

PROFIT

Promoting Financial Investments and Transfers
to Involve the Commercial Sector in Family Planning

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**REVOLVING LOAN FUND
FOR MIDWIVES
INDONESIA
FINAL EVALUATION REPORT
APRIL 1995-AUGUST 1997**

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in association with:

Boston University Center for International Health

Multinational Strategies, Inc.

Development Associates, Inc.

Family Health International

The PROFIT (Promoting Financial Investments and Transfers) Project seeks to mobilize the resources of the commercial sector to expand and improve the delivery of family planning services in selected developing countries. The PROFIT Project is a consortium of five firms, led by the international management consulting firm of Deloitte Touche Tohmatsu and including the Boston University Center for International Health, Multinational Strategies, Inc., Development Associates, Inc., and Family Health International.

This report is part of a series of PROFIT Publications, which grow out of PROFIT's work in three strategic areas: innovative investments, private health care providers, and employer-provided services.

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Related reports:

**Project Phase I Status Report and Recommendations for Phase II
Baseline Report by Dr. Ridwan Malik (May 21, 1996)**

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ACRONYMS

BKKBN	National Family Planning Coordination Board
BRI	Ban Rakyat Indonesia
DHS	Demographic and Health Survey
IBI	Ikatan Bidan Indonesia
PROFIT	Promoting Financial Investments and Transfers Project
USAID	U.S. Agency for International Development
USAID/G/PHN/POP	USAID's Office of Population
YBK	Yayasan Bhakti Kencana

EXECUTIVE SUMMARY

In April 1995, the PROFIT Project, funded by the U.S. Agency for International Development's Office of Population (USAID/G/PHN/POP), established a \$1 million Revolving Loan Fund for Indonesian midwives. The loan fund provides loans to midwives to help them establish or expand existing private practices that include the delivery of family planning and reproductive health care services. The loan fund program was designed to operate in 50 districts in five provinces: West Java, Central Java, East Java, Jakarta, and Bali.

PROFIT worked closely with three Indonesian partners:

- Ikatan Bidan Indonesia (IBI) known as the Indonesian Midwives Association
- Bank Rakyat Indonesia (BRI), the largest micro-lending institution in Indonesia
- BKKBN, the National Family Planning Coordination Board.

IBI identified borrowers through IBI member chapters. BRI administered the fund and matched PROFIT's contribution of \$500,000 to capitalize the \$1 million fund. BKKBN played a key role in promoting and monitoring the loan fund program. In addition to providing half the fund capital, PROFIT provided technical assistance to manage and coordinate the subproject.

Through July 1997, there were 538 borrowers. The initial capital provided by PROFIT and BRI funded 459 loans, and the remaining 79 loans were funded out of repayments from previous borrowers. Due to continued strong demand for loans and a high level of enthusiasm from the partners, PROFIT and USAID granted its initial capital contribution to a local foundation, Yayasan Bhakti Kencana (YBK), so that the loan fund could continue after PROFIT ended in September 1997. YBK, BKKBN, and IBI will jointly manage the fund after September 1997.

According to data from baseline forms submitted by the midwives and a survey conducted by PROFIT in October 1996, this suproject achieved its objectives. The Loan Fund is providing low interest loans to midwives, and to date only one borrower has defaulted. A high repayment rate allows the funds to be re-lent to other midwives. All midwife borrowers surveyed used their loans to expand or establish private practices. Lending will be sustained after PROFIT's departure, with BRI continuing to administer the fund and to capitalize half of the loans. It is still early to draw conclusions regarding some of the longer-term outcomes of the Loan Fund, but the

borrowers are contributing to an increase in new acceptors and a shift of clients from the public to the private sector.

Overall, the Loan Fund partners consider this subproject to be a success. PROFIT and its partners were able to implement a subproject that will continue beyond USAID's involvement. The unique achievement of establishing a sustainable collaboration among three very different partners is the most important outcome of this subproject.

PROFIT has learned several lessons from its experience with the Loan Fund:

- A realistic timeframe and appropriate tools are required to measure results.
- It is important to have committed partners with a full range of skills and interests.
- A realistic assessment of each partner's capabilities, objectives, and overall organizational structure allows potential weaknesses to be addressed through appropriate subproject design.
- Support from a committed and influential partner can be a critical ingredient for success.
- A financial institution with experience in small-scale lending and extensive market coverage eases the process of loan processing and disbursement.
- Endorsement from a well-established, well-regarded professional association lends credibility to the subproject.
- Communicating consistent information to all levels of partner organizations can prevent implementation problems.

I. INTRODUCTION

The PROFIT Project was funded by the U.S. Agency for International Development's Office of Population (USAID/G/PHN/POP). PROFIT was designed to mobilize resources of the for-profit commercial sector to pursue family planning objectives. In Indonesia, PROFIT established a Revolving Loan Fund for Midwives to support the Government of Indonesia's and USAID's objectives of increasing the private sector provision of family planning services. The subproject was launched at the beginning of April 1995. This report reviews the status of the Revolving Loan Fund for Midwives as of August 1997.

A. Brief Description of the Loan Fund for Midwives

In Indonesia, midwives are the primary providers of family planning services. According to the 1994 Indonesian Demographic and Health Survey (DHS), private sector midwives provide 16 percent of all contraceptive services. To encourage midwives to work in private practice, PROFIT collaborated with three Indonesian entities to establish a revolving Loan Fund for midwives who desire to establish or expand private practices.

PROFIT worked closely with three partners in Indonesia:

- Ikatan Bidan Indonesia (IBI) or the Indonesia Midwives Association
- the National Family Planning Coordinating Board (BKKBN)
- Bank Rakyat Indonesia (BRI)

IBI is the professional association for Indonesia midwives, with over 60,000 members in 27 provinces. IBI supervises midwives' private practices and plays a central role in marketing the loans, as well as recommending and monitoring borrowers. BKKBN implements and promotes government policies on family planning. BKKBN's support was instrumental in recruiting BRI to administer the fund and in promoting the fund during its start-up phase. BRI is a state-owned commercial bank with years of experience in micro-enterprise lending programs. BRI has the largest banking network in the country—a key feature in administering the Loan Fund project.

PROFIT, BKKBN, and IBI selected 50 IBI chapters in five provinces (East Java, Central Java, West Java, Bali, and DKI Jakarta) to launch the project. These 50 chapters represent nearly half of IBI's current membership. The fund aimed to reach 10 borrowers per chapter.

The first generation of funds reached approximately 450 midwives. Midwives were allowed three years to repay loans and were given a three-month grace period. Borrowers are charged an interest rate of 12.92 percent per year, which was below prevailing market rates. As midwives repaid their loans, those funds were used to make new loans to other midwives, thereby reaching 540 midwives by July 1997.

The main assumptions behind the design of this subproject were:

- Financial resources, physical facilities, and equipment contribute to the success or failure of a midwives' private practice.
- Midwives are unwilling to accept loans at market interest rates.
- Loans provided at below-market interest rates to midwives for facilities, equipment, or working capital enable midwives to start or expand delivery of private family planning services.
- Investments in facilities or equipment positively affect clients' perceptions of service quality; as a result, clients' satisfaction with services will increase.
- Satisfaction with services and perceived quality of service is important in the client's decision to pay for the services of a private provider.

B. PROFIT's Role and Participation

PROFIT provided fund capital of \$500,000, disbursed in two separate and equal tranches in March 1995 and November 1995. BRI matches every dollar disbursed from this fund with an equal amount to make available a total fund of \$1 million. In addition to the \$500,000 fund capitalization, PROFIT provided \$254,000 in technical assistance to manage, coordinate, and monitor the Loan Fund's operations and performance. This technical assistance included a full-time subproject coordinator and basic training and assistance for midwives in preparing business plans.

C. Summary of Baseline Information

The Project Investment Document summarized the baseline data supporting the rationale for the Loan Fund project at the time of its design and development. One important component was the Indonesian government's policy objectives, including BKKBN's aim to achieve replacement level fertility (2.1 births per woman) by the year 2005. In addition, the government's objective is to increase the percent of contraceptive users opting for private sector providers from 22 percent to 50 percent by 2005. These goals were in harmony with USAID/Jakarta's objectives of "increasing contraceptive prevalence...among the hard-to-reach segments of the population" and of improving the "sustainability and impact of family planning services delivered through commercial and non-governmental sectors."

At the time of the project's development, BKKBN was particularly interested in supporting the thousands of newly graduated "bidan di desa" (village midwives). The *bidan di desa* were trained in a one-year "crash" training program established by the government and later supported by the World Bank. Approximately 67,000 *bidan di desa* were trained between 1989 and 1996, to meet the goal of placing a midwife in every village in Indonesia. However, in 1992 the government announced that all newly graduated health care providers, including midwives, would only be hired on a three-year contract basis rather than on a permanent basis as civil servants. Once her contract was completed, a *bidan di desa* was expected to set up her own practice. BKKBN therefore envisioned that the Loan Fund could assist these newly graduated *bidan di desa* in establishing private practices. Despite concerns regarding the risks of lending to these newly graduated *bidan di desa*, the partners agreed to include these midwives in the target market and set a goal of reaching two village midwives out of every ten midwives who borrowed from the fund. In practice, however, the government has been renewing the contracts for the *bidan di desa*, and so they have not been forced to rely solely on private practices.

To assess interest in the Loan Fund, PROFIT conducted a small-scale qualitative study in Jakarta, East Java, South Sumatra, and Central Java. Overall, the study found positive response from midwives regarding the concept of the Loan Fund and provided additional insight into the needs and concerns of the midwives themselves. Village midwives were more cautious about borrowing than their senior peers, and from the onset it was acknowledged that the new village midwives would likely present a challenge to the project. Few of the midwives interviewed had a history of borrowing either from banks or money lenders. Though most wanted to participate in a low-interest loan program, these midwives were generally apprehensive about borrowing money.

D. Evolution of the Subproject

Six months after its launch in April 1995, the initial fund capital of \$500,000—comprised of PROFIT's first tranche of \$250,000 and BRI's matched contribution—was disbursed to 219 midwives. Due to the high loan demand shown in phase I of this project, PROFIT disbursed the second and final \$250,000 tranche of the fund capital, again matched by BRI, in November 1995. The additional \$500,000 for phase II completed the capitalization of the \$1 million fund.

During its first lending phase, nearly all midwives borrowed the maximum amount of Rp. 5,000,000, or US\$ 2,200. Since the initial projections assumed an average loan amount of only US\$ 1,000, funds were disbursed more rapidly than anticipated. The higher average loan amount also reduced the number of midwives borrowing from the fund, reducing the total target over three years from 2,000 to about 1,000 borrowers.

Once all original funds were disbursed, the partners agreed to reduce the maximum loan amount to Rp. 3,000,000 (\$1,300), and the loan repayment term to two years. These terms were intended to encourage less established midwives (specifically, village midwives) to borrow in smaller amounts, and to support more midwives overall.

Since the new terms went into effect, PROFIT was told by some midwives and IBI officials that the midwives consider this loan amount to be insufficient to have a significant impact on their practices. It is also not clear whether the new loan terms have had any effect on attracting village midwives as borrowers.

Through July 1997, there were 538 borrowers. The initial capitalization contributed by PROFIT and BRI funded 459 loans, and the remaining 79 loans were funded out of repayments from previous borrowers. Due to continued strong demand for loans and a high level of enthusiasm from the partners, PROFIT and USAID granted their initial capital contribution to a local foundation, Yayasan Bhakti Kencana (YBK), so that the Loan Fund could continue after the end of PROFIT in September 1997.

In July 1997, the transfer of Loan Fund management and ownership of PROFIT's committed capital was formally completed. The general terms of the transfer included governance of the funds by a Joint Management Committee consisting of officials of YBK, BKKBN, and IBI. All partners agreed that the funds granted to YBK would be used only for the Loan Fund through December 2000. Thereafter, the Joint Management Committee is to decide how best to use the funds, subject to two guiding principles:

- Funds will be used in projects that encourage midwives' private practices.

- Efforts will be made to preserve and increase the grant corpus over the long term.

BRI will continue to administer the loans.

During its final months, PROFIT worked closely with the partners to facilitate a smooth transition and to transfer its knowledge and experiences. An initial Joint Management Committee meeting was held in September, which focused on providing management decisions, including future loan terms, an appropriate expansion strategy, etc. Given the strong commitment expressed by the partners, PROFIT is optimistic that the Loan Fund will continue and will be expanded to serve a growing number of midwife borrowers.

II. ACHIEVEMENT OF SUBPROJECT GOALS

A. Summary of Goals and Data Collection Methods

The major input goals to this subproject were to:

- provide low-interest loans for the midwives' private practices
- leverage USAID funds
- provide basic business training to the midwives who borrowed from the fund

The short-term goals of the subproject were to:

- assist midwives establish or expand private practices
- assist village midwives establish private practices
- increase business aptitude of midwives who borrow from the fund

The longer-term goals were:

- improve profitability of midwives' private practices
- shift clients from the public to private sector
- increase the number of new family planning acceptors
- sustain or revolve loan funds through continuous repayments
- sustain lending to midwives beyond PROFIT

The main data collection methods of the subproject were as follows:

- **Baseline data.** Midwives who applied for loans and whose loan applications were approved completed two baseline forms: the midwives' profile form and the family planning private services report.
 - The *midwife's profile form* was filled out by all midwife borrowers and was sent from the IBI chapter to the IBI province and on to IBI headquarters in Jakarta.
 - The *family planning private services report* was filled out by all midwife borrowers who have a private practice. To provide baseline information, this form sought client and service data for the past month. These forms were sent from the IBI chapter to the IBI province, and on to IBI headquarters in Jakarta.
 - IBI chapters were asked to report the approved borrowers per chapter through a form, *Status of Loans for Borrowing Group*. This form indicated the amount, term, and purpose of each loan approved.

- **Follow-up data.** Midwife borrowers were also asked to provide client and service data on a monthly basis, to be compared later to the baseline data. The forms were to be collected from midwives at IBI chapter meetings every month and sent to IBI headquarters in Jakarta. After the first few months of the subproject, the flow of monthly data back to headquarters was found to be inconsistent across the chapters. Therefore, PROFIT conducted one-time qualitative and quantitative research about all borrowers in order to collect follow-up data for comparison with the baseline data.

- **Financial monitoring data.** BRI submitted monthly reports to PROFIT which provided updates on loan disbursements, repayments, and defaults by geographical areas. BRI's branch office in Senen, Jakarta (where PROFIT's funds were deposited), provided additional information regarding individual borrower accounts at the various branches.

- **Training data.** Summary reports on business refresher training were prepared by staff of PROFIT/Jakarta.

B. Inputs

Table II-1 shows the goals, indicators, data sources and results of the subproject at the input level.

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Table II-1 shows the goals, indicators, data sources and results of the subproject at the input level.

Goal	Measurable Indicator	Source of Information or Instrument	Status/Results
To provide low-interest loans to midwives for private practice	Provide loans to 450 midwives in year 1, another 500 midwives in years 2 and 3	BRI monthly reports	Loans were provided to 538 midwives through July 1997.
To leverage USAID funds	BRI to provide \$500,000 matching fund	BRI monthly reports	Total loan disbursements to date were split equally between BRI and PROFIT.
To provide business training to midwives who borrow from fund	Provide training to midwives, both borrowers and potential borrowers, during life of fund	PROFIT training reports	31 IBI trainers were trained; 283 borrowers and potential borrowers were trained.

By the end of July 1997, the fund had disbursed loans to 538 borrowers. With most borrowers obtaining loans at or near the maximum allowable amount of Rp. 5,000,000 (\$2,200), the first generation of funds reached 459 midwives. An additional 79 midwives obtained loans that were funded from loan repayments.

As part of the project's technical assistance, PROFIT hired the De Mono Institute to provide entrepreneurship training to train IBI trainers. The training covered development of business plans and identification of potential markets for midwifery services, particularly family planning services. The curriculum was designed to assist midwives in applying for credit at BRI.

The IBI trainers conducted training sessions for IBI chapters in East Java, Central Java, and West Java. The training sessions were usually held in conjunction with other training sessions or regular IBI meetings (except in Central Java where IBI's provincial office conducted a series of training sessions at the chapter level, combining two to three contiguous chapters). A total of 335 participants were trained by IBI trainers in East Java, West Java, and Bali. IBI also held training sessions in Central Java and Jakarta, but PROFIT does not have records of the number of participants.

To follow-up on the training conducted by IBI trainers, PROFIT conducted refresher training sessions at chapters in West Java, Central Java, and East Java, for groups of current and potential borrowers. The refresher training courses not only reviewed business plan preparation but also clarified important features of the loan, such as the application process, disbursement process, terms and conditions, and monitoring requirements. These sessions were attended by 283 participants.

C. Short-Term Outcomes

Table II-2 shows the goals, indicators, data sources and results related to short-term outcomes.

Table II-2 Short-Term Outcomes			
Goals	Measurable Indicators	Sources of Information	Results
To assist midwives in establishing or expanding private practices	Whether loans were applied toward establishing or expanding private practices	BRI monthly reports; PROFIT baseline/profile forms; PROFIT survey	All midwives surveyed used the loans to expand or establish private practices.
To assist village midwives in establishing private practices	Provide 20 percent of total loans to village midwives	PROFIT baseline/profile forms	20 of 358 midwives surveyed (5.6 percent) reported being village midwives.
To increase business aptitude of midwives who borrow from fund	Increased business aptitude among midwives who attend training	Training pre- & post-tests; PROFIT training reports	Knowledge of Loan Fund increased from 51 percent to 76 percent
To turnover or revolve Loan Fund	Provide second generation loans to 500 more midwives in years 2 and 3	BRI monthly reports	79 loans were disbursed out of repaid funds.

As part of the subproject's evaluation plan, baseline data was collected from borrowers. In addition, PROFIT conducted research to gather information on the effects of the loans. All borrowers surveyed used their loans to expand or establish private practices.

PROFIT's survey of borrowers showed that only 5.6 percent were village midwives. The survey was conducted in October 1996, before the loan terms were changed to attract more village midwives as borrowers. With the new loan terms, however, it is not clear whether more village midwives are borrowing. One of the first decisions facing the new Joint Management Committee is whether the Loan Fund should continue to target village midwives and how best to structure the loans for their benefit.

The pre- and post-test results from refresher training conducted by PROFIT indicate that participants' knowledge about the Loan Fund increased in accuracy from 51 percent to 76 percent.

The Loan Fund has achieved its goal of making new loans from repaid funds, or revolving the Loan Fund. Seventy-nine loans were made from second-generation funds. There are sufficient funds to support many more loans, but miscommunication delayed the BRI branches from disbursing second-generation loans for a few months. There is also some evidence that the new lending terms may be discouraging some borrowers. More borrowers are expected once the Joint Management Committee reviews and adjusts the loan terms.

D. Long-Term Outcomes

Table II-3 shows the goals, indicators, data sources, and results related to longer-term outcomes.

Table II-3 Long-Term Outcomes			
Goals	Measurable Indicators	Sources of Information	Results
To improve profitability of midwives' private practices	<ul style="list-style-type: none"> • Number of family planning clients • Number of total clients 	PROFIT survey	Each borrower surveyed treated an average of 207 new family planning clients since receiving their loans. Each saw a total of 240 clients in the month before the survey.
To shift clients from public to private sector	Number of clients new to private practice	PROFIT survey	11.7 percent of new clients of surveyed borrowers switched from the public to the private sector.
To increase number of new family planning acceptors	Number of new family planning acceptors	PROFIT survey	77.5 percent of surveyed borrowers' new family planning clients are new acceptors.
To sustain or revolve loan funds through continuous repayments	Percent default rate maintained (< 3 percent)	BRI financial reports	Only one borrower has been in default to date.
To sustain lending to midwives beyond PROFIT	Additional funds from BRI or other donors	Interviews with partners; legal agreements	YBK, BKKBN, IBI are taking over management of the Loan Fund and have made a commitment to identify additional funding.

Based on PROFIT's survey of borrowers, the Loan Fund produced positive results, although it is too early to draw conclusions regarding longer-term outcomes.

Although PROFIT does not have data on the direct impact of the loans on the profitability of borrowers' practices, PROFIT's survey found that each borrower served an average of 207 new family planning clients in the year since receiving their loans. Additionally, each borrower saw 240 clients in their private practices in the month prior to the survey, of which 116 were family planning clients. The borrowers clearly provide necessary services, but there is no clear indication that the loans had an impact on the profitability of their practices.

The survey of borrowers also revealed that 11.7 percent of borrowers' new clients had switched from the public sector and that 77.5 percent of their new family planning clients were new acceptors. While these outcomes cannot be directly attributed to the loans, the borrowers are contributing to an increase in new acceptors and a shift of clients from the public to the private sector.

Finally, the Loan Fund has successfully achieved its goal of sustainability. There has only been one default, which means that the repaid funds are available for new loans to midwives. Additionally, PROFIT and USAID granted their capital contribution to a local foundation, YBK, so that the Loan Fund can continue to operate after PROFIT ends in September 1997.

III. CONCLUSIONS

A. Conclusions

- Overall, the Loan Fund partners consider this subproject to be a success. Despite some initial skepticism, BKKBN, IBI, and BRI are pleased with the Loan Fund's outcomes. All parties achieved their own goals: BKKBN supported private midwifery practices; IBI provided an additional benefit to its members and helped midwives gain access to capital and prove their creditworthiness; and BRI generated a positive return on its capital.

It will be several more years before PROFIT can determine the full extent of the family planning outcomes. What is more clear, however, is that PROFIT and its partners were able to implement a subproject that will continue beyond USAID's involvement. The unique achievement of establishing a sustainable collaboration among three very different partners is the most important outcome of this subproject.

- ***Target Market and Demand.*** The Loan Fund has confirmed that demand for low-cost capital exists among midwives and that even midwives with no previous credit history are willing to assume some loan risk. Most of the midwives who borrowed were the more established midwives who had more than a decade's experience in private practice. Also, in most cases, these midwives borrowed the maximum amount and used the loans to expand already existing practices.

Although the partners set a target for themselves regarding reaching village midwives, no specific actions were taken to specifically solicit them. Anecdotal evidence suggests that it takes a midwife at least five to ten years to establish her reputation and hence a viable private practice. Thus, it is unclear whether targeting younger and less experienced village midwives to borrow would affect loan repayment rates and the Loan Fund's sustainability. In addition, interviews with those knowledgeable about the government's one-year training program for midwives have raised concerns about the quality of training received by these village midwives. Most believe that the village midwives will need more than capital to establish a viable private practice when their government contract expires.

- ***Project Partners and Implementation.*** This subproject successfully incorporated the efforts of four partners with somewhat different objectives. Their differing interests provided the

Loan Fund with an appropriate balance between differing objectives, such as assisting midwives or ensuring sustainability. Each partner also provided resources that were critical to the success of the subproject. The experience to date has increased each partner's confidence in the midwives' creditworthiness and provides a sense of optimism going forward. From the onset, however, PROFIT may have been somewhat optimistic in its assessment of the institutional capabilities of some of the partners.

IBI has been a very cooperative partner, but the management complexities of this subproject were beyond their capabilities as an all-volunteer organization. Despite technical assistance from PROFIT, IBI still had difficulty fulfilling various financial and monitoring and reporting requirements. IBI was unable to manage the administrative and monitoring aspects of this subproject on its own and relied heavily on PROFIT's support. IBI's decentralized orientation also added to the difficulties in obtaining or disseminating information regarding the subproject.

BRI's widespread branch network and micro-lending experience were extremely valuable but also created some logistical issues in implementation. Information dissemination and collection was inconsistent between branches. In addition, branches were inconsistent in their support of the subproject and their criteria for lending—some branches applied more strict criteria and require more collateral.

BKKBN's overall support for the program has been crucial in motivating the partners to work together, as well as in reaching potential borrowers. Gaining the support of a large government agency with significant influence was critical in this subproject's success. The experience of the Loan Fund will provide valuable guidelines for future financial mechanisms that could assist midwives in Indonesia.

B. Lessons Learned

- A realistic timeframe and appropriate tools are required to measure results.
- It is important to have committed partners with a full range of skills and interests.
- A realistic assessment of each partner's capabilities, objectives, and overall organizational structure allows potential weaknesses to be addressed through appropriate subproject design.
- Support from a committed and influential partner can be a critical ingredient for success.

- A financial institution with experience in small-scale lending and extensive market coverage eases the process of loan processing and disbursement.
- Endorsement from a well-established, well-regarded professional association lends credibility to the subproject.
- Communicating consistent information to all levels of partner organizations can prevent implementation problems.