial analysis.

Plans for Next Quarter:

1. Recruit and hire Financial Analyst.
2. Continue providing portfolio composition, risk assessments, and trend analysis.

APPENDIX A: LOAN ACTIVITY GRAPHS

Cumulative Loan Growth (no.)

Cumulative Loan Volume Growth

Distribution of Number of Loans by Activity

Distribution of Loan Amount (LE) by Activity

Projected vs Actual Number of Loans by Month

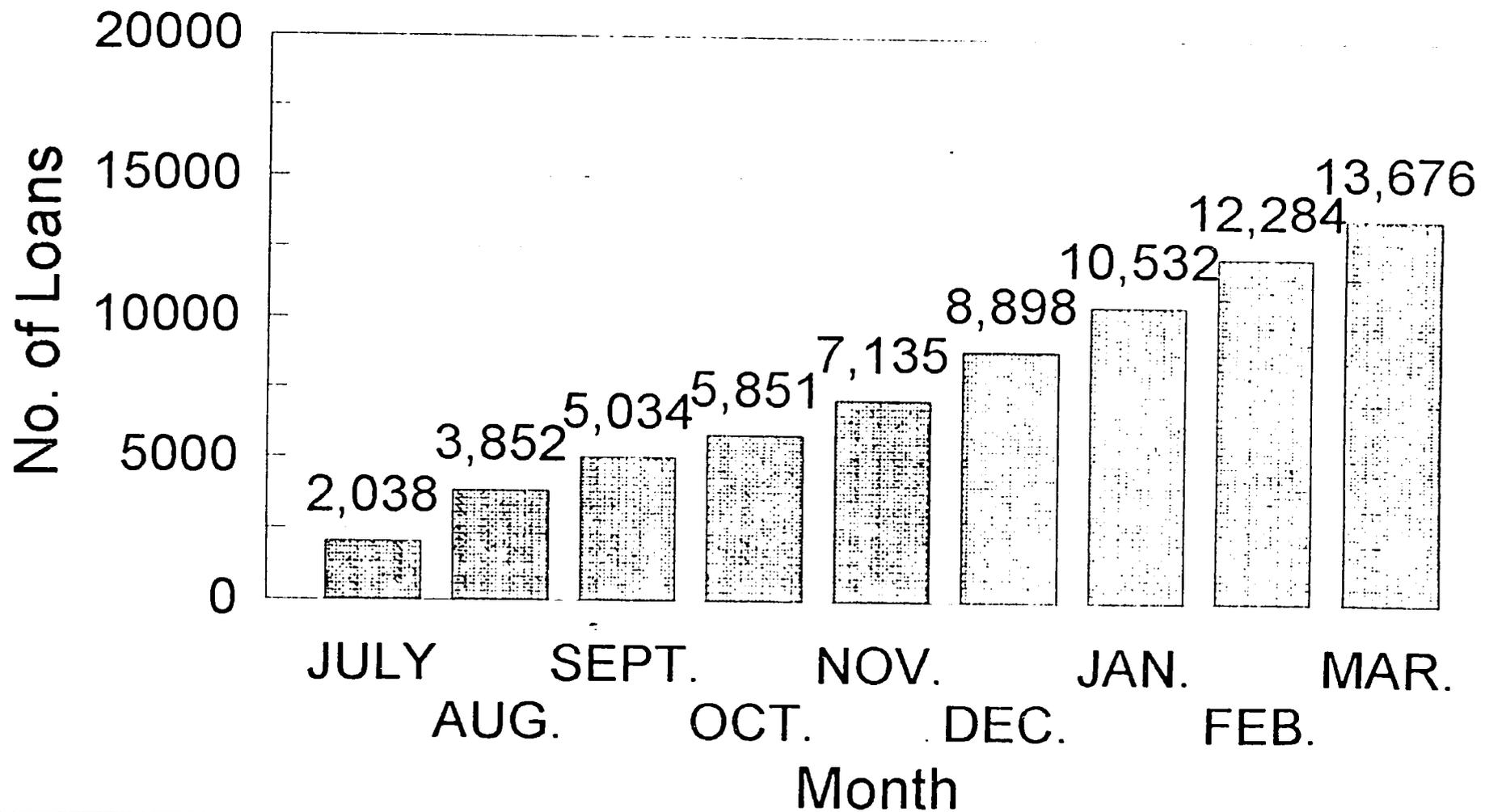
Projected vs Actual Cumulative Loan Volume by Month

Cumulative Number of Loans by Branch

Cumulative Principal Disbursed by Branch

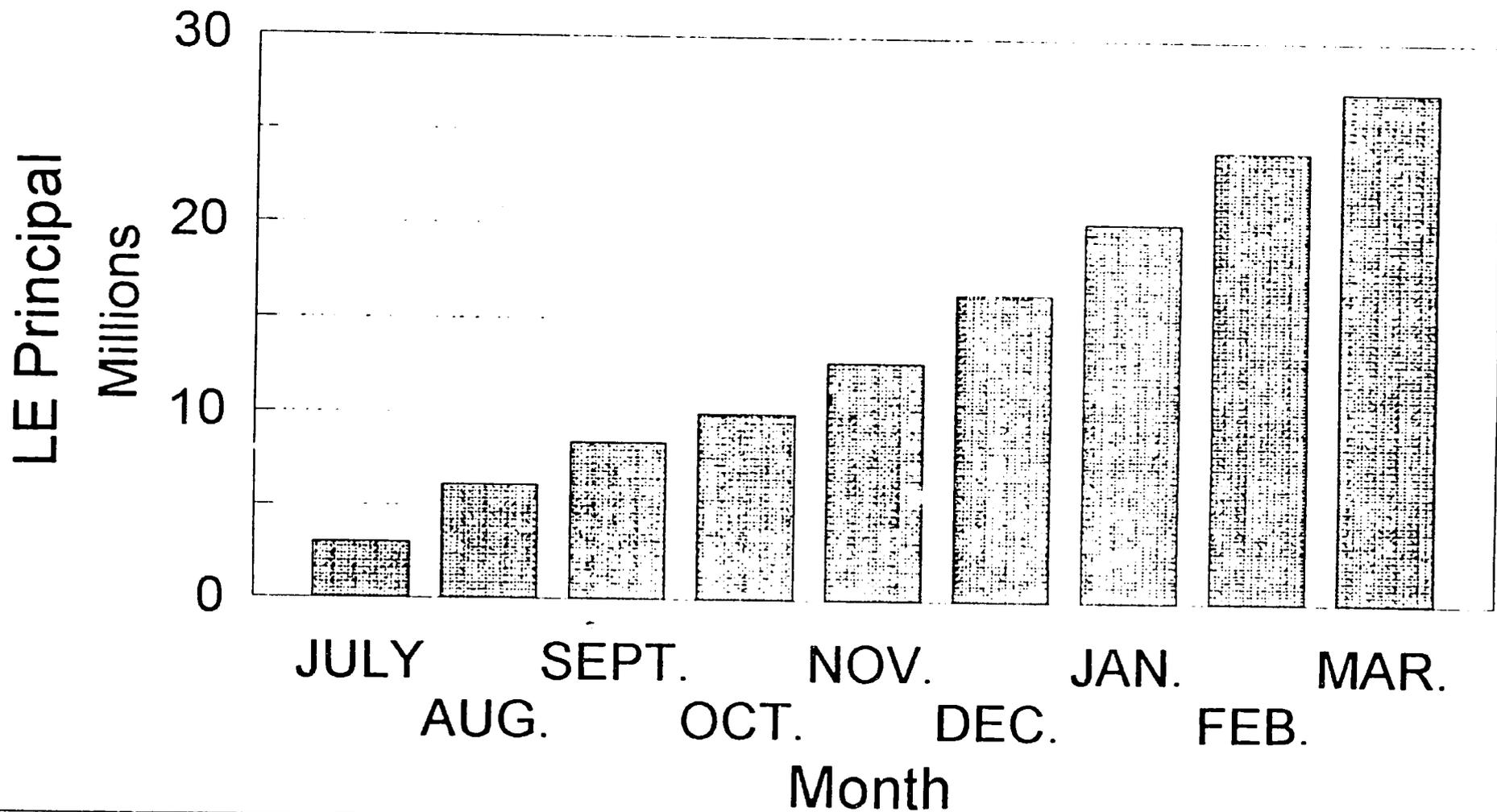
SECP LOAN GROWTH

AS OF 31/3/94 (Cumulative No.)



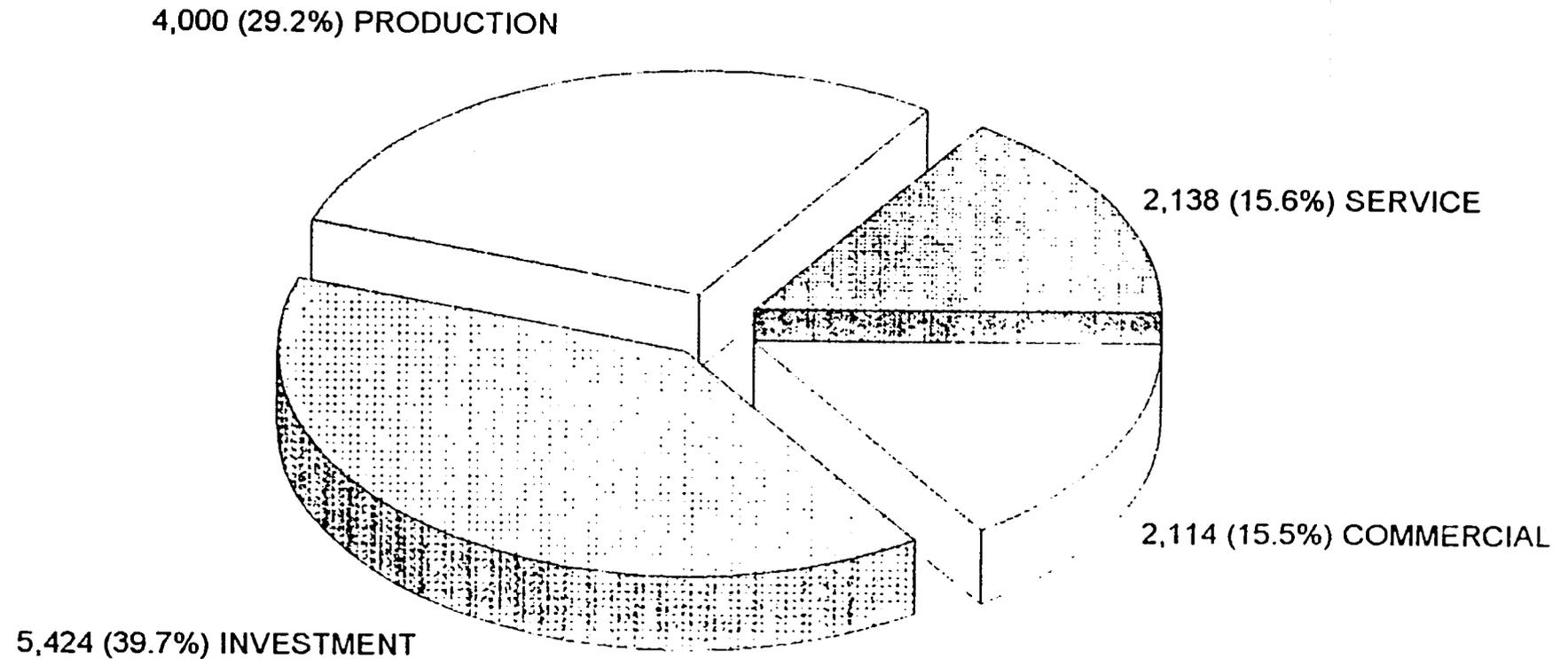
SECP LOAN GROWTH

AS OF 31/3/94 (Cumulative LE Principal)



SECP DISTRIBUTION OF NUMBER OF LOANS

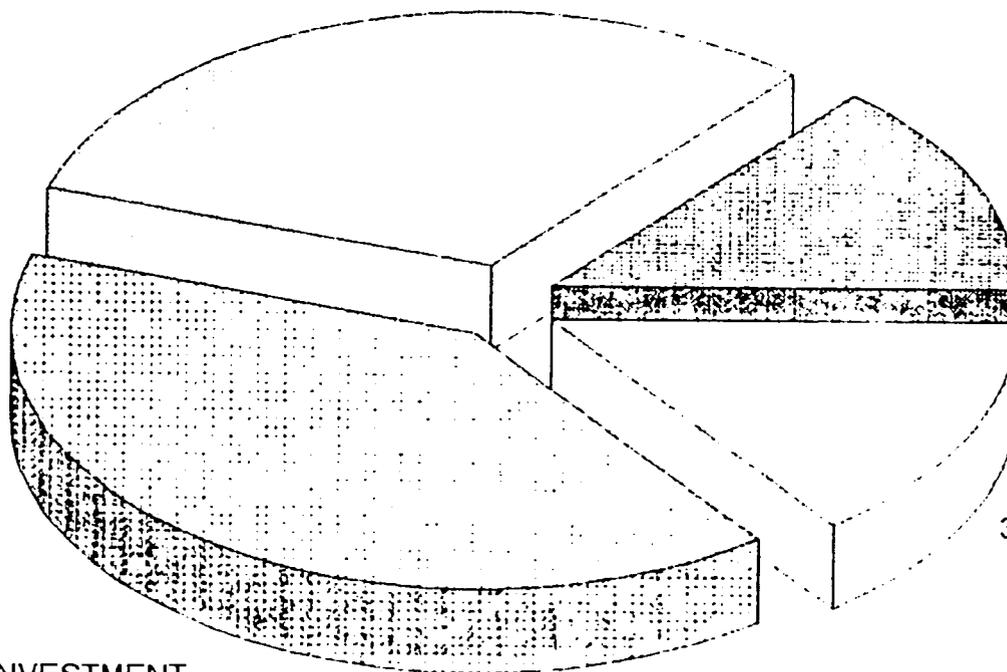
BY ACTIVITY AS OF 31/3/94



SECP DISTRIBUTION OF LOAN AMOUNT (LE)

BY ACTIVITY AS OF 31/3/94

8,574,850 (31.4%) PRODUCTION



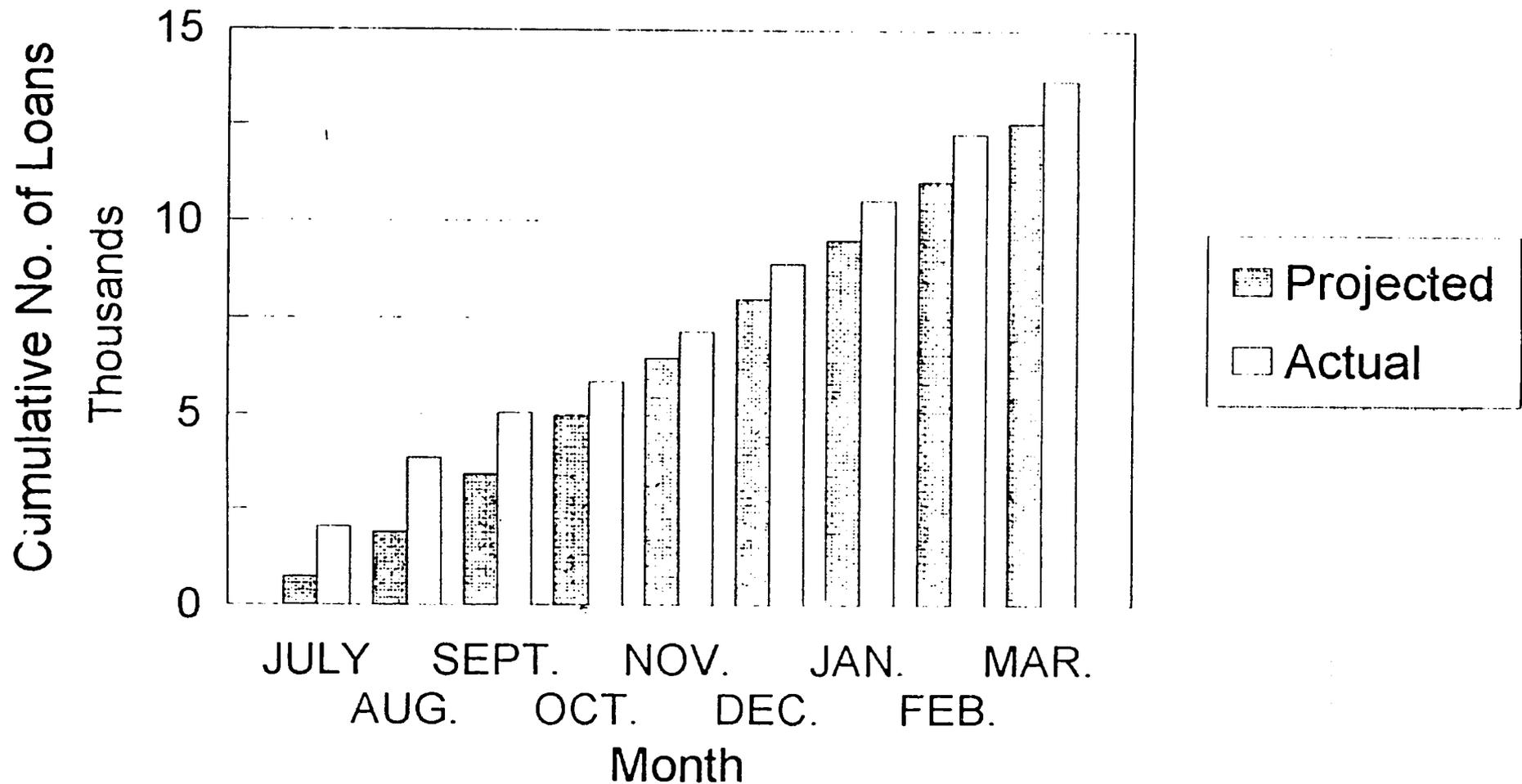
3,793,500 (13.9%) SERVICE

3,973,650 (14.5%) COMMERCIAL

10,979,200 (40.2%) INVESTMENT

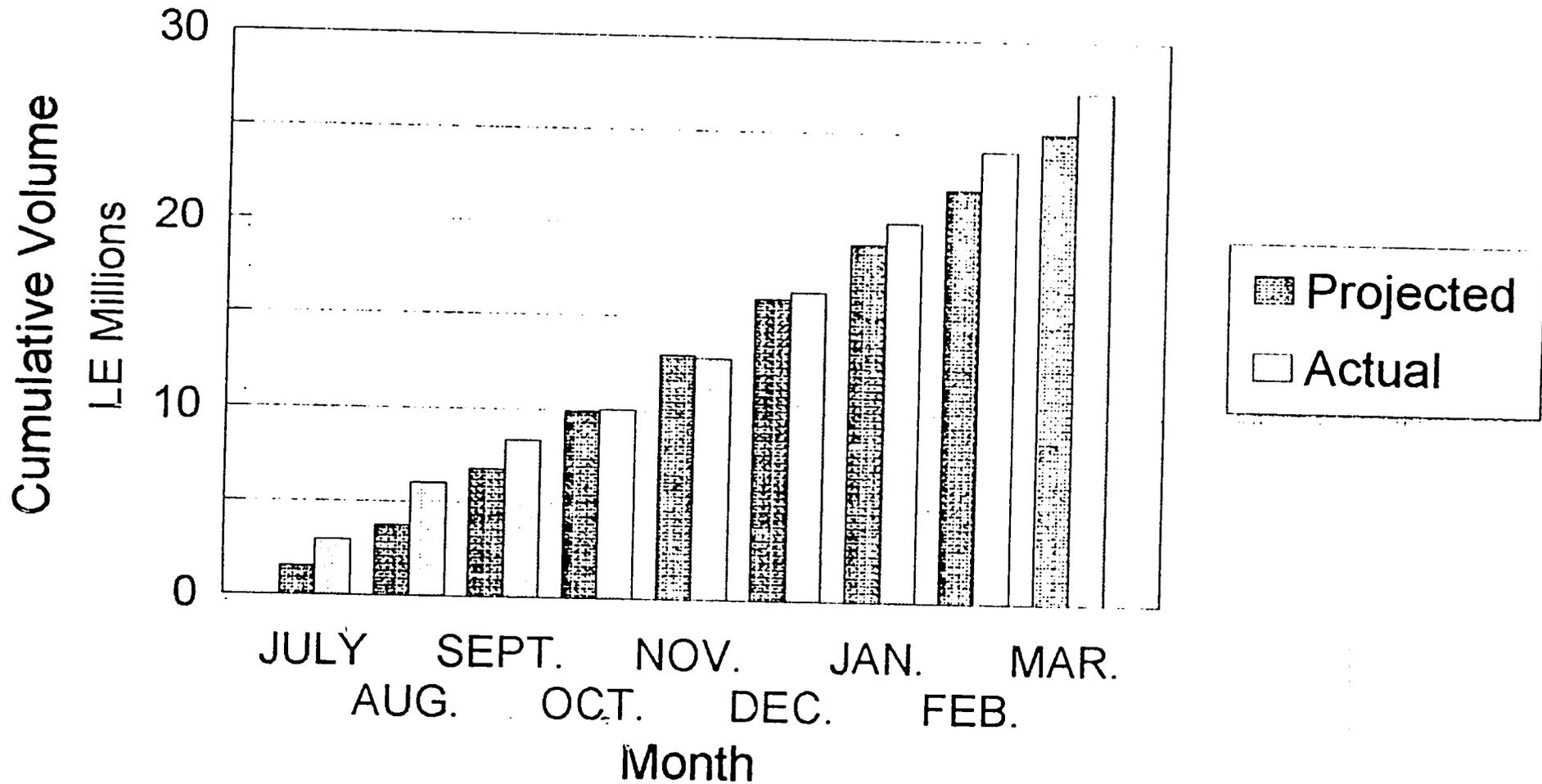
Analysis of SECP Lending on 31/3/94

Projected vs Actual Cumulative Number of Loans



Analysis of SECP Lending on 31/3/94

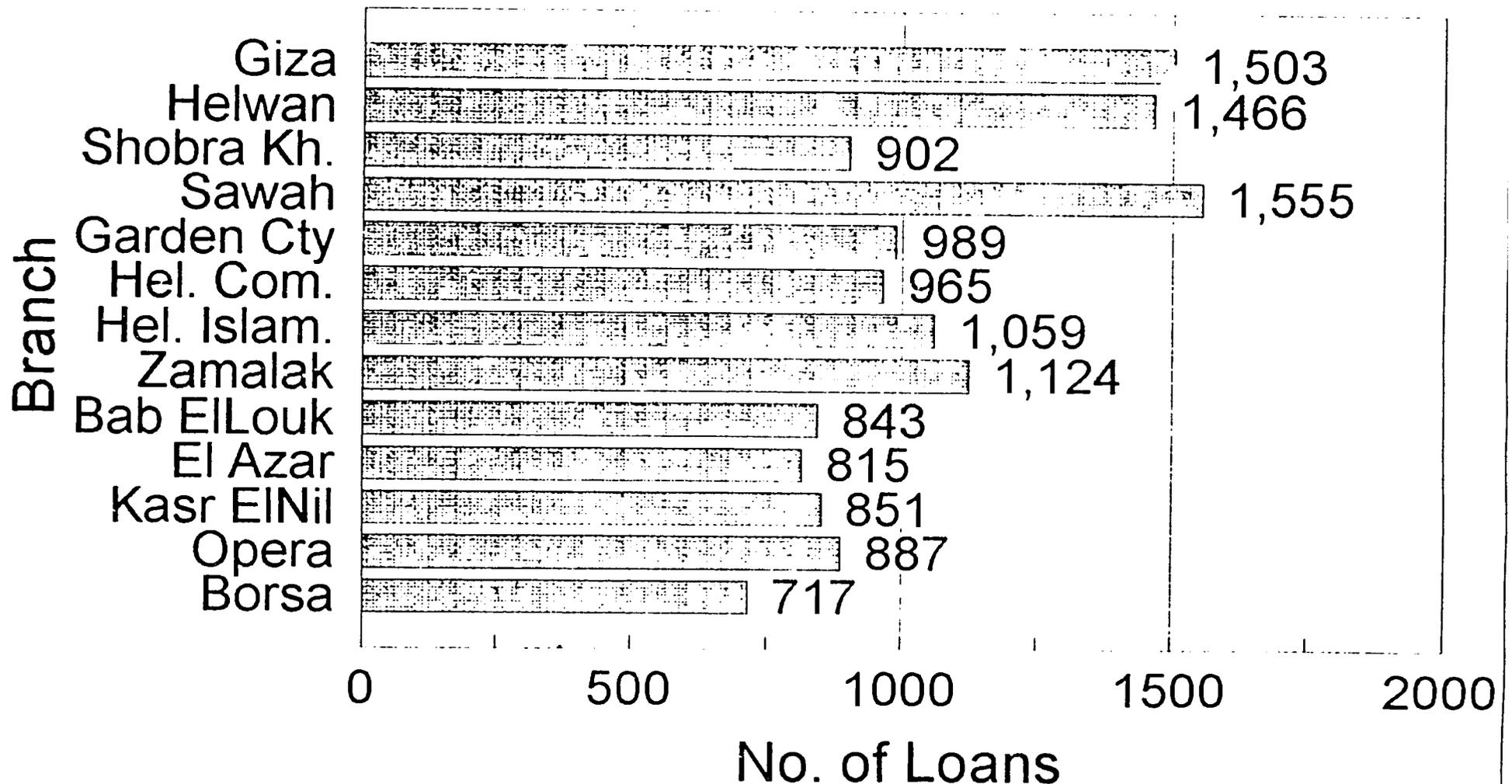
Projected (1) vs Actual Cumulative Loan Volume by Month



1. Projection of Dec. 21, 1992, LE 2000 Ave. Loan Size

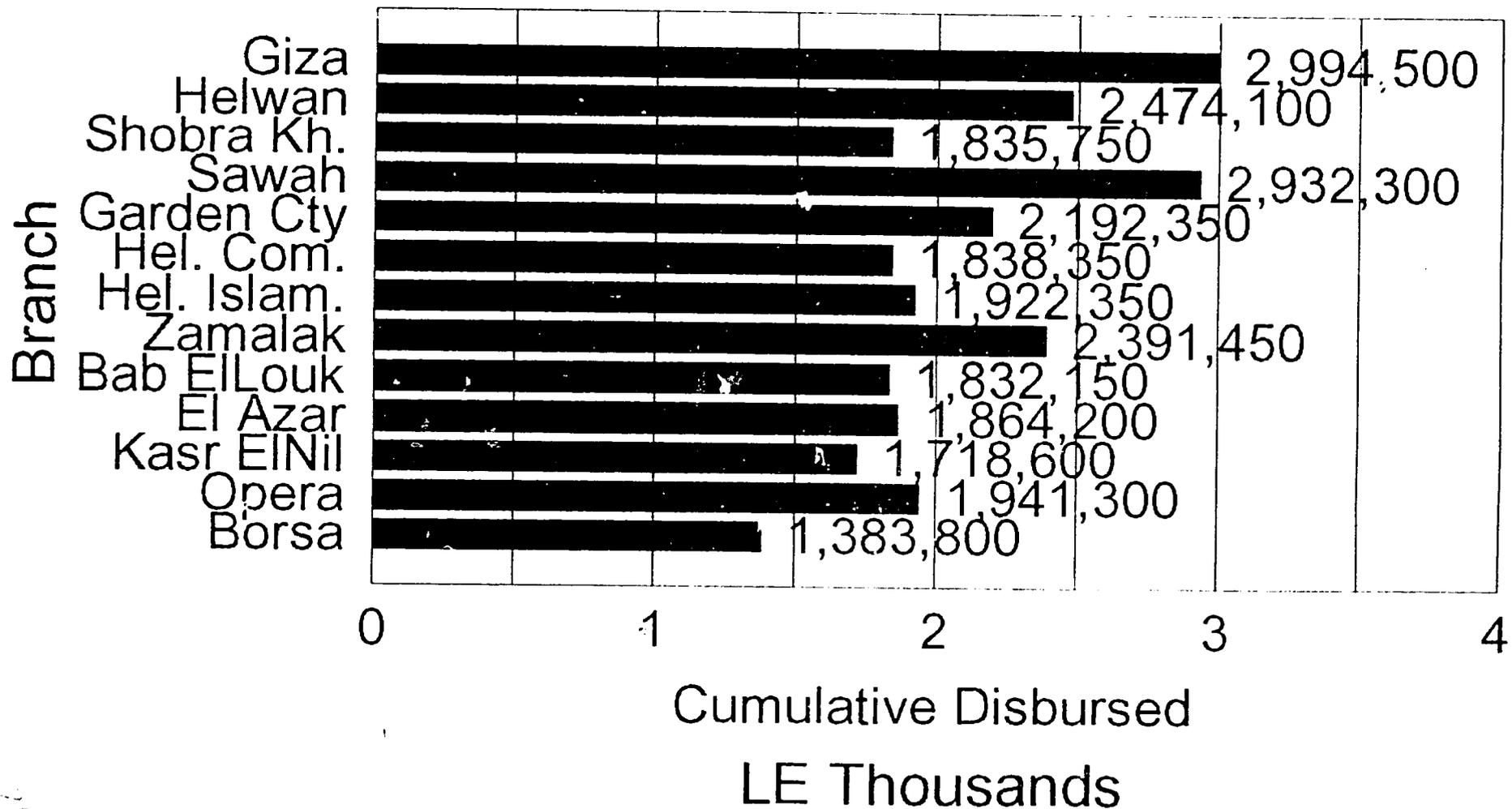
SECP BRANCH ACTIVITIES

CUMULATIVE NO. OF LOANS ON 31/3/94



SECP BRANCH ACTIVITIES

CUMULATIVE LE DISBURSED, 31/3/94



APPENDIX B

CREDIT QUALITY INDICATORS AS OF MARCH 31, 1994

1. PORTFOLIO DISTRIBUTION

The portfolio of SECP on 31 March, 1994 continues to be well spread by branch and by type of activity. The following table gives cumulative branch figures:

| BRANCH | # OF LOANS | AMOUNT (LE) |
|--------------------------------|---------------|-------------------|
| Giza | 1,503 | 2,994,500 |
| Helwan | 1,466 | 2,474,100 |
| Shobra El Khima | 902 | 1,835,750 |
| El Sawah | 1,555 | 2,932,300 |
| Garden City | 989 | 2,192,350 |
| Misr El Gedida (Islamic) | 1,059 | 1,922,350 |
| Misr El Gedida (Commercial) | 965 | 1,838,350 |
| Zamalek | 1,124 | 2,391,450 |
| Bab El Louk | 843 | 1,802,150 |
| El Azhar | 815 | 1,864,200 |
| Kasr El Nil | 851 | 1,718,600 |
| Opera | 887 | 1,941,300 |
| Borsa | 717 | 1,383,800 |
| TOTAL | 13,676 | 27,321,200 |

2. PORTFOLIO COMPOSITION

SECP stated Loan Sector Objectives are to concentrate on the Investment and Production Sectors, which are used by borrowers to purchase capital equipment or raw materials. Service loans to enhance or expand premises are limited to 20% of a portfolio, while commercial loans to purchase inventory are to be no more than 15% of any portfolio. The determination of this portfolio composition was set by Steering Committee policy decisions.

The following tables summarize the composition of SECP's loan portfolio as of March 31, 1994:

**NUMBER OF LOANS
BY LOAN SECTOR**

| SECTOR | # OF LOANS | PERCENTAGE |
|------------|------------|------------|
| Investment | 5,424 | 40 |
| Production | 4,000 | 29 |
| Service | 2,138 | 16 |
| Commercial | 2,114 | 15 |
| TOTAL | 13,676 | 100% |

**AMOUNT OF LOANS
BY LOAN SECTOR**

| SECTOR | AMOUNT OF LOANS (LE) | PERCENTAGE |
|------------|-------------------------|------------|
| Investment | 10,979,200 | 40 |
| Production | 8,574,850 | 31 |
| Service | 3,793,500 | 14 |
| Commercial | 3,973,650 | 15 |
| TOTAL | 27,321,200 | 100 |

3. SECP BAD DEBT POSITION

Cash collections of LE 9,562,629 occurred in the reporting period, with a cumulative total of LE 19,344,882 since the beginning of lending. This again confirms the high velocity of money and the short term nature of the portfolio. Maturities of loans averaged 4-6 months. No significant late payment problems have surfaced.

Past due (late payments) were LE 155,331 or 0.57% of total principal disbursed. Although higher than the 0.3% reported last quarter, this is well within acceptable limits. The project objective of late payments and defaults being no more than 1.5% of total outstanding principal (another measure of delinquency), is being met. As the program matures and loan officers handle larger workloads, increases in past due loans are to be expected. Project management is well equipped to handle those increases.

4. SECP SAVINGS POSITION

The savings creation aspect of SECP mandates that a minimum of 10% of the requested loan amount be deposited prior to loan disbursement. This "keeps the client in the transaction" and serves to offset risk. At the same time, interest on this deposit is paid as a project expense and the customer learns the benefit of saving.

SAVINGS POSITION BY BRANCH As of March 31, 1994

| Branch | Amount of SECP Savings Deposited (LE) |
|-----------------------------|---------------------------------------|
| Giza | 188,284.60 |
| Helwan | 152,310.00 |
| Shobra El Khima | 128,202.50 |
| El Sawah | 185,916.20 |
| Garden City | 115,798.50 |
| Misr El Gedida (Islamic) | 146,860.89 |
| Misr El Gedida (Commercial) | 119,502.80 |
| Zamalek | 147,624.10 |
| Bab El Louk | 128,576.65 |
| El Azhar | 100,135.00 |
| Kasr El Nil | 131,413.20 |
| Opera | 117,850.00 |
| Borsa | 92,410.00 |
| TOTAL | 1,754,884.44 |

5. Loans to Women

Studies of small scale credit programs frequently document significantly better repayment performance for female borrowers. SECP has not undertaken an exacting study on this topic, however, SECP keeps records of the number and amount of loans to women. One of the SECP objectives is to better serve this market segment through more loans.

| LOANS TO WOMEN ENTREPRENEURS IN SECP CUMULATIVE FIGURES AS OF MARCH 31, 1994 | | |
|---|-----------------|------------------|
| BRANCH | NO. OF LOANS | AMOUNT (LE) |
| Giza | 240 | 425,900 |
| Helwan | 147 | 227,750 |
| Shobra El Khima | 99 | 189,200 |
| El Sawah | 254 | 401,750 |
| Garden City | 115 | 231,400 |
| Misr El Gedida (Islamic) | 128 | 185,650 |
| Misr El Gedida (Commercial) | 170 | 306,100 |
| Zamalek | 115 | 200,150 |
| Bab El Louk | 67 | 148,200 |
| El Azhar | 34 | 65,750 |
| Kasr El Nil | 41 | 59,150 |
| Opera | 30 | 74,000 |
| Borsa | 73 | 130,600 |
| TOTAL | 1513 | 2,645,600 |

APPENDIX C

PART 1

FINANCIAL ANALYSIS OF SECP'S FIRST THREE QUARTERS

To reach operational break-even and profitability, SECP must control the cost per loan and the cost coverage ratio. The following measures were reviewed in previous periods, and indicate the rate at which the program is moving toward profitability on a cumulative basis. These measures will be subject to review and expansion when the financial analyst is added to the TA Team. The financial analyst will have adequate time to conduct both a wider variety of analyses and a more intensive analysis of each measure utilized.

Cost Per Loan

TOC = Total Operating Cost for the period (cumulative)

TOC/# of Loans = Cost per Loan

LE 3,107,314/13,676 = LE 227

The LE 227 per loan compares with LE 222 as of December 31, 1993. The salary for 292 people (including 47 in the H.Q. unit) is the most significant operating expense component contributing to the LE 227 figure. Salaries currently are approximately LE 356,000 per month.

Cost Coverage Ratio

When interest income and transportation fees for the period are compared to operating costs the project shows that 45.4% of costs are currently being covered versus 34.4% in the previous reporting period. The calculation is as follows:

Total Income/Total Expense = Cost Coverage Ratio (cumulative)

LE 1,412,504 /LE 3,107,314 = 45.4%

NBD Management of Operating Costs

The NBD is responsible for, and controls, its own project operating funds and the credit funds of SECP, which were projected to be utilized for the first 18 months of loan operations. Funds appear to be on target regarding usage of start-up and operational funds as allocated; and credit funds are reaching the target market and have no losses or appreciable late payments. Project income is added to the credit fund and reserves during this 18 month period.

The NBD budget provided by USAID is divided at the beginning of lending between PRE-OPERATING EXPENSES [including the initial three month training expenses, salaries and allowances prior to

operations (July 1, 1993); procurement of required equipment; vehicle purchase; and subsequent training] and OPERATING EXPENSES AFTER JULY 1 [including Salaries and Other Direct Costs (ODC)]. The operating expenses shall be compared to project income to determine project break-even.

The budget for procurement that is not yet expended shall be utilized to make final payments on computers for example, but shall not be included in the break-even calculation with USAID. Such an expense is considered a pre-operation expense under the NBD's agreement with USAID.

**PROJECT INCOME
AS OF MARCH 31, 1994**

| Amount (LE) | Type of Income | Application |
|--------------|----------------------|----------------------|
| 1,190,208.79 | Interest Received | To Credit Funds |
| 222,295.67 | Transport Fees | To Credit Funds |
| 338,579.88 | Insurance Revenue | To Insurance Reserve |
| 252,493.04 | Late Payment Revenue | Held for Refund |
| 2,003,577.38 | TOTAL | |

Note that a 5% loan loss reserve is allowable under the NBD's agreement with USAID, but is not reflected in the above table.

**PROJECT EXPENSES (LE)
AS OF MARCH 31, 1994**

| Item | Pre-Operational Expense | Operational Expense | Total |
|------------------|-------------------------|---------------------|------------------|
| Salaries | 1,223,530 | 2,764,972 | 3,988,502 |
| ODC | 298,945 | 342,342 | 641,287 |
| Vehicles | 1,235,340 | | 1,235,340 |
| Office Equipment | 1,375,796 | | 1,375,796 |
| Training | 507,396 | | 507,396 |
| TOTAL | 4,641,007 | 3,107,314.00 | 7,748,321 |

**ACTUAL EXPENDITURES VERSUS BUDGET
(LE) AS OF MARCH 31, 1994***

| Item | Actual | Budget | Remaining Budget |
|--------------|------------------|------------------|------------------|
| Salaries | 3,988,502 | 5,140,260 | 1,151,758 |
| ODC | 641,287 | 751,500 | 110,213 |
| Vehicles | 1,235,340 | 1,302,600 | 67,260 |
| Equipment | 1,375,795 | 1,419,500 | 43,705 |
| Training | 507,396 | 738,140 | 230,744 |
| TOTAL | 7,748,320 | 9,352,000 | 1,603,680 |

PART 2

STATUS REPORT SECP BREAK EVEN EXPECTATIONS AS OF MARCH 31, 1994

Background:

Earlier financial analysis performed on SECP included utilizing cumulative figures which could give an indication of when all costs might be recovered against all income. That type of analysis could help an institution determine the length of time it would take to recover all operating costs for a program. In the case of SECP, USAID is providing initial operating funds to NBD and cumulative cost recovery is not relevant. The definition of the term "operational break even" which is set forth in the SELFA Agreement between USAID and NBD is relevant. Meeting the definition requires first that the total of operating income in a single continuous 30 day period divided by operating expenses in the same period be greater than one. Although this situation may occur in a single month, a second condition is that this situation must occur in three consecutive months. According to SELFA, income may be reduced by 5% to reflect an allowance for bad debts. Income utilized in this analysis includes interest plus transportation fees. Late payment fees and insurance fees are not included. Although the late payment fees are revenue to the project, they are refunded to the borrowers upon paying the loan in full, provided payments have been made on time. Only those late payment fees for payments that are actually delayed are retained by NBD. Since late payments are extremely small, the actual portion of these fees that are retained because of delayed payment are minuscule. Insurance fees are applied to a reserve account and held to pay off loans of deceased borrowers plus pay a small burial benefit to the family.

This report treats income on an individual monthly basis, rather than on a cumulative basis. Income has been reduced by 5% to reflect the reserve for losses allowed by SELFA. Operating expenses have been obtained from monthly operating expense reports submitted by NBD to USAID. As prescribed in SELFA, not all the expenses contained in the reports are included in the definition of operating expenses. Any expenditure incurred prior to July 1, 1993 the beginning of lending operations is excluded. Also excluded are expenses for training and procurement. The exclusions result in the utilization of just two expense line items: Salaries and Other Direct Costs (ODC). The actual figure has been utilized for salaries each month, but since ODC expenditure has been sporadic it has been modified slightly. Actual ODC expenditure over the nine month period in consideration has been averaged to smooth out the sharp fluctuations in the individual months figures. The slightly modified monthly operating cost used for analysis in this report consists of actual salaries and average ODC.

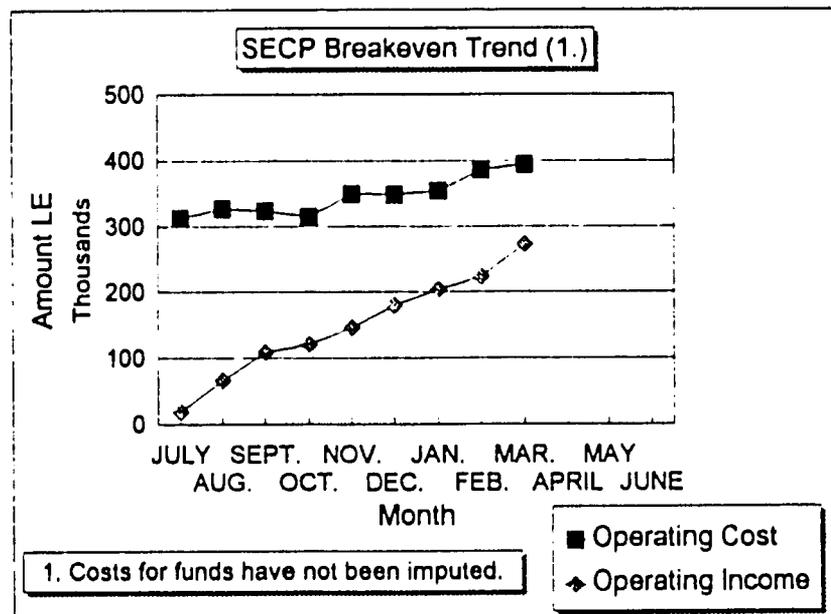
Results of the analysis are presented below. One very important factor needs to be emphasized: this analysis DOES NOT INCLUDE an allocation for cost of funds. This exclusion is not an oversight

in analysis, but merely compliance with SELFA's operational break even criteria which does not address cost of funds. Operational break even should not be confused with profitability. Any measure of profitability for SECP would need to address the issue of cost of funds. In regular operations, banks recognize that the funds they are lending have a cost associated with them. This might approximate the average amount paid for savings. Banks allocate an internal cost of funds so they are able to determine the profitability of various uses of funds. In order to make a profit, a bank would need to recover all operating expenses and the cost of funds (also some fixed costs, which are not addressed here).

Results:

Charts are used to aid analysis in this report. The underlying datum from which all charts were derived is available from SECP upon request. Chart 1 illustrates the trend in monthly income and monthly operating expenses from July 1, 1993, the beginning of lending through March 31, 1994, the end of the ninth month of lending. The trend is readily identifiable, and suggests monthly operating income could cover monthly operating expenses (break even) in three to four months from the end of March, or approximately June or July 1994.

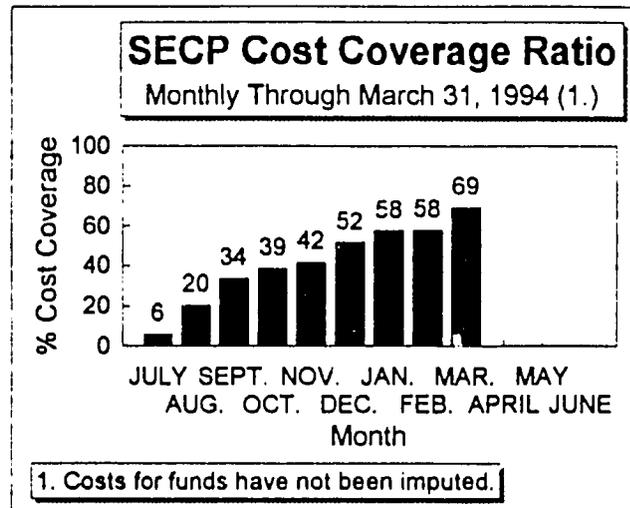
Chart 1:



Another method of assessing the break even situation is to measure the ratio of income to expenses on a monthly basis. Chart 2 illustrates the trend in this measure of progress toward break even. During the first month of lending, income covered 6% of operating expenses. The coverage steadily improved through March of 1994 when income covered 69% of expenses. Based on the trend evident in the chart, income should reach 100% of expenses in June or July of 1994. This confirms the estimation of the

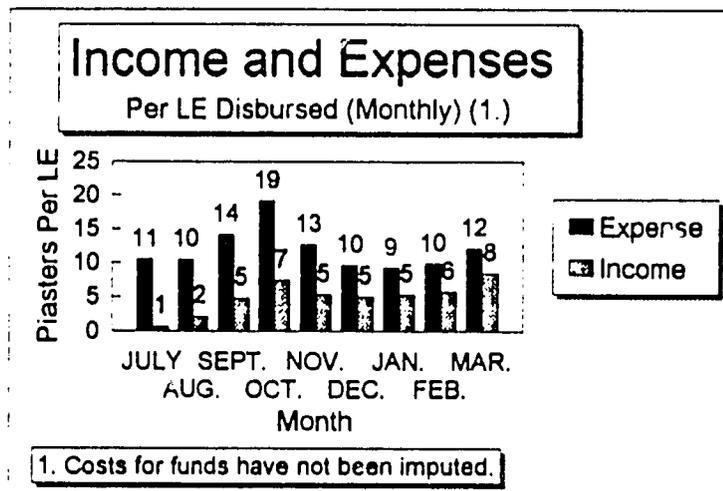
time of break even established from analyzing Chart 1. Charts 1 and 2 are actually different ways of viewing the same thing.

Chart 2:



A third way of viewing break even is to examine income and expense per LE disbursed in loans. As seen in Chart 3, the operating expense per LE disbursed has varied somewhat over the nine months of operations, but has been relatively stable. Beginning with 11 Piasters per LE in the first month of lending to 12 Piasters per LE in March of 1993, the ninth month of lending. Income per LE disbursed has steadily increased from 1 Piaster per LE in the first month through 8 Piasters per LE in March, 1994. The gap between income and expense per LE disbursed has steadily narrowed. Based upon the trend, it is reasonable to predict break even in three to four months.

Chart 3:



All three methods used to forecast break even indicate that SECP should reach break even on a monthly basis in June or July 1994. According to SELFA, this must occur for three consecutive months to meet the contractual definition of break even. Whatever measure is used, SECP has shown remarkable progress to potentially be able to break even after one year of lending.

APPENDIX D: SECP BORROWER PROFILES

| | | |
|----------------|----------------|--------------------------------|
| Profile No. 8 | Zamalak Branch | Shokrie Ramadan Abdel Rahman |
| Profile No. 9 | Zamalak Branch | Mohsen Mohammed Mohammed |
| Profile No. 10 | Zamalak Branch | Arafa Mahmoud Ahmed |
| Profile No. 11 | Zamalak Branch | AbdelHady Ramadan Abdel Rahman |

SECP BORROWER PROFILES

Profile No. 8 Zamalak Branch

Name: Shokrie Ramadan Abdel Rahman
Gender: Male
Business: Metalworking
Loan: LE 1,000/ LE 2,000/ LE 3,000
Term: 2 months/ 6 months/ 10 months

Shokrie owns a small shop in Bulaq, one of the poorer areas of Greater Cairo. With the help of a loan from SECP two additional workers were able to gain employment in the workshop. The small workshop produces various products crafted from metal.



Examples are motor stands and springs. Initially, Shokrie borrowed LE 1,000 for a period of two months to purchase raw materials. Having successfully repaid this loan, Shokrie was able to obtain a subsequent loan to purchase raw materials. The new loan amount was LE 2,000 for a term of six months, and like the first loan was promptly repaid. With an established record of prompt repayment, when Shokrie approached SECP with another request for financing which would improve his enterprise's profitability, the answer from the Zamalak Branch was yes.

The present loan (his third) is for LE 3,000 to be repaid over a period of 10 months. The two machines purchased with the loan proceeds not only increased the productive output of the workshop, but also provided employment for two additional workers.

Shokrie's case is a classic example in the application of SECP methodology. A borrower begins with a modest, yet profitable loan and is given an opportunity to demonstrate creditworthiness through prompt repayment. Positive credit history allows SECP to consider approval of progressively larger loans depending on the needs of the client. Through this relationship with the client, SECP maintains its own excellent credit quality, enhances the client's viability and grooms the client to deal with the formal financial sector.

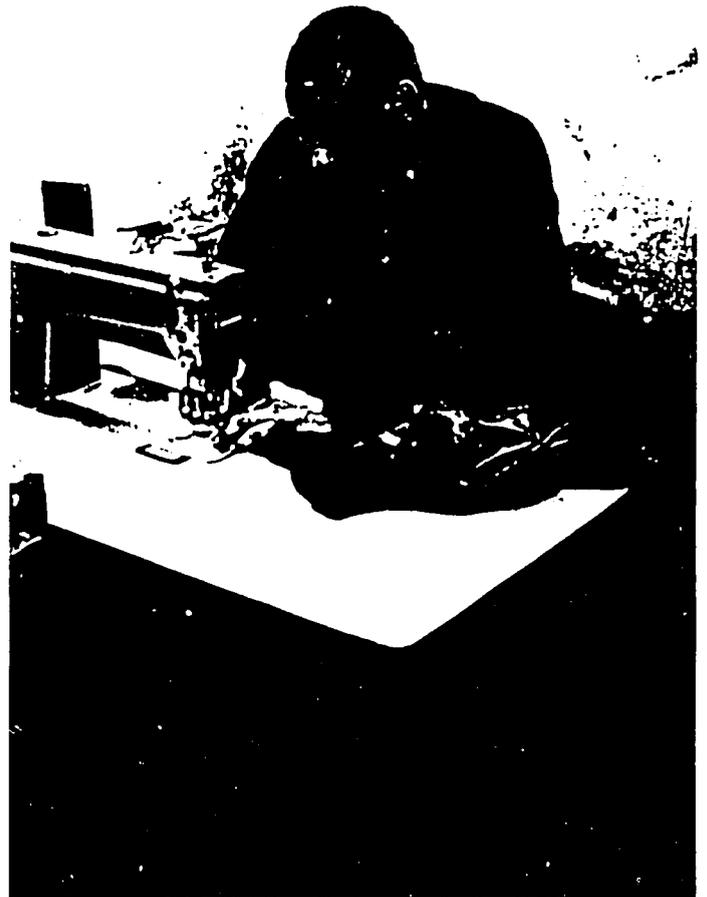
SECP BORROWER PROFILES

Profile No. 9 Zamalak Branch

Name: Mohsen Mohammed Mohammed
Gender: Male
Business: Leather products
Loan: LE 500 / LE 1,500/ LE 2,500/ LE 4,000
Term: 2 months/ 5 months/ 5 months/ 8 months

Mohsen was one of the first borrowers in the SECP program at the Zamalak Branch. His small business primarily produces leather jackets and other leather products including wallets and purses. Having established a positive credit relationship with SECP, Mohsen was able to have two loans outstanding at the same time. He successfully repaid two loans for raw materials (productive loans) and was in the process of repaying a third loan when he requested assistance with an investment loan.

The investment loan was for the purchase of two sewing machines in order to increase output. Because of the series of four loans, Mohsen's business added four additional workers. SECP in this case was instrumental in not only increasing enterprise output, but also generating additional employment.



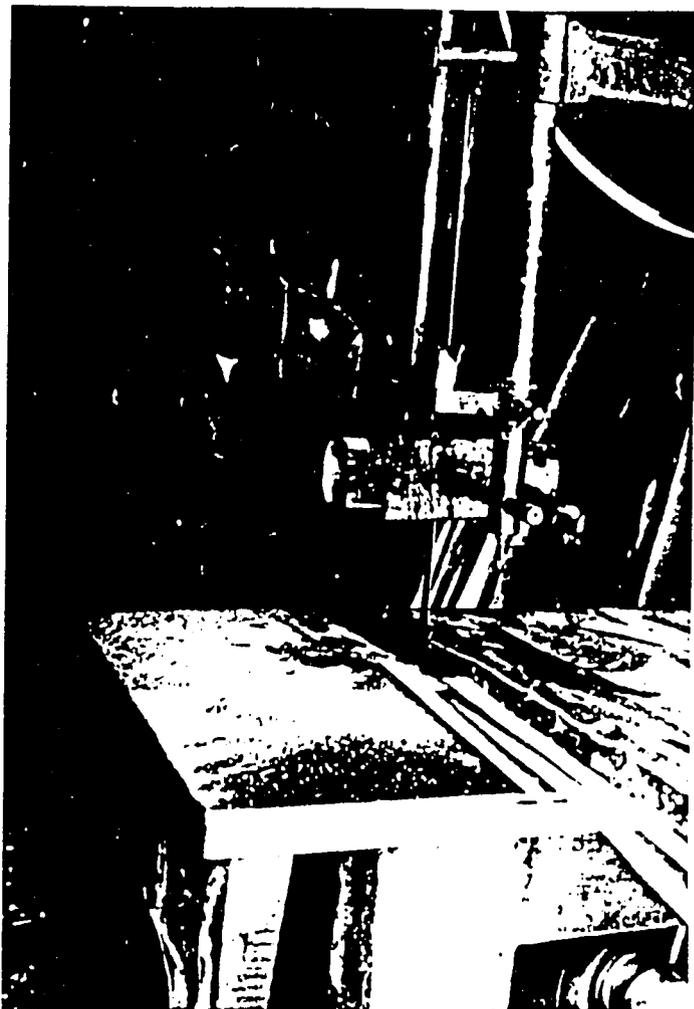
SECP BORROWER PROFILES

Profile No. 10 Zamalak Branch

Name: Arafa Mahmoud Ahmed
Gender: Male
Business: Wood products
Loan: LE 2,000/ LE 3,000
Term: 6 months/ 8 months

Arafa owns a workshop which produces a variety of materials from native Egyptian wood. An example is handles for shovels and hoes, which in the past required imported and expensive wood such as hickory. Arafa found that cafour and berries wood varieties from Egypt could produce the same durable handle at a fraction of the cost. The workshop also produces wooden chairs (balady) which are common in coffeehouses and shops throughout Egypt. The same wood varieties are used to produce the chairs.

SECP initially assisted with a loan for purchase of the rough wood stock which is obtained from rural areas. At the time of the first loan for LE 2,000, three workers were employed in Arafa's small business. Through the ability to secure an adequate supply of raw materials, opportunities for increased production became apparent. An increase in production and productivity was accomplished through the addition of two workers. Arafa was then able to demonstrate how a motor and two woodworking machines could further increase profitability. Having convinced the Zamalak SECP Branch Credit Committee of the cash flow advantages of additional machinery, an investment loan of LE 3,000 was granted on an 8 month term. This increased profit and employment opportunity, available because of the presence of SECP credit, is yet another example of the positive impact of the SECP Program.



SECP BORROWER PROFILES

Profile No. 11 Zamalak Branch

Name: Abdel Hady Ramadan Abdel Rahman
Gender: Male
Business: Metal recovery
Loan: LE 1,000/ LE 2,500
Term: 3 months/ 8 months

No Photo

Abdel Hady is a graduate of the Egyptian Technical Commercial Institute. Desiring to apply his knowledge to a practical situation, he rented a small workshop premises in the Bulaq area of Cairo. Abdel Hady's small business recovers precious metals from various electrical components; old telephone equipment, televisions, radios etc. A solution of concentrated nitric acid dissolves all the metal components except gold, silver and palladium. The metals are separated through a filtration process, and then cast into ingots for sale to jewelry shops. In addition to precious metals, the workshop also extracts copper and aluminum from car parts.

After successfully servicing an initial loan of LE 1,000, Abdel Hady was able to obtain a second loan of LE 2,500 to purchase more raw materials. The ability to purchase larger quantities of raw materials has eliminated intermittent lapses in production caused by the lack of raw materials. The result is a steady income stream for the business and a consequent strong loan repayment record.

APPENDIX E: FINAL REPORT OF MIS SPECIALIST

MEMORANDUM

TO : CHARLES VOKRAL SECP Team Leader
RON BIELEN SECP Credit Advisor.

FROM: MOHAMMED MOSLEH SECP MIS Specialist

DATE: MARCH, 22, 1994.

SUBJECT: SECP MIS Specialist FINAL REPORT



The purpose of this report is to summarize the technical assistance MIS contribution to date and make recommendations for the future to the Small Enterprise Credit Program (SECP), in the area of automation of the SECP management information system. The MIS advisor was employed by Agricultural Cooperative Development International (ACDI), under United States Agency for Development (USAID) Cooperative Agreement Number 263-0228-A-00-2026 with ACDI. This agreement establishes ACDI as the Technical Advisor to the National Bank For Development (NBD), who is the Egyptian entity, who implements SECP. The MIS Specialist was a member of a five person ACDI technical assistance team and reported originally to the Team Leader and then to the Credit Advisor during this assignment. The contract obligation of 18 months was the full term of the budgeted contract and TA/MIS deliverables, although behind planned schedule were largely met. Delays were due to constraints imposed by the implementing agent's situation, which included minimal support for many MIS recommendations by NBD SECP project management.

Nonetheless, the SECP MIS area overall achieved real success considering the delays caused in part by the fact that little if any previous experience existed for the NBD staff assigned to the project. The overall results achieved however, were less than what a professional caliber credit operation in the private sector would expect, due to division of parties in the decision making process in the MIS area.

I- O V E R V I E W O F T H E P O S I T I O N

The main objective of the 18 month assignment, that began in September of 1992, was to provide technical assistance recommendations to the NBD SECP Small Enterprise Credit Program, that would result in a fully automated MIS system. This system would automate the NBD's accepted manual system; and thereafter would speed report production, provide security controls, and provide management and staff with a means to enhance decision making regarding loan portfolio position, fund usage, progress toward profitability, customer sociological data, etc..

The MIS advisory role of ACDI was assisting the NBD SECP in the development of the project specific MIS loan tracking and accounting system and the training of the NBD staff in its use. The project's only asset at the start was a loan tracking system which was developed with Paradox software (named AITS).

This *system was developed under the predecessor pilot project of SECP, the Rural Small Scale Enterprise Pilot Credit Project (RSSE). However, a long hiatus (13 months) between the end of RSSE and the beginning of SECP caused a loss of momentum in the MIS area. In fact, the personal computer software system developed (ALTS) was not utilized by the 4 NBD operating units of RSSE, nor was the system fully tested or "arabized" - since RSSE funding during the period between contracts did not provide for the needed enhancements to the loan tracking system. In addition, the NBD's SME Unit was preoccupied with the contract negotiations for SECP and they believed that the original software developer could quickly and easily enhance ALTS under the new contract.

Therefore, assisting in creating a MIS unit in the new SECP project to work with was a difficult task. Since the NBD had an established NBD EDP Department, the bank wanted to integrate this unit with the SECP initiative. Strong resistance regarding an independent SECP computer unit was present from the EDP managing staff and questions about lines of authority were not easily solved by the NBD Chairman, who relied on the technical advice of the EDP Department.

This centralized NBD EDP Department was responsible for all computer equipment and staff in the NBD. Conflict between this department and the SECP management that began during RSSE was a source of concern and consequently caused bitter in-fighting and delays. The EDP Department in fact, did not appreciate the work done for RSSE, and kept only minimal knowledge of its progress; since the free standing personal computer system employed in RSSE was not consistent with their main frame system and RSSE's choice of DELL hardware was not the bank's preferred IBM system then under development. In addition the two units did not share the same senior management.

The EDP Department of the NBD also had technical weakness such as having no pure Arabic report generated. While having numeric characters in their English forms with written script in Arabic form this was a problem SECP did not want to face. The EDP Dept. also was very far behind in their own implementation schedule due to serious system conversion and personnel problems.

SECP NBD management's focus also was to the training and implementation of the credit area and ranked the MIS area as the lowest priority until the loan volume began to build.

This atmosphere in the NBD hindered the implementation of the MIS development of the project and compromised the ability of the TA Team to advance MIS initiatives.

Moreover, USAID's commitment to an automated computer MIS system, as represented by one of the Conditions Precedent (to receiving credit funds) of the SELFA agreement between the bank and themselves was waived to give strength to the credit operation - at the expense of a delayed MIS implementation. This action

process of establishing a working system.

Nonetheless, despite these negative factors the work plan objectives were being quietly achieved in preparation for the full attention of NBD management and the implementation of the developing MIS plan. These tasks were clearly defined in the ACDI Master Plan under the MIS Module that all parties had agreed to in the planning phase of SECP. The resistance of the EDP dept. slowly gave way, after recognition of the advantages of the PC system proposal by ACDI and USAID; the pressure from USAID and ACDI to begin the staffing of an SECP Unit resulted in two people being hired; the problems with the firm that developed the loan tracking system were settled by AID and the NBD; and the strongly increasing loan volume made all parties aware of the importance of an automated system as a key objective of management attention. From the Master Plan the following objectives were achieved by the MIS Specialist and the TA Team:

II- W O R K P E R F O R M E D.

- Participated in a field test and evaluation of the automated loan tracking system (October 1992) which NBD had acquired during RSSE Project.
- Prepared a report (December 7, 1992) on the use of PCs and related software which demonstrated the advantages of PCs for SECP use. This report was instrumental in overcoming NBD's objections to the use of PCs in SECP.
- Prepared a report (December 22, 1992) at NBD's request analyzing the possible use of small minicomputers in SECP. The report supported the earlier report's finding that PCs were more desirable for SECP, even versus the scaled down minicomputer system NBD requested to be analyzed in this report.
- Developed job descriptions, recommended experience requirements and proposed salary levels for SECP MIS Department positions (January 1993).
- Reviewed CVs of candidates for MIS positions, and recommended (February 25, 1993) candidates appropriate for the positions.
- Developed a draft contract (December, 1992) for the Arabization of the loan tracking system.
- Developed hardware specifications for SECP (January 1993).
- Assisted NBD in establishing prequalification criteria, then soliciting, receiving and analyzing hardware bids (February through May 1993).
- Developed a comparative analysis of hardware bids (May 19, 1993).

- Delivered SECP Hardware Plan to NBD (June 7, 1993).
- Served on the Computer Hardware Committee, providing advice to committee members.
- Developed Accounting Software Specifications for SECP (February 18, 1993).
- Recommended enhancements to the automated loan tracking system (April 4, 1993).
- Developed prequalification criteria for accounting software vendors (February 1993) and assisted NBD in identifying five vendors to be considered.
- Served on accounting software committee and recommended the best of two competing accounting software applications to NBD (February 6, 1994).
- Helped NBD define the features it requires in accounting software.
- Defined the technical specifications of the module which will integrate the accounting software with the automated loan tracking system (February 1994).
- Developed a MIS Training Plan for SECP (April 4, 1993).
- Trained five NBD staff in an introduction to computers.
- Developed system specifications for payroll and training system modules for the SECP MIS (April 8, 1993).
- Advice to SECP MIS personnel and Project Director as requested.
- Developed an MIS training schedule for the project staff.
- Recommended timely training for the secretarial staff in computer software usage.
- Developed the job descriptions, duties and structure of the SECP computer unit.
- Reviewed four companies with Arabic General Accounting System with good experience.
- Generated a system by Harvard Graphics software to print the SECP situation in graphics report to be used in the quarterly report to both ACDI and USAID.

In addition, through participation on the MIS Sub-committee and from time to time with the Executive Committee of SECP, the ACDI MIS Specialist received requests to assist in the following tasks, some of which are currently on-going objectives:

(1) Recommended the following enhancements to the H.Q. management information system:

** General accounting system: Defined parameters and finalized choice of software with approval of management.

** Automated loan tracking system (ALTS). Assisted in recommending needed enhancements, which is on-going.

** Personnel system integrated with payroll system. Designed program to speed accounting for this function.

** Training system. Proposed course structure and content for-

- 0 Management level
- 0 Supervisor level
- 0 Data entry level
- 0 Secretary level
- 0 Computer technical staff

** Designed the specifications for the accounting system to be used with NBD accounting department in either the headquarters or in the branches.

The system should consists of the following activities.

- 1- General accounting at branch level.
- 2- General accounting at headquarter level.
- 3- Document and voucher to be transferred to the headquarter for action.
- 4- Identified the necessary information to impact the general accounting system.
- 5- Developed the payroll system specification to run on networking site with the specifications of the necessary reports.
- 6- Developed the specific training aspects for computer technical staff.

The recommended general accounting system uses networking capabilities, is successfully running in the Egyptian and Gulf markets, uses 4th generation language and is easily integrated with the automated loan tracking system.

** Designed the Transaction Module and Integration Module between the automated loan tracking system and the recommended accounting system.

** Developed the technical specification for hardware. to p chased to achieve system integration.

T r a i n i n g A c h e i v e m e n t s

(A) Technical training:-

Trained 5 from NBD/SECP staff in Introduction to PC's

(B) Financial systems.

Trained one SECP/SECP in financial and accounting software

(C) Automated loan tracking system.

Trained senior NBD/SECP programmer for ALTS system operations and in the technical specifications of how to arabize systems.

Provided all "arabization" materials.

(D) Computer management skills.

Provided PC skills training to SECP computer manager and trained this person in computer site networking capabilities.

(E) Recruitment.

Reviewed 33 candidates for MIS operator positions to select qualified SECP MIS staff. 39 now hired and trained as of last month.

III. C O N S T R A I N S E N C O U N T E R E D .

Staffing of the SECP Computer Department proceeded much more slowly than anticipated. Unlike the credit and accounting areas of NBD, the human resource base in the computer area did not provide a key group of experienced personnel to be seconded to the project. There were several reasons for this: the relatively small number of personnel involved with computers, and the concentration of NBD skills in the area of mainframes and minicomputers.

Since SECP utilized PCs, the Project Director was therefore required to search outside of NBD for computer personnel with PC experience.

The lack of experienced staff, and the frequent reassignment of selected people was a constant constraint the TA Team was unable to always influence.

IV- I M P A C T A C H I E V E D

- 1- Developed the PC solution to be implemented with the SECP in either headquarters and 13 branches.
- 2- Developed the mini-computer solution (as per the Chairman of NBD instructions).
- 3- Received the computer hardware, installed at each location

- 4- Defined responsibilities and duties for the computer staff.
- 5- Started training the new staff as per the proposed training plan.

V- R e c o m m e n d a t i o n s :

The SECP computer group has personnel problems:-

- 1- Personnel should be recruited to add depth to the staff the relevant senior operator and programmers positions.
A constraint here in the SECP's use of NBD salary scale.
- 2- The SECP Computer Manager should attend the followings training to update his skills beyond mainframe computer technology.

The following courses would be appropriate:

- 1- Introduction to PC's.
- 2- Introduction to Networking.
- 3- Novell netware (system administration)
- 4- Computer management skills.
- 5- Security in computer sites.
- 6- Documentation standardization.(NCC Standardization).
- 7- Paradox operating system.
- 8- PAL - Paradox assembly language.