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PLAN
INTERNATIONAL
Credit/MED Technical Team

FIRST ANNUAL REPORT

ON THE

PLAN INTERNATIONAL

CREDIT/MED

INSTITUTIONAL STRENGTEHNING INITIATIVE

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Executive Summary

PLAN International has completed the first year of implementation of the Credit/MED institutional strengthening initiative funded through a USAID Matching Grant. The ground-work for the initiative was established during the previous two years and the first year of operation built on that. (See final report to USAID on the Learning Grant for more information.)

During the first year a Credit/MED Technical Team (CMTT) based in Washington, DC was established and a budget tracking and program monitoring system were designed to allow for sufficient monitoring and oversight of the world-program. Several field trips were made to establish relationships with PLAN staff, conduct workshops and training, identify local resources such as consultants and potential partner organizations and to facilitate the hiring of National Credit/MED Coordinators.

Six pilot program countries have invested local funds to test the program model for supporting partner organizations to establish and implement high performance, sustainable financial services for poor women. Each of the six country offices have hired National Credit/MED Coordinators and initiated their program efforts. Three pilot countries are involved in the early stages of discontinuing ineffective practices, adopting high performance program policies, creating national strategies for microfinance development and assessing and choosing implementing partner organizations. Two pilots have been working with partner organizations throughout the year and two others have recently established partnership agreements.

Interest in high performance microfinance programs as an economic development strategy has started to spread within Regions beyond the pilot countries. At least one country in each of three Regions has already taken steps to initiate the new programming strategy.

At the corporate level institutional changes are taking place as well. The principles of high performance programming have been incorporated into organizational goals and corporate policies. Substantial progress has been made in distributing the knowledge and the learning from the pilot activities (via a technical newsletter called *Credit Lines*) throughout the organization and an expanded constituency base is being formed. National Offices have taken an interest and future efforts will also involve testing strategies for marketing microfinance programs to new donors in the private sector.

The first year has been an excellent beginning for PLAN International's institutional strengthening efforts in Credit/MED high performance microfinance programs. There have been challenges but some pleasant unexpected benefits as well. It is fully expected that year two will be equally successful and productive.

I. OVERVIEW OF YEAR ONE AND CHANGES SUBSEQUENT TO DIP

PLAN's goal in undertaking this five year institutional strengthening initiative is to improve the well-being and economic security of its target beneficiaries – needy children – by increasing access to credit and training for poor women. We seek to do this by: 1) improving field staff awareness of effective microenterprise lending models linked to education which have high impact on children; 2) implementing those models by working through experienced partner organizations; and 3) incorporating appropriate administrative and support systems within PLAN to support those models.

PLAN's strategy for carrying out this initiative has two major components. One is to create a Credit/MED Technical Team (CMTT) whose function is to articulate an effective approach to credit and training for poor women, coordinate implementation of that approach in the field and interact with the non-program divisions within PLAN to gain support and promote institutionalization of the program. The second part of the strategy is to designate six pilot countries (one in each of PLAN's six geographic regions)[1] through which the credit and training program models will be implemented. These pilot experiences are to be documented and the lessons-learned used to influence credit/MED programming in other countries.

Following is an overview of the first year of operation beginning with the establishment of the CMTT, a discussion of activities following the outline of the DIP and a summary of the progress with each pilot program.

A. CMTT

Staffing

The core of the CMTT was established during the previous two year Learning Grant phase. The Coordinator and Program Liaison were hired during the Learning Grant and carried over in September, as projected. An Administrator was hired in June 1997. Her main responsibilities include monitoring program budgets and management of the central management information system.

Systems Development

Monitoring Information System: The CMTT worked with an independent consultant to develop a Monitoring Information System (MIS) for the entire program. The system follows the outline that PLAN presented to USAID along with its DIP. Indicators have been established for financial services outreach and institutional development and

[1] The USAID Program Description calls for four pilot programs – Bolivia, Mali and the Philippines to be jointly funded by USAID and PLAN – and Kenya to be funded exclusively by PLAN. In subsequent correspondence (September 19, 1996 letter from Regina Coleman to John Schiller) USAID gave its permission to add Nepal and Guatemala to the list with the provision they would be funded with PLAN resources

sustainability that will be used with all partners. The system includes forms for reporting along with a schedule. (Socio economic indicators to measure impact of credit with education programs on women and children have been proposed. Each pilot country will identify the indicators appropriate for their programs and incorporate them into agreements and program evaluations.)

The monitoring system defines reporting at three levels: data from implementing partners which will be submitted to pilot country programs; information from pilot country programs to the CMTT; and information from the CMTT to PLAN management and other interested parties. (Copies of selected forms are in **Attachment A)**

CMTT has reviewed the proposed system and is currently preparing a monitoring package to be disseminated to Credit/MED Coordinators in each pilot country. The Coordinators will, in turn, be required to review the requirements with each implementing partner. The Coordinators will then work with management of each partner organization to insure that partner MIS can provide the information required. Partners may use different forms as long as the required information is collected and reported. The package will be distributed in early November and the meetings with implementing partners will take place by December, 1997. In January, 1998 (at the next Coordinators meeting) CMTT will get feedback from each Coordinator and provide further guidance on system implementation. The system will be operational by January, 1998.

The CMTT considers the implementation of this system a high priority. The data included in this report had to be gleaned from various sources (institutional assessments, program evaluations) which was difficult and time consuming.

Budget monitoring system: The CMTT and PLAN's finance department have developed a budget and reporting system that allows us to track and produce reports to monitor all project expenditures (USAID funds and PLAN match). The system became operational in July 1997 at the start of PLAN's FY 98.

Reporting (Institutional Learning)

Credit Lines: During the Learning Grant the CMTT created a technical bulletin named *Credit Lines*. The publication was used primarily as a way to create an informed demand for microfinance by distributing information to a wide audience within PLAN. Once the pilot countries were recruited and began to become established, we decided to shift the focus of *Credit Lines* to a vehicle for sharing lessons learned during the initiative. During the first year the CMTT wrote, produced and distributed two issues of the Credit/MED technical bulletin. Topics included "Seven Steps to Building High Performance Poverty Lending Programs" and "The Art of Partnership". A third edition, "Assessing Business Plans of PLAN's Microfinance Partners," has been written and edited and will be printed and circulated during the next few weeks. *Credit Lines* is printed in English, French and Spanish and distributed to all Regional, Country and field offices, National Offices and the International Headquarters (including the International Board of Directors). (**See Attachment B.)**

NON PROGRAM LINKAGES

Strategy for collaboration with National Offices

PLAN's worldwide network of National Offices (NOs) play a critical role for the organization. Fourteen[2] NOs are responsible for a number of activities but their primary role is to recruit sponsors and manage the communication between sponsor and the sponsor children in program countries. Sponsor donations are the primary source of financial sustainability for PLAN programs. According to the 1996 annual report PLAN raised $264 million dollars in revenue, with more than 92% from sponsor donations. The organization is accountable to sponsors in a unique way and any key part PLAN's economic development program strategy must be understood by, and acceptable to, sponsors.

During the first year of the Matching Grant the CMTT has extended an effort to establish a relationship with NOs. Visits were made to the National Offices of Australia, Canada, Japan, Netherlands, United Kingdom and the United States. The objective of the visits was to raise awareness about microfinance programs, share information about the PLAN Credit/MED strengthening initiative, learn about how the NOs operate and to discuss possibilities for future collaboration to promote sustainability.

Two NOs (United States and Japan) produced and distributed newsletters to sponsors as a preliminary introduction to microfinance. (**Attachment** C.) The Australian NO intends to make microfinance a core element of a promotion to recruit long-term financial support from the business and financial community in their country. This encouraging response during the first year of operation has led the CMTT to develop a strategy to incorporate collaboration with the National Offices as a formal part of our strengthening activities and a critical component of our strategy for sustainability. Our strategy for collaboration will focus on four areas:

- developing and testing strategies for securing long term financial support from for PLAN's high performance microfinance from new financial markets;
- developing products appropriate for sponsors to increase awareness and support for poverty lending schemes;
- increasing awareness and knowledge of National Office staff and contributors of the goals and benefits of microfinance programs; and
- ensuring adequate funds to establish and expand programs in pilot areas and other countries committed to high performance microfinance.

(See **Attachment D**: Strategy for Collaboration with National Offices for relevant points and action plan.)

[2] Currently National Offices are operating in Australia, Belgium, Canada, Denmark, France, Germany, Japan, Republic of Korea, Netherlands, Norway, Sweden, Thailand, United Kingdom and the United States. Brazil is pending board approval.

Strategy for Sustainability

During the two years of operating the Learning Grant the primary agenda involved introducing the principles of high performance microfinance programs to PLAN International, building a base of interest and demand for the programs and establishing a long-term strategy for institutional strengthening which resulted in the Matching Grant. The first year of the Matching Grant the CMTT focused on establishing national programs in the six pilot countries.

These first years of operation have been critical ones. PLAN has a history with Credit/MED programs, technical assistance and Matching Grants. There are a number of reasons why PLAN achieved less than satisfactory results in previous programs but the most common stated has to do with the inherent conflict within the organizational culture. For many years PLAN operated as a charity based operation providing direct handouts at first and then later grants to communities for development projects. The principles of charging interest, recovering costs of operation and requiring repayment of loans were perceived as inherently contradictory to the organizational philosophy. There is also an organizational belief that working directly with community groups is the best route to empowerment; however, this strategy does not lend itself to sustainability in terms of financial services.

Evaluations of previous Matching Grants identified a lack of leadership and a lack of common definition of terms contributed substantially to the under performance. Historically there has been an overall resistance to technical advisors (the organizational philosophy maintained that technical assistance should be decentralized and provided by consultants acquired at the Regional level) which interfered with staff working within the grants to integrate with other program areas and organizational activities. Finally, it was perceived by most field offices that the activities of the Matching Grant were centralized and consisted mainly of producing documents or instruction manuals. The important step of applying the instructions at the field level didn't occur.

We are now at the end of the first year of implementation of the Matching Grant. During this period the CMTT has given serious consideration to the issue of long-term sustainability for the program. We have reviewed and considered previous efforts in this area, assessed the progress made during the first three years of operation, and taken into account the current state of the program and the future direction of the organization. Our effort involved discussions with several colleagues both within PLAN (many of these colleagues are leaders in the organization) and externally. CMTT staff also participated in workshops and discussions led by the Sustainable Development Services (SDS), a USAID funded project to assist NGOs in developing strategies for sustainability.

The CMTT has clarified our vision for institutionalization and established a strategy for getting there. Our institutional strategy for sustainability is to ***create an environment that***

will support the continuation and expansion of the program model PLAN has adopted[3] ***after the Matching Grant funding has ceased.*** The CMTT strategy to work toward sustainability for the Credit/MED program involves: 1.) successfully establishing and operating a high performance microfinance program that is suitable for PLAN in six pilot program countries; 2.) evaluating and documenting the benefits of microfinance programs to PLAN, including socio-economic impact on children; 3.) implementing a strategy for institutional learning to build an extensive, cross-cutting, long-term constituency base among program staff, sponsors and policy makers; 4.) promoting policies and organizational philosophy that sustains high performance programs; 5.) collaboration with National Office activities; and 6.) establishing a mechanism to ensure long term financial resources for future program activity.

(See **Attachment E:** Strategy for Sustainability for relevant issues and specifics on the action plan.)

Guidelines for Grant Proposals

Based on our experience within the organization, we have revised our initial strategy for influencing future grant proposals. Rather than produce generic guidelines for credit/MED funded proposals, we opted for an initial strategy of working in a more intensive way with grant writers. During the first year the CMTT gave a presentation to representatives of PLAN's Grants Information Network (GIN) and visited several National Offices (NOs) where most of the proposals originate to increase their understanding of high performance microfinance programs and awareness of PLAN's institutional strengthening initiative. We included grants representatives in two of our training workshops (Mali and Nepal) to raise awareness and establish connections and circulated information to NOs about the Microcredit Summit. In future workshops we will include the Regional or Country grant writers. At a later date we will determine if it is worthwhile to produce guidelines for proposals; meanwhile we believe it is more effective to influence the quality of future proposals by increasing awareness and linkages with grant writers.

Visits to National Offices

As stated earlier, during the first year of operation the CMTT has made a concerted effort to keep the National Offices informed of the goals and progress of the Credit/MED institutional strengthening initiative and to establish a relationship with them. For example, we have included NOs on the mailing list for *Credit Lines*, made presentations to the Program Management Team (which includes the Directors of the NOs) and the Grants Information Network (which is a team made up of National Office representatives) and invited National Office representatives to our two latest Credit/MED workshops.

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[3] PLAN's program model focuses on poor women and works through partnerships with local organizations to implement high performance, sustainable financial services with education programs that result in socio-economic benefits to children.

However, the most important action we have taken to date in this area is to visit six of the offices. During the first year visits were made to Australia, Canada, Japan, Netherlands, United Kingdom and United States offices. During these visits presentations were given about poverty lending in general, and the Credit/MED institutional strengthening initiative in particular, to staff, board members and sponsors. One objective of these visits was to learn about how a National Office operates. It was an important beginning to understanding how we might collaborate in the future to build long term financial and sponsor support for the continuation of the activities. (See **Attachment D** for further discussion about the results of these visits.)

OTHER SIGNIFICANT ACTIVITIES NOT PROGRAMMED IN THE DIP

Development of Tools to Facilitate Partnerships

Given the importance of partnership in PLAN's overall credit/MED strategy, the CMTT and PLAN Bolivia (the most senior of the pilot programs) produced tools intended to help field programs assess and work with partners. These tools include steps to forming and carrying out partnerships, guidelines for assessing potential credit/MED partners and a guide to developing written agreements with partners.

During the coming year the CMTT will take this work further. In collaboration with an outside consultant we will produce a field manual on credit/MED partnerships. **(See Attachment F)**

Savings and Credit Policy

PLAN's finance department enlisted the technical help of the CMTT to draft an organization-wide savings and credit policy that will become part of PLAN's Field Operations Book. This work enabled the CMTT to incorporate the basic principles and methods of high performance poverty lending into the policy. A final draft has been prepared for review by the Audit Committee of PLAN's Board of Directors in November 1997.

Livelihood Program Directions

PLAN's program department invited the CMTT to participate in the drafting of goals, strategic objectives and program guidelines for the financial services portion of the Livelihood Domain. The goals and objectives have been endorsed by the Board of Directors; the guidelines are still under review. **(See Attachment G)**

Increasing Socio-Economic Impact

As we have established agreements with local partner organizations a strong emphasis has been place on the capacity of the organization to operate an efficient financial services program and to reach financial sustainability. However, since PLAN is a child focused development organization, it has become clear to CMTT during the first year of operation that equal emphasis needs to be placed on the impact microfinance activities will have on the well-being of children.

By focusing on women as the primary clients in our programs we have created a good foundation to increase the likelihood benefits to children will be realized. This is based on the premise that increased income for women will be directed to the benefit of children. However, studies conducted for Save the Children reveal that it cannot be *assumed* that surplus income will be directed to children. Even more importantly, from PLAN's perspective, that the resulting benefits would be in line with our organizational objectives.

Therefore, we have strengthened our program strategy during this past year to emphasize socio-economic outcomes as well as sustainable financial services programs. There are three basic components to this enhanced approach.

Gender Equity: Microenterprise is a primary vehicle for women for increase access to surplus income. The lack of access to credit is a major constraint to women's microenterprise activities; therefore, PLAN has chosen to invest in increasing opportunities for women to access credit which will increase there ability to participate in economic activities. However, we understand there are a number of issues related to sustainability of these activities at the institutional level (how the financial services product is designed), at the enterprise level (women's enterprises as a survival strategy) and the individual level (increased labor demands and changed relationships).

During the past year we have established a relationship with the University College, London who have experience working on gender issues within microfinance programs. Working with the University College we generated a discussion paper posing some of the gender issues in microfinance programs. Furthermore, even though there are fewer examples of programs where men participate, when they do it is an opportunity to stress the importance of shared responsibility for care and well being of the children. The more informed men and women are about improving family welfare, the more impact on the well being of children.

PLAN International has incorporated the principle of gender equity into all it program domains. As a result, a training program has been designed to increase gender awareness and guidance in gender analysis and planning. It is our intention to adapt the manual for the microenterprise context and to ensure that PLAN and implementing partners program staff of each pilot country receive the benefits of this training (This activity will be added to our DIP.)

Credit with Education: Studies indicate that educational messages combined with credit programs increase the likelihood that benefits from surplus income will be directed to children. PLAN is committed to learning how to effectively combine education and financial services without jeopardizing the capacity for sustainability. In the analysis and selection of partners we look for organizations which qualify as having a shared vision. This means we are looking for financial organizations who operate efficient financial services programs and either currently operate an education component, or are willing to add an education component to increase socio-economic impact. However, the status of our implementing partner organizations varies; some operate credit with education programs, some have education programs that are not focused on socio-economic goals and other operate a strictly financial services program.

During the first year of operation we joined the Credit with Education Learning Exchange (organized by Freedom From Hunger Foundation (FFHF)). During the next year CMTT will work with FFFH and other consultants to increase the capacity of our partner organizations to effectively integrate an educational component with financial services without compromising sustainability.

<u>*Socio-Economic Indicators:*</u> During the first year the CMTT has identified a list of possible socio-economic indicators for PLAN's Credit/MED programs. During year two each pilot country will be required to identify goals and establish indicators for socio-economic impact. These goals will be incorporated into implementing partner agreements and the indicators will be evaluated during program evaluations.

B. PLAN Bolivia

<u>Overview</u>

PLAN Bolivia, the pilot program for the South America Region (SARO), is the most senior field program in the credit/MED strengthening initiative. Because of his particular interest in microfinance the director of the Altiplano field office began working with financial intermediaries as far back as 1992, two years before the start of the Learning Grant. While this makes PLAN Bolivia the most experienced pilot, it has also meant that certain partnerships have had to be adjusted to conform to the overall initiative strategy.

Bolivia has a very rich institutional environment for microfinance. The example set by Banco Sol has inspired other organizations to create sustainable financial services programs for the poor, and PLAN has had several institutions to choose from for partnerships.

Because of its relatively long experience of working through financial intermediaries, the PLAN Bolivia program has come to a point where it is about to enter a "second phase" in which it will likely end certain partnerships and start others. This was discussed at a meeting between staff and the CMTT in April 1997 during which these partnerships were reviewed and a plan of action set out. Included in the discussion was a proposal to work with a "second tier" lending institution known as FUNDA PRO.

The details of the implementation of the DIP are as follows.

Staffing:

The national credit/MED coordinator who had started the microfinance program was transferred in mid year. PLAN's former administrative officer, who has especially strong financial analysis, skills and who had been associated with the program for several years, has been hired as the new Credit/MED Coordinator. Unfortunately she was not able to break away completely from her administrative duties and could not devote even the majority of her time to the credit/MED program. As a result, implementation fell behind schedule.

In the field, local coordinators are in place in Tarija, Sucre and Altiplano, as projected. Because of other programming considerations, PLAN Bolivia decided not to make the Santa Cruz program area part of the initiative, and no credit/MED coordinator is there.

Systems development:

A monitoring system to track the performance of partner organizations was developed with the help of a credit/MED intern. The system will need to be harmonized with the one developed by the CMTT. This will be done and the system will be operational by January 1998.

Partnerships:

Tarija: Since July 1995 PLAN has been working with the NGO Pro Mujer in Tarija. Pro Mujer began as a women's empowerment organization that focused primarily on training. Several years ago they decided to add a village banking component to its program in El Alto, the city next to La Paz. PLAN helped fund that initial effort and has subsequently assisted Pro Mujer in expanding to other parts of Bolivia.

The partnership in Tarija is for three years and is focused on creating a self-sustaining Pro Mujer branch with 2,500 clients who benefit from a program of financial services combined with education. Over the three years of the partnership PLAN is contributing $100,000 to capitalize the loan fund and $13,000 to cover operating costs.

Progress during the last year was as follows:

Indicator	Sept 1996	Aug 1997
Number of clients	1,732	2,612
Loans outstanding	1,463	2,169
Savings (US$)	53,909	149,648
Arrears	0	0
Loan loss	0	0
% self-sufficiency	72%	150%

While this partnership will run through June 1998, the important numerical objectives have already been achieved. In the final year, emphasis will be placed on strengthening the health education component of the program by closer collaboration between Pro

Mujer and the Ministry of Health. PLAN and Pro Mujer will evaluate the overall partnership following the project completion.

Since Pro Mujer's interests only lie in the urban area of Tarija, PLAN is seeking an additional partner to work with its rural communities. A second financial services NGO has been identified (FADES) and PLAN expects to begin a partnership with them during the coming year. A feasibility analysis is underway to determine the details of this program.

Sucre: As in Tarija, PLAN is working with Pro Mujer to create a sustainable credit with education program within the context of a three-year agreement. PLAN is contributing $126,000 to this project with the same objectives of 2,500 clients and a self-sustaining branch within three years. Below are the results of the last year.

Indicator	Sept 1996	Aug 1997
Number of clients	1,272	2,268
Loans outstanding	1,408	2,938
Savings (US$)	45,295	143,242
Arrears	0	0
Loan loss	0	0
% self-sufficiency	15%	69%

The Sucre program will be evaluated at the end of next year along with that in Tarija.

PLAN is also seeking to move to the rural areas outside of Sucre and is analyzing a proposal from Crecer (a PLAN partner in Altiplano described below) for this purpose.

Altiplano: In the Altiplano, PLAN has been working with Crecer since 1995 to set up a network of village banks that offer financial services combined with health education. Crecer is a project of the Freedom from Hunger Foundation (FFH). FFH is attempting to transform the project into an independent, self-sustaining financial services NGO.

The original agreement called for PLAN to invest $100,000 ($80,000 capital funds and $20,000 operating costs) which was to be used to create 75 village banks with 2,250 clients.

Results through August 1997 compared with those of the previous year are as follows.

Indicator	Sept 1996	Aug 1997
Number of clients	2,405	2,357
Loans outstanding (US$)	281,146	371,643
Savings (US$)	43,349	72,787
Arrears	2.3%	1.8%
Loan loss	0	0

% self-sufficiency	56%	78%

The partnership came to an end in June 1997 and has recently been evaluated (report not yet available). Both organizations would like to continue collaborating and are in the process of planning a follow-on phase.

Another former partner in the Altiplano is the NGO Sartawi who operates a program of individual lending to the rural poor. PLAN provided about $850,000 in funds between 1992-94 to Sartawi's loan fund. (Part of this investment was in the form of a loan and will be paid back to PLAN eventually.) During the past year Sartawi has gone through a leadership crisis which has lead to a serious delinquency problem. It is currently discussing with a much larger financial services institution in view of negotiating a merger. Even though PLAN is not planning to continue to invest in Sartawi, a study will be conducted during the next few months to understand better what lessons can be learned from this experience.

Santa Cruz: The DIP had originally projected a survey and feasibility study to choose a credit/MED partner in the Santa Cruz program area. Staff has since decided not to focus on financial services as part of the program.

Other partners: Since the DIP was prepared, PLAN Bolivia has come into contact with a second tier lending institution named FUNDA PRO whose mission is to lend and offer technical assistance to first line microfinance lenders. PLAN has decided to support the training effort with a small grant of $17,000. Beneficiaries of the training will include senior and middle management of PLAN's partners as well as PLAN credit/MED staff.

C. PLAN Kenya

<u>Overview</u>

PLAN Kenya is the pilot program for the Region of East and Central Africa (RESA). Kenya has an excellent institutional environment for microfinance and the PLAN program was an enthusiastic participant in the Learning Grant beginning in March 1995. Much good work was done during this time to develop the staff's knowledge and appreciation for the high performance poverty lending approach and in both assessing local institutions and making a preliminary selection of potential partners.

Some of this momentum was lost in the middle of 1996 when there were significant staff changes in Kenya at the regional, country and field office levels. Much of the work already done with staff had to be repeated in order to gain support for the program, and this fact has made it difficult to adhere to the implementation schedule laid out in the DIP.

In recent months, however, the pace has picked up with the filling out of the local credit/MED team, the drafting of a country credit/MED strategic plan, the signing of the first partnership agreement and encouraging contacts with two new organizations.

The details of the implementation of the DIP are as follows:

Staffing:

The national credit/MED coordinator worked throughout much of the Learning Grant preparatory phase (1995 – 1996) and was in place in September 1996 to lead PLAN Kenya into the implementation phase.

The DIP called for the hiring of five local coordinators, one for each field office where partnerships are planned. During the year, however, PLAN Kenya has been reorganized and field offices have been eliminated. Three coordinators will cover the new country configuration. The coordinators for Kiambu/Kisumu and Taita/Coast have been hired. The Embu/Meru coordinator just resigned to become executive director of PLAN's partner, BIMAS, and recruitment is underway for a replacement.

Systems development:

The national credit/MED coordinator has been working with the director of BIMAS, a PLAN partner, on a draft of indicators and formats for a management information system. This will be harmonized with the monitoring system recently developed for the CMTT and will be operational by January 1998.

Partnerships

Embu: In July 1997 PLAN Kenya signed a partnership agreement with a local NGO, Business Initiatives and Management Assistance Services (BIMAS). BIMAS' roots are in PLAN's microenterprise development project that was successfully managed by the Embu field office from 1992-96. Over that time, the project built a mixed urban/rural clientele of approximately 1,200 within the context of a Grameen Bank-style savings and credit program. Loan arrears were consistently less than 2% during the life of the project. Feasibility studies in 1994 and 1995-96 indicated that the project could be transformed into a self-sustaining financial services NGO.

PLAN Kenya has made a substantial commitment to BIMAS' institutional development through technical assistance, recruitment and training of senior management staff and systems development. Initial projections for the financial during the next year is $80,000 investment (both capital funds and institutional development). At a later date, PLAN and BIMAS will also work together to determine the feasibility of adding an education component to strengthen socio-economic impact.

Projections over the five years that are required to achieve financial self-sufficiency are as follows:

Target	Year 1	Year 2	Year 3	Year 4	Year 5
No. clients	1,710	2,460	3,210	3,960	4,710
Loans outstand ing (000s)	16,922	30,430	49,634	76,538	113,792

Arrears	<5%	<5%	<5%	<5%	<5%
Loan loss	<2%	<2%	<2%	<2%	<2%
% self-sufficiency	40%	52%	68%	91%	118%

Monetary values expressed in Kenya shillings

As of the end of this reporting period, PLAN had identified and financed training for an executive director, had assisted in the formation of board of directors and had worked with the new director on the design of a management information system.

The "parallel credit project" which is an experimental design to work with the extremely poor in Embu was put on hold until BIMAS is underway on a strong footing.

Kiambu: PLAN Kenya has identified a high performance institution, Faulu Kenya, that it would like to partner with in the Kiambu program area. Faulu is the autonomous credit and savings program of Food for the Hungry International (FHI). It has established an excellent reputation as a high performance lender in the Mathare slum area of Nairobi and is among the best microfinance organizations in Kenya.

The feasibility study and projections have been completed for an expansion of Faulu's activities into the Kiambu area. Since the size of PLAN's contribution is significant, this agreement requires the approval of the RESA Regional Director. It is expected this will be forthcoming by the end of 1997.

Taita: In May 1997 PLAN and K-REP, Kenya's leading microfiance institution, agreed to undertake a study to analyze the supply and demand of rural savings and credit services in the Taita-Taveta region and to determine the most effective way of building a sustainable financial infrastructure. Taita is one of the more remote areas where PLAN works and this preliminary work is necessary before trying to select a partner.

Unfortunately, the study did not begin at the scheduled time, but has been re-scheduled for October 1997. PLAN expects that a credit/MED partnership will be concluded during the coming year.

Coastal: The Coastal program met with Kenya Women's Finance Trust, a Women's World Banking affiliate, and agreed to discuss a possible partnership in the Kwale and Kilifi district. The feasibility study that was projected will be undertaken during the coming year.

Meru: PLAN's Meru's field office has been running a microfinance project somewhat like the Embu Microenterprise Development Project since 1992. It is based on a Grameen Bank methodology and currently numbers around 5,000 clients. In the coming year PLAN will undertake a study to determine the best way of making this project sustainable. One of the options that will be considered is merging it into the BIMAS structure in neighboring Embu.

D. PLAN Mali

Overview:

The PLAN Mali program represents the West Africa Region (WARO) and has worked closely with the CMTT since the first year of the Learning Grant. PLAN's country director at the time had a great deal of interest in the initiative, and at a very early stage a microfinance partner had been identified. The initial phase of the partnership with the Centre d'Auppui Nutritionnel et Economique aux Femmes (CANEF) began in July 1997, two months before this grant, and was recently evaluated. There were difficulties but the first year of partnership produced many positive results. Accordingly, PLAN Mali and the CMTT sponsored a four-day workshop on poverty lending and working with partners for PLAN's nine other West African programs in May 1997, featuring the CANEF example.

Staffing

The national credit/MED coordinator was hired in August 1995 and was on board at the start of this matching grant. Since there is still just one partner, local coordinators in Kangaba and Banamba have not been hired as was forecast. This will be done during the coming year.

Systems Development

Credit Institutional Survey: The national coordinator and a credit/MED intern have done an inventory of microfinance practitioners in Mali in an effort to identify other potential partner organizations.

Management information system: A simple system of reporting was devised for CANEF including a loan portfolio report, expense report and an analysis of progress towards sustainability. Later, a draft of a more complete monitoring and evaluation system was prepared by the credit/MED intern. This must still be harmonized with the system developed by the CMTT. A complete system will be made operational by January 1998.

Partnerships

Kangaba: PLAN's partner in Kangaba, CANEF, is a microfinance NGO whose mission is to provide financial services and a program of health education to poor Malian women. It began in the late 1980s as a project of the Freedom from Hunger Foundation (FFH). In 1992 it became an independent Malian NGO and continued receiving technical and financial support from FFH.

In July 1996 CANEF and PLAN signed a partnership agreement to create a self-sustaining branch in the rural program area of Kangaba that would supply savings and credit and health education services to poor women. During the first year PLAN contributed 37.5 million CFA[4] in the form of a loan to capitalize the credit fund and an 80.1 million CFA grant to cover the start-up of branch operations, the purchase of fixed assets and some central office costs. PLAN also contributed to CANEF's institutional development by sponsoring cross-visits between the accounting staffs of CANEF and the PRIDE Guinea credit program, and by funding executive leadership training for CANEF's director.

The projected outputs of the partnership are as follows.

Target	Year 1	Year 2	Year 3	Year 4	Year 5
No. clients (cum)	1,250	2,375	3,000	3,000	3,000
Loans dis-bursed (000s)	37,500	96,250	168,750	209,375	225,000
Loans outstanding (000s)	24,375	62,562	109.687	136,093	146,250
Arrears	<5%	<5%	<5%	<5%	<5%
Loan loss	<2%	<2%	<2%	<2%	<2%
% self-sufficiency	14%	43%	57%	84%	105%

Monetary values expressed in CFA

Actual performance for the period as reported in the evaluation is as follows:

Targets	Projected	Actual
No. clients	1,250	1,282
Loans disbursed (000s)	37,500	47,090
Loans outstanding (000s)	24,375	20,630
Arrears	<5%	0
Loan loss	<2%	0
% self-sufficiency	14%	7%

These results show that CANEF was accurate in estimating the demand for its services and its ability to respond. However, it was overly optimistic regarding the amounts that first-time borrowers would want to manage and under-estimated the time it would take to set up individual village banks. CANEF is now in the process of reassessing its sustainability plan in preparation for a second, longer term partnership agreement.

Banamba: The feasibility study and identification of a microfinance partner scheduled for the Banamba program area was not done. This has been reprogrammed and will be completed by the end of December 1997.

[4] $1.00 = 590 CFA

E. PLAN Philippines

Overview

PLAN Philippines is the pilot program for the South East Asia Region (SEARO). Two significant events occurred under the previous Learning Grant that prepared the program for implementing partnerships: a consultant's assessment identifying some leading Filipino microfinance organizations (May 1996) and a workshop presented to PLAN Philippines field staff on poverty lending and working through partnerships (July 1996).

Nevertheless, implementation of the PLAN Philippines DIP was initially slow because of a change in country directors and the somewhat late hiring of the national credit/MED coordinator. However, the pace increased during the second half of the year. The new country director came from Kenya, another pilot program. She immediately gave her full support to the credit/MED program and intensified the search for a coordinator. Program implementation accelerated in May after the coordinator was hired. As of September 1997, three partnerships have been concluded and a fourth is in the early stages of negotiation. Perhaps more important is the coming together of PLAN Philippine's senior management staff behind the initiative. In September a workgroup drafted a national credit/MED strategy which was soon approved by the country management team.

Following are the details of the implementation of the PLAN Philippines DIP.

Staffing

A national credit/MED coordinator was hired in May and is working out of the country office in Manila. The DIP called for the hiring of two local coordinators in June (southern Philippines and southern Luzon). This did not happen on schedule. However, as of this writing one coordinator has been identified and recruitment is underway for the second. Both are expected to be on the job by the end of December 1997.

Systems development

The national credit/MED coordinator received an orientation on the monitoring system developed for the CMTT. He is in the process of introducing it to PLAN's partners with the goal of making it fully operational by January 1998.

Partnerships

Marinduque: In late September 1997, PLAN concluded a partnership with the Center for Agriculture and Rural Development (CARD) to extend financial services combined with education to PLAN families on the island of Marinduque. CARD is a ten-year-old microfinance institution, which since 1991, has operated the Landless People's Development Fund (LPDF), a program of financial services and training for poor, rural women inspired by the Grameen Bank. It currently serves just under 8,000 clients in rural areas south of Manila in Laguna and Quezon and the islands of Mindoro, Masbate and Marinduque. The LPDF formally became a bank on September 1, 1997.

The partnership with CARD covers three years and has three objectives: bringing financial services to 3,710 poor women; assist the Marinduque branch to become financially self-sustaining; and demonstrate the socio-economic impact of CARD's program on women and children. PLAN will assist CARD with P5.515 million[5]. Of this P5.0 million is in the form of a loan to help capitalize CARD's credit fund. The remainder is a grant destined for staff training and the purchase of computers.

The table below contains selected performance targets for financial services outreach and branch sustainability.

Target	Year 1	Year 2	Year 3
No. clients (cumul)	1,110	2,250	3,710
No. loans disbursed (cumul)	888	3,184	6,400
Amt. loans outstanding (000s)	P1.37	P5.67	P13.32
Total savings (000s)	P0.74	P5.86	P13.52
Arrears	<5%	<5%	<5%
Loan loss	<2%	<2%	<2%
% self-sufficiency	33%	76%	165%

Monetary values expressed in pesos

In the area of socio-economic impact, the partnership agreement calls for PLAN to assist CARD in strengthening its training program. In this regard, PLAN and CARD will agree upon socio-economic needs to be addressed through the training component. CARD's training curriculum will then be adapted to address those needs. Both organizations will monitor agreed-upon indicators to measure the impact of this effort.

Calapan: PLAN's Calapan field on the island of Mindoro also signed a partnership agreement with CARD in September 1997. Program objectives, output targets and the financial terms of the agreement are identical to those described above under the agreement with the Marinduque field office.

Bicol: In April 1997, PLAN's office in Bicol signed a partnership agreement with the Bicol Cooperatives Development Center (BCDC). BCDC is a well-established second tier cooperative development organization serving primary cooperatives in Bicol Province in such traditional areas as training and auditing. Its experience in microfinance is relatively recent, dating only from 1995. When PLAN first encountered BCDC in March 1996, it was managing a tiny savings and credit program based on a modified Grameen Bank methodology. PLAN was interested in BCDC, first because it appeared to be applying the methodology well, but also because it understood a "business" approach to credit and savings and thought it could turn its small scheme into a larger, sustainable operation.

Because of BCDC's relative inexperience, PLAN opted for a very modest pilot program covering an eighteen month period that is designed to demonstrate that BCDC can

[5] In September 1997 $1.00 = 31 Philippine pesos

reliably deliver financial services to poor women in PLAN communities on a larger, albeit still modest scale. PLAN's financial contribution to the partnership is P2.0 million in the form of a loan to capitalize the credit fund. In addition, PLAN will assist BCDC to improve its management information system in order to be able to generate timely data on a larger loan portfolio.

While the partnership is still very recent, BCDC has shown itself capable of responding to a greater-than-projected demand for credit and savings services. Below are the projected performance targets along with the results of the first six months of operations.

Target	6 Month Projection	6 Month Actual	18 Month Projection
No. clients (cumul)	108	262	400
No. loans disbursed (cumul)	94	227	758
Amt. loans outstanding (000s)	280.1	P676.5	P2.000
Total savings (000s)	N/A	*P133.7	N/A
Arrears	<10%	0	<10%
Loan loss	<2%	0	<2%
% self-sufficiency	N/A	**96%	70%

Monetary values expressed in pesos
*Includes funds deposited in an "equity" fund to guarantee loans (P88.200) and personal savings (P45,456).
**70% of BCDC's income over the reporting period came from bank interest on the large balance of the credit fund that had not been disbursed. The high self-sufficiency figure reported is therefore misleading.

Urban: PLAN's newest field program is in the area of Cavite, just south of Manila, where the government is attempting to resettle large numbers of squatters. As part of its start-up programming, PLAN has held several meetings with Tulay Sa Pag-unlad, Inc. (TSPI), an experienced microfinance practitioner from Manila. TSPI will submit a proposal for a microfinance program in Cavite for PLAN to analyze. A partnership is expected to begin during the first half of 1998.

F. PLAN Nepal

Overview

PLAN Nepal is the pilot program for the Region of South Asia (ROSA). During the recent past it has made many attempts to bring savings and credit services to PLAN communities through a variety of mechanisms. Because the methodologies employed did not reflect microfinance best practices, most of PLAN's efforts have been unsuccessful. Despite this lack of success, however, much of PLAN's field staff still had remained loyal to outdated and ineffective credit and savings methods based on the establishment of independent community revolving funds. PLAN Nepal's country director nevertheless believed that an approach based on best practices could be introduced and would eventually succeed.

Accordingly, activities of the past year have been focused on building an understanding of and support for a high performance poverty lending approach to microfinance. Three events have led to the building of a consensus around this approach. The first was an assessment of the leading Nepali microfinance organizations by a consultant who had done similar work for PLAN Philippines. This report then became the focus for a four-day workshop on poverty lending and working through partnerships for PLAN field staff. The workshop was led in part by the newly hired national credit/MED coordinator. The workshop produced a consensus in support of the best practices of poverty lending and agreement on a short list of organizations that show promise as potential partners for PLAN.

Immediately following the workshop the coordinator drafted a strategic plan for a national credit/MED program, and with the assistance of the country director, formed a national credit/MED team that will oversee implementation of the strategy. The result of all this activity is a strong institutional base on which to develop a program of microfinance partnerships.

Following are the details of the implementation of the PLAN Nepal DIP.

Staffing

The national credit/MED coordinator was hired and began work in August 1997. Local coordinators are also in place in Biratnagar, Rautahut and Banke. However, they are currently being assessed to see what additional training they require in order to be able to work effectively within the high performance poverty lending model

Systems Development

Credit/MED survey: As stated above an assessment of the major microfinance practitioners was carried out with the aid of a consultant. Four organizations were identified as potentially good candidates for partnership. The national coordinator is working with each of these organizations in different PLAN program areas to determine if partnerships are feasible.

Management information system: No work was done on this during the year. PLAN Nepal will adopt the materials developed by the CMTT and will have a functioning system as each new partnership comes on line.

Partnerships

PLAN Nepal has concluded agreements with several microfinance organizations to work in different program areas over the past few years. Two of these can be said to use high performance poverty lending methods. However, the manner in which the agreements were configured do not yet allow us to classify them as partnerships under the terms of the matching grant. The coming year will be spent trying to convert working agreements with high performance lenders into true partnerships and to identify new high performance organizations.

Biratnagar: In this program area, PLAN has been working with the Grameen Bikas Bank since 1995. The bank was established in 1992 and is the largest of five Nepali government-owned Grameen regional banks. In May 1997 it had just under 34,000 clients and was pursuing an ambitious growth plan.

In 1995 PLAN contracted with Grameen to provide financial services and other "social benefits" to 400 PLAN families. The one-year agreement was renewed a second time in 1996 and the two-year experience was evaluated in July 1997. The report reveals that 400 women participated in the program, paid their loans back at a 99.6% rate and realized some social benefits. Some useful observations were also made on improving communications and reporting between the two organizations. The agreement, however, had not been set up to focus on the long-term delivery of financial services or the sustainability of Grameen, and so could not be evaluated in this way.

The national coordinator has since contacted Grameen to discuss a changing of the program to a broader strategy of financial and social services to a much larger group of women in the context of a sustainable operation. PLAN's goal during the coming year in Biratnagar is to conclude such an agreement with Grameen and begin implementation.

Rautahut: In Rautahut, PLAN has been working on a savings and credit schemen with the Development Project Service Center (DEPROSC) since 1995. DEPROSC has elements of the Grameen Bank approach in its credit delivery model. Where it differs is in its belief that it can create sustainable independent credit associations at the village level. Since this approach has failed around the world, PLAN, within the credit/MED strategy of this pilot program, will try to move DEPROSC to a more effective and sustainable approach. If this is not successful during the coming year, PLAN will decide to work with other partners in Rautahut.

Bara and Banke: Neither of these program areas has credit/MED partners. The credit/MED assessment identified on excellent financial services NGO called Nirdhan who has expressed an interest in working with PLAN in these areas. PLAN is awaiting a proposal for analysis and expects to develop a partnership with Nirdhan during the coming year.

G. PLAN Guatemala

Overview

PLAN Guatemala, representing the Region of the Caribbean and Central America (ROCCA), is the latest program to become a pilot. This is one of the two countries added by PLAN to ensure full Regional coverage. As such it received very little attention from the CMTT during the two years of the Learning Grant.

In spite of this, during the past year a national credit/MED coordinator was hired in May 1997. Unfortunately, soon after the country director left and the coordinator was required to assume certain general management responsibilities for the country program. She was, however, able to participate in a CMTT orientation in Washington. Nevertheless, the three main activities scheduled in Guatemala's DIP – the credit/MED survey, development of an MIS and the undertaking of an assessment and feasibility analysis in Progresso to select a partner were not done.

A new country director has been appointed and begun work. A CMTT visit has been scheduled for November 1997 in order to gain support for the pilot program among the new country management team.

II. CONSTRAINTS, UNEXPECTED BENEFITS AND LESSONS LEARNED

A/B. Constraints and Strategies for Overcoming Them

Institutional Culture

A fundamental principle of PLAN's operating procedures is to always work towards the creation of self-managed, self-sustaining, independent community programs. This is an ideal that has produced many successful outcomes in some programs. It is, however, a difficult principle to apply for sustainable credit and savings programs. In the case of financial services, the leadership, management and accountability responsibilities almost always exceed the capacity of community groups.

One common problem encountered around the PLAN world has been field staff's tendency to maintain this perception of what community groups can achieve in credit programs. This in spite of the fact that there are few, if any, examples where effectiveness, efficiency and sustainability have been achieved by PLAN in this type of credit and savings program run either by PLAN or other development organizations.

Our strategy for counteracting this tendency has been a multi-pronged approach to education about models of high performance programs that emphasize a link between community groups and higher level financial intermediaries. We do this through a combination of materials, case studies and training. These have included:

- *Credit Lines*
- Training for credit/MED coordinators
- Training for PLAN program staff
- National workshops for senior and mid-level staff
- The establishment of national coordinating committees for credit/MED
- Facilitating the development of national credit/MED strategies
- Conducting regional workshops to profile pilot activities and results

Identity Crisis

For the first several months it was unclear how the CMTT fit into the rest of the organization. We were officially part of International Headquarters, but located physically apart in United States. Being based in the U.S. created the misperception that we were part of the U.S. National Office who has no role in programming. Also, our role as a technical force for institutional change was new. In a sense we were contradicting PLAN's organizational strategy which is based on decentralizing program decisions in regions and countries. Finally, PLAN headquarters has had little successful experience managing institutional strengthening grants.

Our strategy for establishing our identity and credibility has been focused on the following points:

- Being very clear about our role and objectives and being consistent in the way we presented ourselves to the field.
- Attempting to use rather than resist PLAN's commitment to decentralization; we spent a great deal of time in the field building support and understanding from the bottom up.
- Keeping headquarters staff, especially on the program side, informed of our activities through visits and trip reports and contributing wherever possible to centrally directed activities (e.g. developing the strategic guidelines for Livelihood programming, participating in budget reviews).
- Being both transparent and persistent in our dealings with the rest of the organization.

We believe that these efforts have done a lot to decrease confusion over who we are and where we fit in the organization. An increasing number of PLAN staff have expressed and understanding of the potential of our work for adding value to the organization.

Frequent staff turnover

It is not uncommon for international development organizations to rotate staff frequently. This phenomenon has been compounded in PLAN during the last two years by the extensive re-structuring of field operations. This was especially frustrating when turnover occurred in pilot countries because of the time and effort it took to develop a base of understanding and support for the initiative.

Initially, our only response to this was to start over with the new staff. Increasingly, however, we have begun to widen our network of understanding and support within the organization. This is a partly a function of time, but also is the result of efforts such as *Credit Lines,* regional workshops, management team presentations and national office visits.

Delays in hiring coordinators

This was a constraint in only three countries. In one case it was due to delay in the assignment of a new country director, and overall implementation of the pilot site was delayed. In other two countries, it was due to our inability to give all six pilot programs our undivided attention.

Now that all six coordinators are in place, this is no longer a constraint.

C. Unexpected benefits

Survey on the effectiveness of CMTT

In May, 1997 the International Headquarters Program Department decided to conduct a survey of CMTT effectiveness among our six pilot clients. This was unexpected and has proven to be a benefit. It produced a strong affirmation that the field values technical program strengthening. The respondents also offered some good suggestions regarding the improvement of CMTT services and on the institutionalization of high performance programming.

Institutional change within PLAN

The fact that PLAN was redefining its program directions and operating structure just at the time this grant began was fortuitous. We had the opportunity to contribute to international program guidelines for Livelihood, the international credit and savings policy and the national strategy for Livelihood in each of the six pilot countries. The results of these exercises have contributed to establishing standards and setting priorities for programming.

Activity beyond the pilot programs

In three different regions at least one additional country has initiated efforts to shift from existing credit and savings program strategies to the new high performance model. This is an unexpected benefit because it enlarges the critical mass of decision-makers who in turn influence others in the organization. Ultimately it will provide us with additional examples of programs that work. Finally, it also expands our network of resources such as consultants and partners.

IV. BUDGET AND EXPENDITURES

A. See **Attachment H** for report of plan versus actual expenditures.

B. Total institutional strengthening expenses for the year are about 75% of budgeted figures. A majority of the underspending was a result of late hiring. The headquarters office administrator and three of the national credit/MED coordinators were hired later than expected. This delay directly affected salary and fringe benefit spending and indirectly affected spending in other areas. Procurement underspending was largely a result the production of manuals being postponed. Also, although the design of the monitoring system was completed during fiscal year 1997, it wasn't billed until FY98, so the expense does not show up in this expense summary.

Subcontracting expenses for FY97 are about 60% of the budgeted figures because of unexpected delays in finalizing partnership agreements. However, fewer delays are expected in FY98, as credit/MED staff and the PLAN organization become more familiar with the partnership process.

Attachment A

Implementing Organization Outreach Report

*Name*____________________________, *Month*____, *Year*_____

		Current Month		Change from Previous Month	
	Column:	**1**	**2**	**3**	**4**
		Number	**Percentage**	**Numerical**	**Percentage**
Row:	**Credit**				
1	Active clients:				
2	• women				
3	• with loans under $300				
4	• ___1 at intake				
5	Average initial loan size (in $)				
6	Average loan size (in $)				
7	Average per capita GNP (in $)				
8	Average loan size/ average per capita GNP				
9	Outstanding portfolio (in $)				
10	• value in loans under $300				
	Savings:				
11	Savings accounts:				
12	• held by women				
13	Average savings balance (in $)				
14	Total savings (in $)				
15	• held by women				

Comments **(reasons for achieving or not achieving specific targets, challenges behind and ahead)**

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1 In some locales, a simple, reliable proxy for poverty can be identified. In these locales, such a proxy can be used as an outreach indicator to measure the number of clients who are low income. Such a proxy indicator will vary according to locale. In some regions, a simple, reliable proxy may not exist. See explanation of this indicator under *MicroStart Monitoring System Indicators: Outreach.*

Implementing Partner Report on Financial and Operational Performance

IP________________________, Month_____, Year____

		Current Quarter		Previous Quarter	Change in Ratio
	1.	2.	3.	4.	5.
		Number/ Amount	Ratio	Ratio	Number
	Financial Sustainability:				
1.	Average Performing Assets				
2.	Return on Performing Assets				
3.	Financial Costs				
4.	Loan Loss Provision				
5.	Operating Costs				
6.	Imputed Cost of Capital				
7.	Donations and Grants				
8.	Operating Self-sufficiency				
9.	Financial Self-sufficiency				
	Operating Efficiency:				
10.	# Active Clients/Credit Officer				
11.	Portfolio/Credit Officer				
12.	Client Retention Rate				
	Portfolio Quality:				
13.	Portfolio in Arrears				
14.	Portfolio at Risk				
15.	Loan Loss Ratio				
16.	Reserve Ratio				

Comments

(Please comment on reasons for positive and negative changes. Based on this quarter's performance what do you feel your objectives should be for the next quarter? What ratios do you feel are not as strong as they should be? What do you think are the causes? What actions will you take to address these? What ratios are you pleased about? What are the causes?)

Implementing Organization Institutional Development Six Month Report

Name_______________, Six Month Period_______________, Year______

Objective for Six Months: ______,______(year)	Respons-ibility (TSP/IO)	Achieved	In Progress	Not Achieved	Comments on Progress/Issues	Follow-up Actions Required
1	2	3	4	5	6	7
I. GOVERNANCE & ORGAN-IZATIONAL STRUCTURE:						
II. HUMAN RESOURCES						
III. MANAGEMENT SYSTEMS						

Implementing Organization Institutional Development Six Month Report (continued)

Name________________, Six Month Period________________, Year_______

Objective for Six Months: ______,______(year)	Respons-ibility (TSP/IO)	Achieved	In Progress	Not Achieved	Comments on Progress/Issues	Follow-up Actions Required
1	2	3	4	5	6	7
IV. SERVICES AND SERVICE DELIVERY						
V. RESOURCES						

INSTITUTIONAL DEVELOPMENT CHECKLIST: IMPLEMENTING ORGANIZATION

Name ___________, Six month period ____________

INDICATOR OF INSTITUTIONAL STRENGTH	Current Status	Change in Status	Worked On
I. GOVERNANCE & ORGANIZATIONAL STRUCTURE:	Y/IP/N[1]	+/0/-[2]	Y/N[3]
A. Mission statement: The organization has a mission statement that clearly and consistently expresses its microenterprise goals: the statement defines the target group, desired impact, level of self-sufficiency or profitability, and scale that the organization aims to achieve. It also expresses the institution's values. The statement has been reviewed by board, management and staff, and is approved by the board.			
B. Business plan: The organization has a business plan that establishes quantitative targets; defines a strategy for service delivery; presents a financing plan leading to financial sustainability; and incorporates actions for institutional strengthening.			
C. Legal capacity and governance: The organization has established a legal structure and governance that permit it to provide the services and mobilize the resources implied by its mission statement and business plan. By-laws clearly define the roles and responsibilities of governing bodies. If micro-finance is just one of a number of activities of the organization, the financial services are monitored as an independent activity, and senior management includes a microfinance representative.			
D. Ownership structure: The organization's ownership structure includes incentives for accountable management.			
E. Organizational chart: The organization operates according to an organizational chart which defines departments with well-specified, discrete functions, clear individual roles, and accountabilities for each tied to the achievement of the business plan. The chart defines procedures for inter-departmental coordination and decision-making.			
F. Board and Executive Director capacity: Board and Executive Director have the capacity to lead, mobilize resources, & actively monitor operations vis a vis the organization's business plan. The board has a mixture of skills including financial services, legal, fundraising and community development.			
G. Institutional Linkages: The institution, Executive Director and board have strong long-term relationships with key outside institutions including: relevant government regulatory bodies and policy makers, financial institutions, donors and other implementing organizations.			

[1] Y indicates yes, IP indicates in progress, and N indicates no.

[2] + indicates upgrade, 0 indicates no change, and - indicates downgrade.

[3] Y indicates yes and N indicates no.

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INSTITUTIONAL DEVELOPMENT CHECKLIST: IMPLEMENTING ORGANIZATION (continued)

Name ____________________, Six month period __________________

INDICATOR OF INSTITUTIONAL STRENGTH	Current Status	Change in Status	Worked On
II. HUMAN RESOURCES	Y/IP/N	+/0/-	Y/N
A. Staff recruitment: Staff recruitment systems are established and operational.			
B. Job descriptions: Job descriptions are available, clearly written and emphasize expected outputs rather than activities.			
C. Evaluation and compensation: Clear work plans, performance standards, an evaluation system and rewards are operational. They are tied to the business plan and are perceived as fair.			
D. Personnel policies: Personnel policies are defined & operational.			
E. Core staff: Capable core staff have been recruited, trained and are fulfilling their responsibilities in the areas of operations, financial management, management information systems, and marketing/product development.			
F. Staff development: Staff development systems are established and operational. Thorough and well-designed training materials cover philosophy, client service concepts and technical skills.			
III. MANAGEMENT SYSTEMS			
A. Management of Information: Accounting & portfolio management information systems are appropriate and adequate to operations. Degree of automation, hardware and software are in line with size of organization, dependability of local communications infrastructure, and local support. Staff are highly satisfied with MIS.			
B. Financial, cash & portfolio management: Complete and appropriate financial, cash and portfolio management systems are operational and result in tight financial control.			
1. Financial statements are produced and audited at least annually. Statements for financial service activities are unconsolidated from non-financial activities.			
2. Cash flows are projected; liquidity problems are avoided; and idle cash and bank charges are minimized.			
3. Delinquency and default are closely monitored and tightly managed; appropriate provision and write-off policies are in place and properly implemented.			
C. Audit & internal controls: Audit and internal control systems are adequate and operational: manual and computerized MIS are secure and include adequate controls, effective internal auditing procedures are established and operational, and a respected auditing firm is used.			

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INSTITUTIONAL DEVELOPMENT CHECKLIST: IMPLEMENTING ORGANIZATION (continued)

Name __________, Six month period _______

INDICATOR OF INSTITUTIONAL STRENGTH	Current Status	Change in Status	Worked On
III. MANAGEMENT SYSTEMS (continued)	Y/IP/N	+/0/-	Y/N
D. Financial & program planning: Financial & program planning is systematic, timely & tied to the business plan: A three-to-five year financial forecasting model is in place and guides pricing and other policy setting. An annual budgeting process is in place and is used to control expenses. Prices are set to cover full operating and financial costs over time. Operating plans express measurable, realistic goals that are incorporated into individual work plans.			
E. Financial & program monitoring & evaluation: Monitoring & evaluation systems result in timely and accurate review of performance, quality and impact against plans. Results guide decision-making of board and senior management and performance evaluation of staff.			
F. Operating manual: Operating manual is current and is actively followed by staff.			
IV. SERVICES AND SERVICE DELIVERY			
A. Methodology			
1. The methodology is well-defined and tested, & appears to be working effectively.			
2. Delivery procedures are standardized and efficient.			
3. Delivery procedures minimize the chances for fraud.			
4. Delinquency management is tightly enforced: procedures for late payment follow-up are triggered; incentives and sanctions appear to be effective; and late payments are minimal.			
B. Market Orientation: Market research is conducted regularly and leads to innovation.			
C. Financial & training services: Clearly-defined services are designed to attract target market.			
V. RESOURCES			
A. Loan capital: Sufficient sources of loan capital are in place to fund expected growth.			
B. Donor funds: The organization has accessed donor resources in addition to UNDP funds.			
C. Concessional loans: The organization has accessed borrowed funds at a concessional rate.			
D. Commercial loans: The organization has accessed borrowed funds at a commercial rate.			

Country Summary of Outreach and Performance Indicators   Quarter ending_______, Year ______

		Implementing Part. 1		Implementing Part. 2		Implementing Part. 3		Implementing Part. 4		Implementing Part. 5	
	Outreach	Current	Change *	Current	Change *	Current	Change*	Current	Change*	Current	Change*
1.	# active clients:										
2.	• % women										
3.	• % loans under $300										
4.	Average initial loan size										
5.	Average loan size										
6.	Average loan size/ average per cap GNP										
7.	Outstanding portfolio (in $1,000s)										
8.	• % in loans under $300										
9.	# of savings accounts:										
10.	• % women										
11.	Average savings balance										
12.	Total savings										
13.	• % women										
	Financial Sustainability:										
14.	Operating Cost Ratio										
15.	Operating Self-sufficiency										
16.	Financial Self-sufficiency										
	Operating Efficiency:										
17.	# Active Clients/Credit Officer										
18.	Portfolio/Credit Officer										
19.	Client Retention Rate										
	Portfolio Quality:										
20.	Portfolio at Risk										
21.	Loan Loss Ratio										

Country Summary of Outreach and Performance Indicators Quarter ending______, Year ______

		Implementing Part. 6		Implementing Part. 7		Implementing Part. 8		Implementing Part. 9		Implementing P. 10	
	Outreach	Current	Change *	Current	Change *	Current	Change*	Current	Change*	Current	Change*
1.	# active clients:										
2.	• % women										
3.	• % loans under $300										
4.	Average initial loan size										
5.	Average loan size										
6.	Average loan size/ average per cap GNP										
7.	Outstanding portfolio (in $1,000s)										
8.	• % in loans under $300										
9.	# of savings accounts:										
10.	• % women										
11.	Average savings balance										
12.	Total savings										
13.	• % women										
	Financial Sustainability:										
14.	Operating Cost Ratio										
15.	Operating Self-sufficiency										
16.	Financial Self-sufficiency										
	Operating Efficiency:										
17.	# Active Clients/Credit Officer										
18.	Portfolio/Credit Officer										
19.	Client Retention Rate										
	Portfolio Quality:										
20.	Portfolio at Risk										
21.	Loan Loss Ratio										

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Country Aggregate Outreach and Performance Report
Country:______________ Quarter:____________

		Totals		Average	
	1.	2.	3.	4.	5.
	OUTREACH	Current Quarter	Change	Current Quarter	Change
1.	# Active Clients				
2.	• % women				
3.	• % with loans under $300				
4.	Average Initial Loan Size				
5.	Average Loan Size				
6.	Ave. Loan Size / Per Capita GNP				
7.	Outstanding Portfolio (in $1000s)				
8.	• % in loans under $300				
9.	# Savings Accounts				
10.	• % owned by women				
11.	Average Savings Balance				
12.	Total Savings				
13.	• % held by women				
	FINANCIAL SUSTAINABILITY				
14.	Operating Cost Ratio				
15.	Operating Self-Sufficiency				
16.	Financial Self-Sufficiency				
	OPERATING EFFIENCY				
17.	# Active Clients / Credit Officer				
18.	Portfolio / Credit Officer				
19.	Client Retention Rate				
	PORTFOLIO QUALITY				
20.	Portfolio at Risk Ratio				
21.	Loan Loss Ratio				

Country Consolidated Financial and Operational Performance Indicators: __________ Quarter ending: ______ Year: ______

		Implementing Organization 1		Implementing Organization 2		Implementing Organization 3		Implementing Organization 4		Implementing Organization 5		Average	
		Current	Change	Current	Change	Current	Change	Current	Change	Current	Change	Current	Change
1.	Outstanding Portfolio												
2.	# of Active Clients												
	Financial Sustainability:												
3.	Return on Performing Assets												
4.	Financial Cost Ratio												
5.	Loan Loss Provision Ratio												
6.	Operating Cost Ratio												
7.	Imputed Cost of Capital Ratio												
8.	Donations and Grants Ratio												
9.	Operating Self-sufficiency												
10.	Financial Self-sufficiency												
	Operating Efficiency:												
11.	# Active Clients/Credit Officer												
12.	Portfolio/Credit Officer												
13.	Client Retention Rate												
	Portfolio Quality:												
14.	Portfolio in Arrears												
15.	Portfolio at Risk												
16.	Loan Loss Ratio												
17.	Reserve Ratio												

Country Consolidated Financial and Operational Performance Indicators: __________

		Implementing Organization 6		Implementing Organization 7		Implementing Organization 8		Implementing Organization 9		Implementing Organization 10		Average	
		Current	Change	Current	Change	Current	Change	Current	Change	Current	Change	Current	Change
1.	Outstanding Portfolio												
2.	# of Active Clients												
	Financial Sustainability:												
3.	Return on Performing Assets												
4.	Financial Cost Ratio												
5.	Loan Loss Provision Ratio												
6.	Operating Cost Ratio												
7.	Imputed Cost of Capital Ratio												
8.	Donations and Grants Ratio												
9.	Operating Self-sufficiency												
10.	Financial Self-sufficiency												
	Operating Efficiency:												
11.	# Active Clients/Credit Officer												
12.	Portfolio/Credit Officer												
13.	Client Retention Rate												
	Portfolio Quality:												
14.	Portfolio in Arrears												
15.	Portfolio at Risk												
16.	Loan Loss Ratio												
17.	Reserve Ratio												

Country Consolidated Institutional Development Checklist: ____________ Six Month Period______________

	Implementing Partner 1			Implementing Partner 2			Implementing Partner 3			Implementing Partner 4			Implementing Partner 5			Totals: Current Status			Total Upgrades	Total Worked
INDICATOR	current status	change	worked on	current status	change	worked on	current status	change	worked on	current status	change	worked on	current status	change	worked on	Yes	IP	No	+	Yes
I. GOVERNANCE &ORG.																				
A. Mission statement																				
B. Business plan																				
C. Legal capacity/governance																				
D. Ownership structure																				
E. Organizational chart																				
F. Board/Executive Director																				
G. Institutional Linkages																				
II. HUMAN RESOURCES																				
A. Staff recruitment																				
B. Job descriptions																				
C. Evaluation/compensation																				
D. Personnel policies																				
E. Core staff																				
F. Staff development																				
III. MANAGE. SYSTEMS																				
A. Management information																				
B. Fin., cash & port. manag.																				
1. Financial statements																				
2. Cash flows.																				
3. Delinquency and default																				
C. Audit & internal controls																				
D. Financ. & prog. planning																				
E. Financ. & program M&E																				
F. Operating manual																				
IV. SERVICES/DELIVERY																				
A. Methodology																				
1. Well-defined																				
2. Delivery standardized																				
3. Delivery minimizes fraud																				
4. Delinquency management																				
B. Market Orientation																				
C. Financial/training services																				
V. RESOURCES																				
A. Loan capital																				
B. Donor funds																				
C. Concessional loans																				
D. Commercial loans																				

Country Consolidated Institutional Development Checklist: ___________ Six Month Period ____________

	Implementing Partner 6			Implementing Partner 7			Implementing Partner 8			Implementing Partner 9			Implementing Partner 10			Totals: Current Status			Total Upgrades	Total Worked
INDICATOR	current status	change	worked on	current status	change	worked on	current status	change	worked on	current status	change	worked on	current status	change	worked on	Yes	IP	No	+	Yes
I. GOVERNANCE &ORG.																				
A. Mission statement																				
B. Business plan																				
C. Legal capacity/governance																				
D. Ownership structure																				
E. Organizational chart																				
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E. Financ. & program M&E																				
F. Operating manual																				
IV. SERVICES/DELIVERY																				
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1. Well-defined																				
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4. Delinquency management																				
B. Market Orientation																				
C. Financial/training services																				
V. RESOURCES																				
A. Loan capital																				
B. Donor funds																				
C. Concessional loans																				
D. Commercial loans																				

Country Institutional Development Six Month Report
Country________ Six Month Period Ending ___________, Year_______

1. What have been the greatest challenges to achieving your institutional development objectives in your work with the Implementing Partners?

2. What do you consider to be the greatest institutional strengths of the implementing partners?

3. What do you consider to be the greatest institutional weaknesses of the implementing partners?

4. Can you list some lessons learned about working with the Implementing Partners to develop their institutional capacity?

5. Based on this report, do you feel that there are areas in which the Field Coordinators could use training for their work with the Implementing Partners in order to achieve the program's objectives?

6. Are there areas in which you feel all the country's implementing Partners need training in order to achieve the program's objectives?

Plan International Summary of Outreach and Performance Indicators Quarter ending_______, Year ______

		Country 1		Country 2		Country 3		Country 4		Country 5	
	Outreach	Current	Change *	Current	Change *	Current	Change*	Current	Change*	Current	Change*
1.	# active clients:										
2.	• % women										
3.	• % loans under $300										
4.	Average initial loan size										
5.	Average loan size										
6.	Average loan size/ average per cap GNP										
7.	Outstanding portfolio (in $1,000s)										
8.	• % in loans under $300										
9.	# of savings accounts:										
10.	• % women										
11.	Average savings balance										
12.	Total savings										
13.	• % women										
	Financial Sustainability:										
14.	Operating Cost Ratio										
15.	Operating Self-sufficiency										
16.	Financial Self-sufficiency										
	Operating Efficiency:										
17.	# Active Clients/Credit Officer										
18.	Portfolio/Credit Officer										
19.	Client Retention Rate										
	Portfolio Quality:										
20.	Portfolio at Risk										
21.	Loan Loss Ratio										

Plan International Summary of Outreach and Performance Indicators Quarter ending_______, Year ______

		Country 6		Country 7		Country 8		Country 9		Country 10	
	Outreach	Current	Change *	Current	Change *	Current	Change*	Current	Change*	Current	Change*
1.	# active clients:										
2.	• % women										
3.	• % loans under $300										
4.	Average initial loan size										
5.	Average loan size										
6.	Average loan size/ average per cap GNP										
7.	Outstanding portfolio (in $1,000s)										
8.	• % in loans under $300										
9.	# of savings accounts:										
10.	• % women										
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12.	Total savings										
13.	• % women										
	Financial Sustainability:										
14.	Operating Cost Ratio										
15.	Operating Self-sufficiency										
16.	Financial Self-sufficiency										
	Operating Efficiency:										
17.	# Active Clients/Credit Officer										
18.	Portfolio/Credit Officer										
19.	Client Retention Rate										
	Portfolio Quality:										
20.	Portfolio at Risk										
21.	Loan Loss Ratio										

Plan International Aggregate Outreach Report
Quarter:____________ Year:______

		Totals		Average	
	1.	2.	3.	4.	5.
	OUTREACH	Current Quarter	Change	Current Quarter	Change
1.	# Active Clients				
2.	• % women				
3.	• % with loans under $300				
4.	Average Loan Size				
5.	Outstanding Portfolio (in $1000s)				
6.	• % in loans under $300				
7.	# Savings Accounts				
8.	• % owned by women				
9.	Average Savings Balance				
10.	Total Savings				
11.	• % held by women				

Plan International Consolidated Institutional Development Checklist: ___________Six Month Period_____________

	Country 1		Country 2		Country 3		Country 4		Country 5		Totals	
INDICATOR	# Yes's	# Have Worke don	# Yes's	# Have Worke don	# Yes's	# Have Worke don	# Yes's	# Have Worke don	# Yes's	# Have Worke don	# Yes's	# Have Worked On
I. GOVERNANCE & ORG.												
A. Mission statement												
B. Business plan												
C. Legal capacity/governance												
D. Ownership structure												
E. Organizational chart												
F. Board/Executive Director												
G. Institutional Linkages												
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E. Core staff												
F. Staff development												
III. MANAGE. SYSTEMS												
A. Management information												
B. Fin., cash & port. manag.												
1. Financial statements												
2. Cash flows.												
3. Delinquency and default												
C. Audit & internal controls												
D. Financial & prog. planning												
E. Financial & program M&E												
F. Operating manual												
IV. SERVICES/DELIVERY												
A. Methodology												
1. Well-defined												

Plan International Consolidated Institutional Development Checklist: ___________Six Month Period____________

	Country 1		Country 2		Country 3		Country 4		Country 5		Totals	
INDICATOR	# Yes's	# Have Worke don	# Yes's	# Have Worke don	# Yes's	# Have Worke don	# Yes's	# Have Worke don	# Yes's	# Have Worke don	# Yes's	# Have Worked On
I. GOVERNANCE & ORG.												
A. Mission statement												
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D. Financial & prog. planning												
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3. Delivery minimizes fraud												
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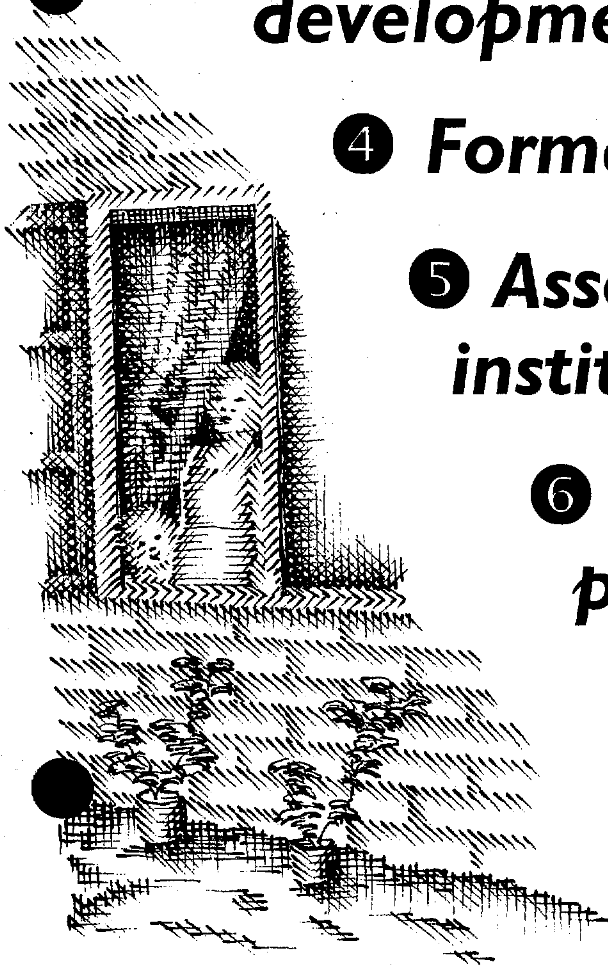
B. Market Orientation												
C. Financial/training services												
V. RESOURCES												
A. Loan capital												
B. Donor funds												
C. Concessional loans												
D. Commercial loans												

7 steps to build sustainable credit and savings programs

1. *Choose a program model*
2. *Build consensus*
3. *Designate staff for economic development*
4. *Formalize national policies*
5. *Assess and choose financial institutions as partners*
6. *Create agreements with partners*
7. *Manage partnership agreements*



What do sustainable credit and savings programs have in common?

- Lending based on market rates, recovery of program costs and the scale to benefit thousands.
- A focus on poor women.
- A savings component.
- Delivery of services through local partner organizations.
- "Credit plus" education to produce a socio-economic multiplier effect for children.

attachment B

PLAN

Credit Lines

The PLAN International bulletin on credit, microenterprise and economic sustainability

Number 3, December 1996

PLAN breaks ground on high-impact lending programs

Pilots begin to build sustainable Credit/Microenterprise systems

PLAN's Credit and Microenterprise Development (Credit/MED) initiative took a giant step from design to implementation this September when PLAN began a five-year program of capacity-building in the field. PLAN's Credit/Microenterprise Technical Team (CMTT) coordinates the initiative. The CMTT, a part of the International Headquarters Program Quality Unit, is based in Arlington, Virginia. A $2.25 million Matching Grant from the U.S. Agency for International Development provides financial support.

This effort builds on lessons learned during the two year learning phase of the initiative at pilot sites in six PLAN program countries: Bolivia, Guatemala, Kenya, Mali, Nepal and the Philippines. By 2001 PLAN will have a cadre of field staff qualified in and committed to Credit/MED methods, a well-recorded body of experience with Credit/MED programs and partner organizations and well-integrated support and coordination between Credit/MED programs and other PLAN programs and corporate systems. In the process, thousands of poor families, particularly women, will gain access to economic resources and opportunities.

PLAN's new Credit/MED model matches PLAN's strengths with lessons from some of the most effective programs in the world. Each pilot program will adapt methods to local reality. Yet all share core characteristics:

- Lending based on market rates, leading to recovery of program costs and the scale to benefit thousands of poor borrowers.
- A focus on poor women.
- A savings component.
- Delivery of services through local partner organizations.
- "Credit plus" education for borrowers to produce a socioeconomic multiplier effect for children.

Our pilot sites have made enormous contributions during the past two years. In this *Credit Lines* we look at some lessons learned in the "why" and the "how" of Credit/MED. We look forward to learning with and from these pioneers in the years ahead.

John Schiller, Credit/MED Coordinator and
Delores McLaughlin, Credit/MED Technical Liaison

Build your knowledge: Tools for Credit/MED

An Institutional Guide for Enterprise Development Organizations (includes a Comprehensive Tools Section) Elaine Edgcomb and James Cawley, editors (SEEP).

This guidebook helps development organizations think through and address a broad range of institutional issues as they implement micro and small enterprise development programs.

Available from: PACT Publications, 777 United Nations Plaza, New York, NY 10017 USA. Phone (212) 697-6222.

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The New World of Microenterprise Finance: Building Healthy Financial Institutions for the Poor Maria Otero and Elisabeth Rhyne, editors, with foreword by Mary Houghton.

This book reviews some of the most innovative work currently underway in the challenging area of micro enterprise finance, focusing on the creation of viable financial intermediaries.

Available from: Kumarian Press, 14 Oakwood Avenue, West Hartford, CT 06119-2127 USA Phone: (860) 233-5895

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High performance poverty lending:

the Livelihood Domain's route to sustainability

High performance poverty lending programs provide a key tool with which PLAN can realize its goals and objectives in the Livelihood program domain. Such programs extend both savings and credit services to the poorest members of society with particular attention to women and children. The savings and credit approach enables us to attack poverty in a most effective and direct way.

In previous issues of *Credit Lines* we discussed the benefits of high performance poverty lending schemes: programs that target the very poor, provide services to a scope of thousands of clients and have a cost-effective impact. PLAN's strategy for poverty lending also supports viable financial institutions which provide these services. By "viable," we mean the capacity to recover costs and become financially self-sustaining.

High performance poverty lending programming will increase our range of services, build on program models that work and rotate our funds for increased impact on communities. Last, but not least, women and child focused strategies reach the poorest members of our communities and contribute substantially to many of our socioeconomic goals to improve children's lives.

However, we face challenges in implementing these programs. In the past, PLAN has sometimes tried to implement poverty lending schemes to complement its programs in microenterprise development, agriculture and housing. By and large, these schemes cannot be characterized as high-performance. Most of these efforts lacked the necessary discipline to ensure loan repayment and recovery of costs. Results were mixed.

Does this mean PLAN should disassociate itself from credit programs? No. Local economies can't grow and living conditions cannot be improved on any meaningful scale without credit-based financing. However, PLAN should withdraw from the direct delivery and recovery of credit, where we have little expertise and no comparative advantage. PLAN should instead form partnerships with other institutions that can provide cost-efficient financial services to PLAN families and communities.

In the past two decades there have been great advances in expanding financial services to the poor. A small but growing number of financial

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institutions and NGOs now implement high performance credit programs, often targeted at the microenterprise sector. Programs such as those of the Grameen Bank in Bangladesh, Banco Sol in Bolivia and K-REP in Kenya reach large numbers of poor borrowers – often predominantly women. They recover their costs by charging market interest rates and other fees for services. In the best cases, they have attained financial self-sufficiency.

The principle of sustainability cuts across all PLAN programs and may be defined in different ways. For credit programs sustainability is defined as *activities which produce outcomes of sufficient value that the program generates adequate local resources to support the continuation of benefits at a steady or growing level.* In other words, financial viability.

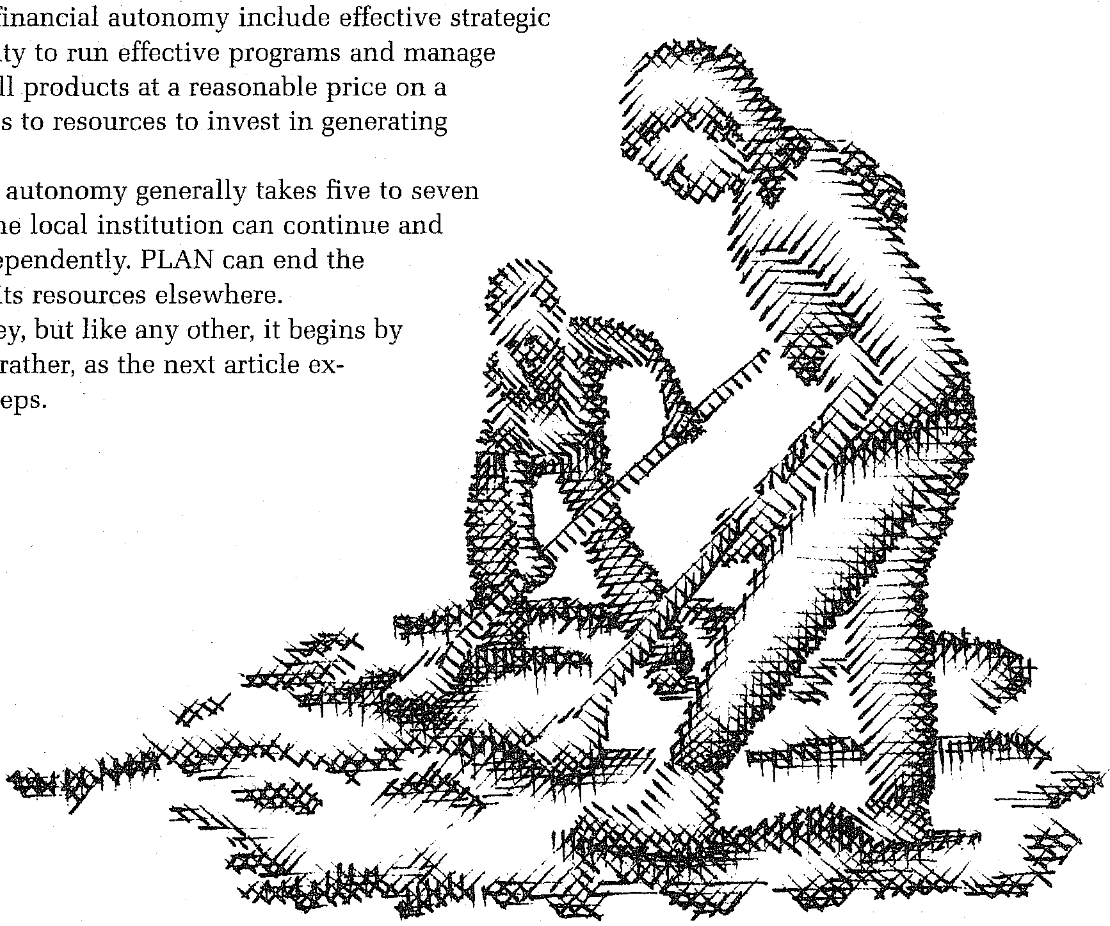
A potential partner's prospects for financial viability must be carefully considered. Successful poverty lending institutions practice a business model approach. This means they sell their services to clients, operate on a business plan, focus on productivity; and have strong information systems and profit centered accounting.

PLAN's Credit/MED Technical Team uses a sustainability readiness "index" to evaluate the current status of PLAN programs and partners. The index assesses their capacity for reaching sustainability over time. Index readings help guide PLAN's agreements with partners on institutional development and business plans for financial autonomy.

The conditions for financial autonomy include effective strategic management, the capacity to run effective programs and manage growth, the ability to sell products at a reasonable price on a realistic scale and access to resources to invest in generating program revenues.

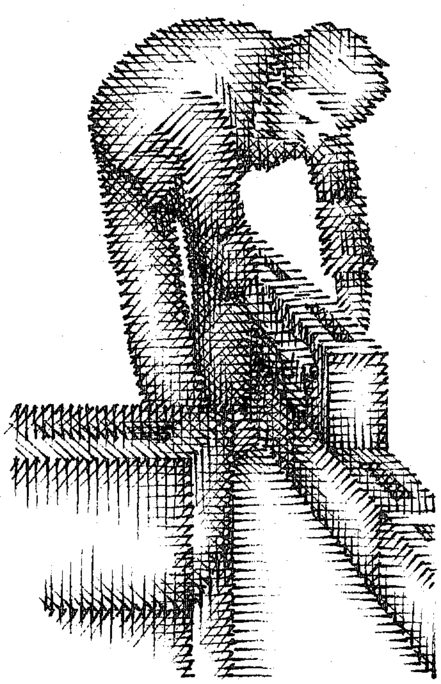
Achieving financial autonomy generally takes five to seven years. Once achieved, the local institution can continue and expand its services independently. PLAN can end the partnership and invest its resources elsewhere.

This is a long journey, but like any other, it begins by taking the first step. Or rather, as the next article explains, the first seven steps.



7 steps To build sustainable credit and savings programs

Laying the foundation: creating an environment for poverty lending



High performance poverty lending programs start by building a foundation of understanding, appreciation and capacity among PLAN's staff. With that foundation in place, a framework of partnerships with local institutions can be raised. Only then can we move on to developing sustainable high-performance credit and savings programs.

During the past two years we have worked with six pilot countries to establish national PLAN Credit/MED programs. Together, we have learned a lot about building the conditions for a successful poverty lending program in PLAN. In the following article, we offer seven steps for launching effective poverty lending programs. These steps have been identified through PLAN's field experience.

Step I. Choose a Program Model

In an organization as large and diverse as PLAN, we cannot dictate one specific program model for financial services and microenterprise development. However, in each case we can apply a set of technical and socioeconomic criteria and policies that PLAN models should embody. High performance poverty lending programs do have basic characteristics in common. These include large scale, reaching the poor, providing easy access to savings and credit services and mechanisms for cost-recovery and reaching financial sustainability.

For PLAN, child-focused development means successful models will also achieve socioeconomic goals such as improved health and living conditions and increased education for children. Recent research by Freedom from Hunger and others has shown that poverty lending models which focus on women, provide savings and credit services for small scale enterprise activity and combine "credit plus education" to increase socio-economic impact often result in improved nutrition for children, reduced birthrates and improved overall conditions for families. Therefore, PLAN poverty lending programs should combine credit with education to help borrowers improve the quality of life for their children.

PLAN will work with a variety of poverty lending models. Some partners will apply a village banking approach or work through solidarity groups or collections of these groups formed into larger community organizations. Others will begin more modestly by collecting and lending local savings before seeking outside sources of credit funds.

However, some important elements should be included in all PLAN poverty lending models. Credit should be combined with savings and education to increase program effectiveness. The lending program must have a desirable impact on women and children and demonstrate vigorous cost-recovery efforts and a realistic strategy for sustainability.

Good poverty lending systems provide access for those with few or no formal assets who are therefore unable to receive services from banks. They are "user friendly," providing borrowers with a series of short term loans which grow in size over time. Turnaround time is short and transaction costs are low. Savings are mandatory and the management of loan portfolios is taken seriously. Peer pressure ensures high repayment rates.

Two essential elements

Credit and savings

Savings opportunities serve a dual purpose. Required savings develops discipline while providing a reserve for emergencies. In many models, members of borrower groups have the additional benefit of building financial management and leadership skills by managing the group's savings and loan accounts

"Credit plus" Education

"Credit plus" education uses regular credit group meetings as an informal classroom. Bank members usually meet biweekly to make and repay loans. The familiar setting lends itself to comfortable discussions of culturally sensitive topics. The format can be adopted to a variety of areas: mother child health, family planning, AIDS education, literacy, shelter, sanitation and the environment, business literacy.

Step 2. Build Consensus

In our pilot countries, we have begun a series of workshops designed to explain a high-performance approach contrasted with PLAN's traditional method of working through autonomous community revolving funds. We emphasize the business model approach to sustainable development. We also take advantage of opportunities to visit programs of other organizations which operate successful high performance programs. These workshops have usually led staff to appreciate the sustainable credit programs we advocate and to commit local budgetary resources to it.

To move toward high-performance credit programs, PLAN must, in many cases, discontinue old methods of program delivery. Staff, especially those working directly with community participants, have faced the challenge of adjusting their values and roles as new financial services models reduce the subsidy element, stress the rotation of funds and feature partnerships.

It is also not unusual to find several types of credit models used by PLAN in the same country. In each country PLAN staff must build consensus on ending ineffective and inefficient practices and around which programs to expand. These choices are guided not only by ideal models, but also by which partners are available in the PLAN area and the context of other economic and non-economic activities PLAN promotes.

In general, field staff have been enthusiastic about the new, high performance models, but there is also much discussion and work involved in understanding existing programs and integrating changes smoothly.

Raising the framework: Sustainability through partnership

Step 3. Designate staff for economic development

Each pilot country hires a coordinator to oversee the development and implementation of financial services programs. Rather than add one more activity to a long list of responsibilities, the coordinator is specifically designated to credit/MED full time. The credit/MED Coordinators help partner organizations develop and manage high performance programs, and monitor the impact of programs. The coordinator plays a critical role in facilitating an increased understanding and awareness within PLAN and in transferring the lessons learned to other PLAN staff. This person must have expertise in business and financial management, experience in project design, implementation, management and evaluation, and experience working with poor women.

Step 4. Formalize national policies

Until recently, Field Offices made most of the program design and budget decisions. The move to country-level programming lends itself perfectly to high performance poverty lending. National designs permit greater scale, specialization and sustainability. Each of the pilot programs is forming a team representing all field offices to set the goals and policies of a National program.

Step 5. Assess and choose financial institutions as partners

In many cases PLAN contracts with local organizations to deliver services. While this arrangement works in some situations, it is not appropriate for poverty lending. PLAN needs a more dynamic partnership model to successfully promote sustainable financial institutions. In the model which evolved from the learning phase, the partner manages funds and provides services to poor clients. PLAN plays the critical role of monitoring service delivery and socioeconomic impact. Both parties analyze this data and base course corrections upon it. If necessary, PLAN may also help the partner develop institutionally by improving its financial management or management information systems. When this type of partnership works, both parties enhance their understanding of effective development and become stronger organizations.

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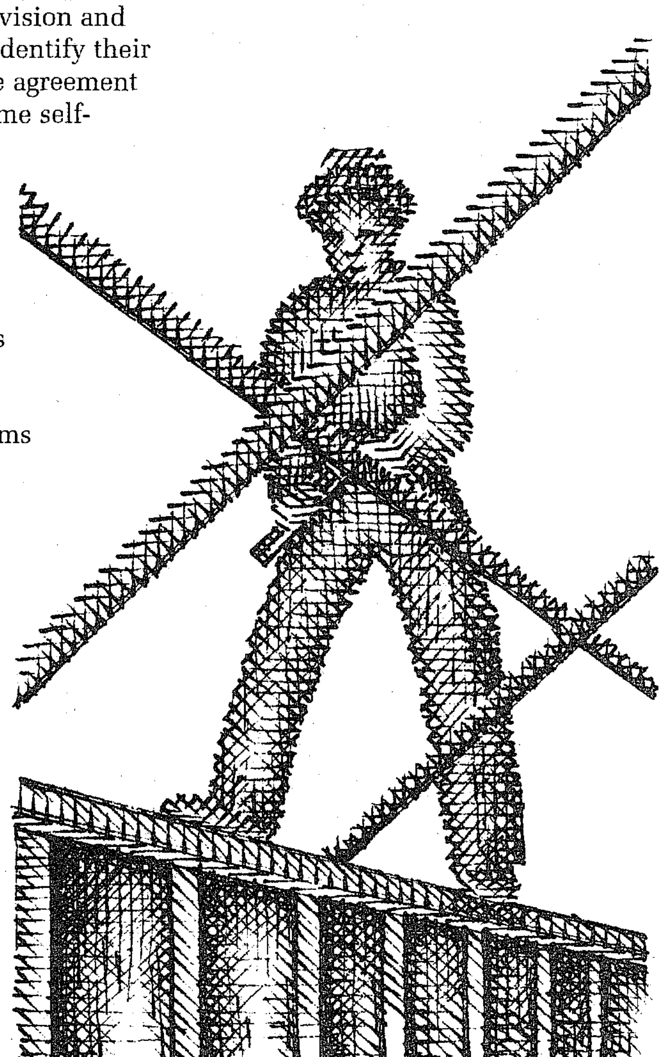
The Credit/MED Technical Team uses an initial assessment guide to systematically review potential financial lending partners. This provides for objective selection based on institutional, service delivery and financial performance data. After an initial screening, potential partners undergo a more detailed examination including an in-depth feasibility analysis of the institution's programs, management systems and overall financial health.

One factor is the potential partner's ability to serve several Field Offices and geographic areas. Another consideration is their current or potential capacity to provide "credit plus" training in areas such as health, education, literacy or business training. After selecting a partner, we develop a business plan which presents financial projections for sustainability and a plan of action to improve management, financial and information systems.

Step 6. Create agreements with partners

The business plan provides the point of reference for the written agreement that links PLAN and the partner. The agreement, in turn, is truly a primary support for the program. The agreement defines the common vision and spells out the content of the program. PLAN and the partner identify their roles and responsibilities and set performance indicators. The agreement lays out a financial plan that defines when services will become self-financing, calculates the amount and uses of PLAN's contribution and details the disbursement and reporting schedules and requirements. Provisions include joint review and problem solving that takes both programmatic and financial management issues into account. The agreement also contains administrative provisions that work in favor of program and sustainability goals. For example, disbursements are linked to adherence to the business plan and on-time reporting.

Agreements specify reporting standards and reporting forms that will be similar for all partners so they can report on important common indicators. These include loan portfolio performance, cost-recovery, progress toward sustainability, and socioeconomic impact (overcoming gender inequities, effects on children). Indicators for reporting on institutional development objectives particular to each partner will also be built into the reporting and monitoring system.



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Step 7. Manage partnership agreements

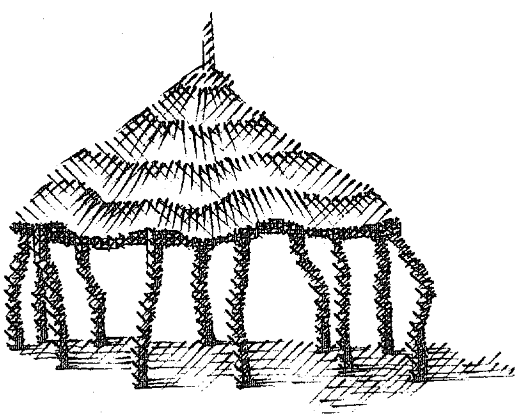
Managing such agreements requires an understanding of the broader programmatic, institutional and financial issues associated with developing partner organizations. This means specialized technical staff rather than administrators who know only the bookkeeping side of fee-for-service contracts. The point person on the PLAN side is the national coordinator for Credit/MED, assisted by program and administrative staff at the Field Offices. An equally qualified point person is identified for the partner agency as well. Annual reviews involve teams from both partners. From PLAN's perspective, this creates a wider ownership for the collaboration to succeed in addition to making it work in a particular field office.

Most organizations with which PLAN will partner are NGOs whose mission is to provide poverty lending services to the poor. Most are very good at service delivery, although some need to apply better high-performance lending techniques. In these cases we will invest in technical assistance, training and systems development necessary to turn them into businesses that sell supporting services and which ultimately lead to financial self-sufficiency.

Measuring program impact and institutional development of partners depends on good information systems and monitoring instruments. For organizations that don't already have quality systems, we will invest in information systems as part of the partnership agreements.

An investment in the future

Building poverty lending programs that meet high performance standards is a big investment for PLAN. But the benefits of doing so will include expanding our range of clients, reaching the poorest people, stimulating livelihood activities in the informal economy and achieving socioeconomic goals that benefit children. Just as importantly, establishing partnerships and investing in local institutions ensures we will advance toward our Livelihood Domain goal of building sustainable economic programs which is an investment in the future. Future editions of Credit Lines will explore these and other issues in more depth.



Credit Lines
Number three
December 1996

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PLAN

6 steps

To building partnerships for microfinance services

Step 1. Survey and assess potential partners

Step 2. Conduct feasibility studies

Step 3. Prepare a business plan

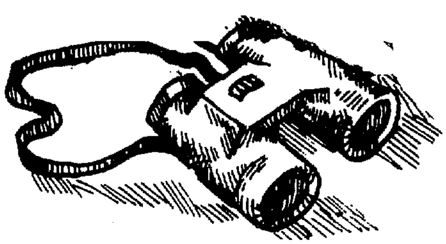
Step 4. Develop a written agreement

Step 5. Set reporting standards and formats

Step 6. Build in monitoring and learning tools

Why work with partners?
7 excellent reasons

- √ Avoids duplication
- √ More cost effective
- √ Faster start-up
- √ Increases chances for success
- √ Contributes to sustainability
- √ Increases opportunity for learning
- √ Increases local control over development

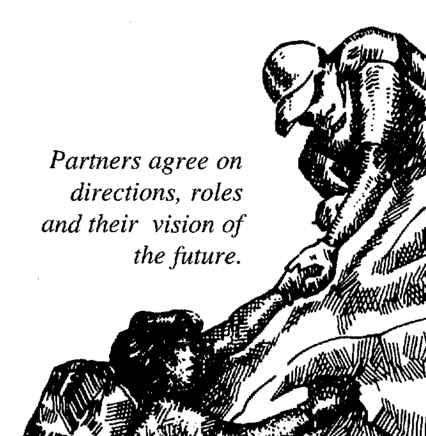


5 kinds of partners
Which kind of partner are you?

1. Contracting
2. Dependent franchise
3. Spin-off NGOs
4. Collaborative partnership
5. Shared vision partnership

10 lessons from experience

- Attitude is everything
- Involve all concerned PLAN staff from the beginning
- Apply due diligence throughout the process
- Choose partners willing to share a vision
- Be specific in the agreement
- Work out all terms of the agreement cooperatively
- Make sure all staff involved are adequately informed and trained
- Be consistent
- The agreement should be able to survive staff changes
- Follow up



Partners agree on directions, roles and their vision of the future.

PLAN

Credit Lines

The PLAN International bulletin on credit, microenterprise and economic sustainability

Number 4, April 1997

The art of partnership

Microcredit Summit confirms the value of partnership strategies in building microfinance capacity

On 2-4 February, 1997, more than 2,300 leaders and practitioners from governments and government agencies, multinational development banks and a wide array of international and local non-governmental organizations from 120 countries gathered in Washington DC, USA, for the first Microcredit Summit. They came to affirm their commitment to a common goal: providing access to credit and savings for 100 million of the world's poorest people, most of them women, by the year 2005.

Staff from PLAN International's Program Quality Unit (PQU) Credit/MED Technical Team (CMTT) and each of six countries which are developing and managing pilot programs for PLAN's Credit/MED institutional strengthening initiative attended. Afterwards, they met to discuss the implications of the Summit for our program. Of the many opportunities presented at the Summit, the PLAN delegation was most enthused by the possibilities offered by partnerships.

Summit participants agreed that international and local NGOs must work as partners to mobilize the resources and develop the technical capacity to have an impact on poverty. PLAN's Credit/MED institutional strengthening strategy emphasizes forming partnerships with local financial institutions and supporting them to become sustainable as a key component for success. The Microcredit Summit not only affirmed that decision, but gave us a chance to identify potential partner organizations.

During the past two years PLAN Country Offices in the Credit/MED pilot initiative have worked to establish partnerships with local financial institutions. PLAN's experiences in these countries have led us to develop some basic principles for achieving desired results in microfinance programs through partnerships. This edition of *Credit Lines* is devoted to sharing information acquired during this period. We wish to acknowledge and thank the Credit/MED pilot program countries of Bolivia, Kenya and Mali for their contributions to this edition.

John Schiller and Delores McLaughlin,
Credit/MED Technical Team

Learning from and about partners in this issue...

Coming up: expanded partnership guide

The CMTT recognizes the need for expanding the information presented in this bulletin. As part of the overall commitment to institutionalizing the learning from the Credit/MED strengthening initiative, we will be producing a manual on the art of partnering with microfinance institutions later this year. The manual will draw from research, the experiences of other organizations and the experiences of the PLAN Credit/MED pilot programs and will contain samples and/or detailed explanations of recommended documents such as an agreement, a business plan and reporting formats.

Why work with partners?
7 excellent reasons

Partners enable PLAN to build services more quickly, more efficiently and with better chances of sustainable success

A key component of the Credit/MED institutional strengthening strategy emphasizes forming partnerships with local financial institutions and supporting them in becoming sustainable. There are many practical benefits from working with local financial institutions to reach the Credit/MED goals.

√ **Avoids duplication:** In many cases, local financial NGOs have established high-performance systems and programs along with staff and skills to manage these systems.

√ **More cost effective:** Because much of the up-front investment has already been made by the local institution, the amount of investment for PLAN is far less than would be necessary if a new program were to be established to serve the same number of clients.

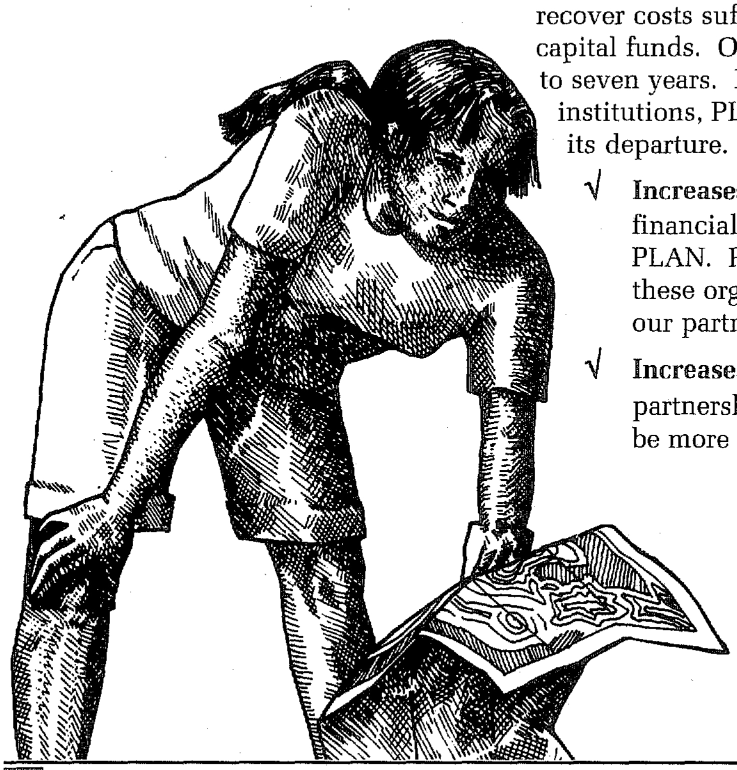
√ **Faster start-up:** In most areas, working with a local financial NGO allows for quick start-up of program services. In communities where there is no mechanism for financial services, it is faster and easier for an existing NGO to expand to a new area than for PLAN to set up its own program.

√ **Increases chances for success:** PLAN's past efforts to deliver financial services directly have a history of low repayment rates. Working through local financial institutions allows PLAN to maintain its relationships without confusion or contradiction.

√ **Contributes to sustainability:** Successful microfinance organizations recover costs sufficient to cover operations and costs associated with capital funds. Often this level of sustainability can be achieved in five to seven years. By investing in the development of local financial institutions, PLAN will insure that the community benefits long after its departure.

√ **Increases opportunity for learning:** In many cases local financial institutions have resources and skills not available in PLAN. Partnerships offer opportunities for us to learn from these organizations and to share information about PLAN with our partners.

√ **Increases local control over development:** Certain models of partnership allow international NGOs and local institutions to be more equal partners in the development process.



Traveling without a partner makes it hard to assess the difficulties and dangers ahead.

5 kinds of partners

Which kind of partner are you?

1. ***Contracting***
   This is a simple fee-for-service exchange. The international non-governmental organization (INGO) transfers funds to an NGO for a specific package of services or goods. It usually involves a defined time period to implement a specific project or program. Most terms are determined by the INGO and are not negotiable. No specific institutional strengthening results and there is no expectation the collaboration will extend beyond the term of the contract. Situations which require speed and efficiency, such as disaster relief, and projects designed for quick, one time services lend themselves to contracting.
2. ***Dependent franchise***
   In this arrangement, the NGO has little identity or autonomy apart from the INGO, which provides most or all its funds. NGO procedures and priorities are set in close accordance with the INGO. Where PLAN cannot operate directly the dependent franchise approach may be the best option. However, this model maintains a dependent relationship rather than a creating a strategy for sustainability.
3. ***Spin-off NGOs***
   This model begins like a dependent franchise, but both parties agree that the NGO will become independent over time. This is a difficult model to follow. The pitfall is the INGO's 'parental' role. Severing financial and other ties is difficult and rarely successful.
4. ***Collaborative operations:***
   In this model the INGO is actively engaged in project or program governance in collaboration with the NGO. The NGO implements the program. Each partner has substantial influence and decision-making power regarding design, implementation, administration and evaluation. In this model the partners reach agreement not only on goals and vision, but on strategy as well. It requires a structure for joint decision-making on policy and implementation. This is a very difficult model to achieve since it requires substantial time, patience and trust on the part of both partners.
5. ***Shared vision partnership***
   In this model, an INGO collaborates with an NGO on the basis of a shared development goal or vision. The NGO's role is to design and implement the program to meet the agreed goals and outcomes. The INGO provides financial and other resources (such as technical assistance or training) that enable the NGO to succeed. When approached properly this model contributes to empowering, sustainable and innovative development.

The Credit/MED pilot countries and the CMTT agree that the "Shared Vision" partnership model is the preferred mode for PLAN and local NGOs in microfinance strengthening

The Institute for Development Research (IDR) has conducted much research on relationships between international and local NGOs. IDR's framework clarifies the range of these collaborations. The IDR models described here differ mainly by the degree of shared governance between partners. In 1994, IDR conducted the Indian Partnership Study for PLAN's South Asian Regional Office.

6 steps

To building partnerships for microfinance services

Working through partnerships with local financial institutions is the most effective strategy for increasing PLAN's capacity to provide access to microfinance services for poor people. Effective partnering builds sustainable institutions that will continue to offer these services after PLAN withdraws from the partnership. But the 'art' of partnering is something we do not have a lot of experience in organizationally.

The Credit/MED program has focused on the Shared Vision model of partnership described in the prior article. Partnership based on shared vision is well suited to our goal of supporting local financial institutions in becoming sustainable. From the Microcredit Summit we know more and more opportunities will be presented in the future for working with financial institutions. PLAN must be ready to take advantage of these important opportunities as they arise.

Our six steps to shared vision partnerships have evolved primarily from PLAN's experiences in the Credit/MED pilot countries of Bolivia, Mali and Kenya during the past two years. They are intended to provide a structure for choosing partners, negotiating and establishing agreements and making sure the agreed upon goals are met. For Credit/MED activities, we define 'shared vision' as meaning both partners commit to the value of the desired program outcomes and agree to work together to achieve them. Any financial services partner considered or chosen should be willing to incorporate socioeconomic goals and indicators into the terms of the agreement as well as economic or financial goals and indicators.

Step 1. Survey and assess potential partners

Finding a partner begins by conducting a survey of financial services institutions. Your list of prospects will be based on previous contacts, the knowledge of staff and colleagues and other sources such as studies, donor agency representatives and established networks. This survey should be written with a brief statement of questions to be considered. Don't limit yourself in this process. A potential partner may not have all the desirable elements in the beginning but partnership itself supports the development and strengthening of NGOs.

After a first look, a few organizations will stand out by virtue of their reputations or other factors. A formal assessment of your short list should be done to analyze the organizations' capacity, performance, experience with target groups, compatibility with PLAN's vision and potential for sustainability. The formal assessment is generally done by an external consultant, but in some cases PLAN staff have successfully completed this step. CMTT has developed an assessment guide to facilitate this process which takes into account the organizational culture, management systems and capacity of the organization to provide financial and non-financial services.

It is important to enter into the assessment with an attitude of learning and exploration and continue with this attitude throughout the partnership.

There are three equally important and complementary objectives embodied in these steps: OUTREACH which is the aim of expanding access to increasing numbers of poor women; MEASURABLE OUTCOMES which provide evidence of impact of program activities; and SUSTAINABILITY which provides the means for the partner to maintain capacity for both the outreach and program activities to continue after PLAN's withdrawal.

Step 2. Conduct feasibility studies

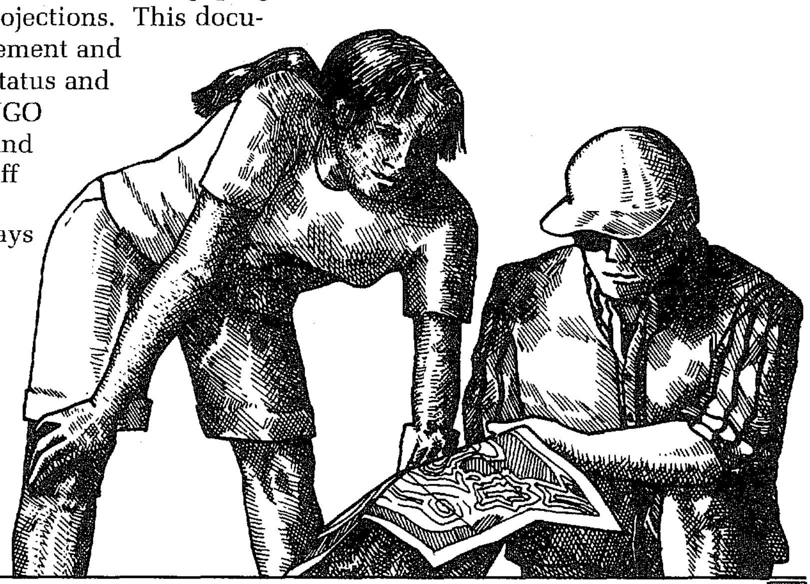
The next step is a feasibility study, the first stage of partnership. At this point it should be clear which potential partners share a vision and some understanding and agreement on the desired goals. For example, the desired outcome might be to expand the existing services to reach new target groups, to expand into a new geographic area, or to increase scale and achieve sustainability. The feasibility study is prepared by an external consultant who has financial analysis expertise and involves an analysis of the financial projections and an assessment of the capacity of the organization (systems, culture) to realize the goals.

Developing the feasibility study presents an important opportunity for PLAN and the partner organization to share information and begin the process of appreciating, understanding and trusting each other. Conduct during this stage sets the tone for future dealings. One purpose of the study is to identify opportunities. Where capacity is lacking, view it as an opportunity for growth. If done properly, the study will provide both parties with sufficient information to determine if they want to move forward with the partnership.

Step 3. Prepare a business plan

Once a decision is made to move forward, a business plan is prepared by the partner NGO (with the help of a consultant if needed) which provides a full explanation of what action (along with a timetable and benchmarks) the organization will take to provide and sustain the agreed on services. The plan usually includes a self-diagnostic of capabilities and systems as well as intentions for removing barriers or obstacles. It should also address any assumptions or other factors which might influence the outcome. There is no set format, but most business plans include information on the legal status, structure and governance of the organization; staffing; program operations; a market assessment; and financial projections. This document becomes the foundation for the formal agreement and should contain a realistic assessment of current status and schedule of projected activities. PLAN and the NGO should confirm the feasibility of the projections and address any questions or concerns. All PLAN staff who have to sign off on the agreement must be included in this process to avoid unexpected delays later.

. . . turn to "6 Steps," page 6



Effective agreements take the known obstacles and each partner's capacities into account.

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. . . "6 Steps," from page 5

Step 4. Develop a written agreement

Once an understanding has been reached, and the business plan has been reviewed for feasibility, the formal agreement should be developed jointly between PLAN and the NGO. The formal agreement should clearly state the common vision, the agreed upon goals and the terms and responsibilities for both parties. For example, the agreement should describe what steps will be taken by the NGO to reach and maintain sustainability. It should also detail what contribution PLAN is going to make such as provide training, technical assistance, and/or resources for systems development and capital loan funds.

The agreement identifies performance targets along with a process for monitoring and evaluating the progress toward reaching them and your long term goals.

A disbursement schedule should be clearly stated including the conditions and procedures for payment. This process should be approached as a joint effort with information collected that both parties need. Once the agreement is signed it should be distributed to all interested parties within PLAN and the NGO and referred to frequently.

Performance indicators should be based on: 1) financial indicators such as portfolio management; 2) progress toward sustainability such as capacity building; and 3) socioeconomic benefits to clients.

Step 5. Set reporting standards and formats

PLAN staff and the NGO should review and agree on required reporting formats and standards and include these in the agreement. The standards should specify when reports are to be submitted and to whom. For the Credit/MED program four types of information are considered essential:

- data on portfolio management and financial services;
- data on operational/financial sustainability;
- information on progress toward institutional development; and
- information on client services such as training and socioeconomic impact of services.

Step 6. Build in monitoring and learning tools

The agreement also addresses how monitoring and evaluation will be conducted. This section should specify what information will be collected, by whom, when, in what format it will be reported and how it will be analyzed and used. For the Credit/MED initiative the NGO produces monthly and quarterly reports. A PLAN contact is responsible for reviewing the information and making sure the right people get the information they need and appropriate follow-up action is taken.

A representative from the NGO and PLAN should maintain regular contact and review progress quarterly. Joint annual reviews should be conducted by partner and PLAN staff and an independent evaluation should be conducted after 18 months of operation. The purpose is to evaluate progress in reaching the goals, make adjustments to the strategy if necessary and identify the lessons learned during the year. The results of these exercises should be documented and maintained in file for future program planning and evaluations.

Provide opportunities for reflection on the benefits of the partnership and share the information with all staff. The methods, practices and art of partnering should become part of their knowledge and expertise along with their understanding of development.

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10 lessons from experience

During the last two years much has been learned about the benefits working with local financial intermediaries offers. We have developed principles and methodologies to guide us in the assessment and selection of partners, establishing agreements and monitoring and evaluating progress of these agreements. But experience has taught us that success in partnerships, particularly in the shared vision model, is more than procedures and policies. Partnership is an art. Success depends both on our attitude and the process we follow.

During the Coordinators meeting representatives (both PLAN and partners) from three pilot programs shared with the group their experiences and the challenges faced along the way. Several recommendations were offered during this discussion:

Attitude is everything: Establishing and maintaining a relationship with an equal partner requires respect. Spend more time getting to know each other and building trust; less time negotiating terms of the agreement. Consider this a joint venture where both parties have a lot to gain from each other. Share information about PLAN as you learn about the NGO.

Involve all concerned PLAN staff from the beginning: Some countries experienced delays because people required to sign off on the agreement were not informed of and involved in the process. Most of these partnerships imply long-term investments and relationships to build sustainable institutional capacity. Everyone must understand and agree to this up-front.

Apply due diligence throughout the process: Invest in technical consultants to conduct assessments and to help the NGO develop their business plan. Make sure both parties agree the plan is realistic.

Choose partners willing to share a vision: This is especially important in the Credit/MED programs since our goals extend beyond financial services to include socioeconomic benefits for women and children. In many cases this means adding (or changing) a non-financial services component later in the program. Without a shared vision, there could be resistance to such change.

Be specific in the agreement. Clarify goals of the program, roles, relationships, reporting requirements, conditions for disbursement, and monitoring and evaluation systems. Specify how PLAN's money is to be used and what happens to unspent funds (such as capital funds) at the end of the agreement.

Work out all terms of the agreement cooperatively: This is especially important in setting goals, performance indicators, reporting requirements, and monitoring and evaluation procedures.

. . . turn to "Learning," page 8

Respect, trust and constant communication are the hallmarks of successful partnerships.

Build your knowledge: Tools for Credit/MED

Indian Partnerships Study: Mark Leach, Prem Chada, Jane Covey, Davis Brown, Rajesh Tandon.

This study assesses PLAN's partnership experience in India. It clarifies the issues and challenges involved and offers suggestions for makingfuture collaboration more effective.

Available from: The Institute for Development Research, 210 Lincoln Street, Boston, MA 02111 USA Tel: (617) 422-0494.

Perspectives from the South: A Study on Partnership. Dennis A.K.Muchunguzi and Scott D. Milne.

This study explores from the perspective of Southern NGOs the challenge of creating effective partnerships between North and South NGOs.

Available from: AFREDA, 29 Arusha Street, P.O. Box 10014, Dar es Salaam, Tanzania. Tel: 255-51-865491

. . . "Learning," continued from page 7

Make sure all staff involved are adequately informed and trained: In one country all the partnership selection and planning work was done by the central office. After the agreement was signed, the program was passed on to field staff. They didn't have enough information or training to ensure that the agreement was successfully completed.

Be consistent: When there are multiple partners and multiple PLAN Field Offices involved, consistent agreements are critical. Each agreement should reflect one overall program strategy with consistent goals and outcomes.

The agreement should be able to survive staff changes: In most cases agreements with partners worked well because of the bond of trust established between PLAN and partner staff. Still, the agreement should be strong enough to prevail in the event of staff changes. The agreement needs to set out a process for problem solving and adjustments in the event of unexpected circumstances.

Follow-up: PLAN staff emphasized the importance of reviewing, analyzing and acting upon the report data. At least one individual in both partner organizations should be clearly identified as responsible for this process. They should work together to review and analyze the progress reports and pass the findings along to the right people. These individuals must also be responsible to ensure that necessary follow-up action is taken on both sides.

PLAN's MED/Credit strategy relies on partnership: sharing knowledge, ideas, resources and burdens in pursuit of a common goal

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PLAN

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Number 5, September 1997

Credit Lines

The PLAN International bulletin on credit, microenterprise and economic sustainability

Business planning basics: what you need to know about your microfinance programs and partners

PLAN's microfinance learning continues with business plan fundamentals

PLAN has accepted the challenge of developing high performance poverty lending programs that result in socioeconomic benefits to children. During the past several months, the CMTT has presented a strategy for operating credit with education, primarily to women, by working through a network of local institutions. These organizations, mostly non-governmental organizations (NGOs), share PLAN's vision and have demonstrated either the capacity or the potential to operate programs on a scale and efficiency level leading to sustainability within three to five years.

In *Credit Lines* Number 3 we expanded on the steps required to establish these programs on a national scale. In *Credit Lines* Number 4 we offered "lessons learned" about assessing, choosing, establishing and working with partners in the six pilot sites. Since then we have received numerous requests to expand on some of the steps presented in these two issues. One question asked most frequently is "What should be included in a business plan for a Microfinance Institution (MFI)?"

Business planning is a relatively new exercise within the NGO community. Yet, mapping out a route to financial sustainability is an important step in institutional development for each MFI. Recognizing this, the Economics Institute at Boulder, Colorado, recently instituted a course to orient MFIs to business planning. In line with our commitment to share learning, we have condensed material from that course in the articles which follow. This edition of *Credit Lines* offers guidance to PLAN staff who require business plans from partner MFIs.

John Schiller and Delores McLaughlin,
Credit/MED Technical Team

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MFI Training Resource: The Economics Institute

The Economics Institute is a nonprofit educational training organization of the American Economic Association affiliated with the University of Colorado. The Economics Institute [illegible] curriculum with a [illegible] committed to economics. Each summer the Economics Institute assembles some of the leading educators and practitioners in the field of microfinance and offers a variety of microfinance related courses. For more information about the Institute and courses contact: [illegible]

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Email: [illegible]
Internet: http://www.colorado.edu/EconomicsInstitute

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What is a business plan?

What should PLAN look for?

The business plan is essentially a strategic plan with additional information on portfolio financing and financial management. There is no set format for an MFI business plan. However, business plans generally contain two linked components: **the strategic assessment** *and the* **operational guide.** *The two articles which follow set out what we regard as the minimum elements to be addressed in each of these two sections of an MFI partner organization's business plan.*

A business plan is the tool by which an MFI's mission gets translated into measurable targets. The strength of a good business plan is the way every decision has an impact on financial performance and the bottom line. There is a clear integration of all elements of the plan as well as functional integration of the staff who formulate and oversee its implementation.

Business planning does not replace traditional strategic planning. On the contrary, it extends the process to include financial planning and analysis.

Strategic planning is the process by which an organization's vision is translated into a course of action. The strategy is generally directed toward the goal(s) and is based on an understanding of the external environment and the internal capacity and potential of the organization. The process helps the organization decide what it will, and will not do.

Operational planning translates the strategy into a clear work plan, outlining what is to be implemented, by whom, at what cost and with what resources. There are clear, concrete objectives to be met, and an action plan for meeting them.

The CMTT has recommended that all partners chosen by PLAN to implement poverty lending programs prepare a business plan. Even though business planning is standard practice in the traditional banking sector, it is a relatively new practice for microfinance organizations (generally NGOs). In general, mature organizations, those beyond the start-up stage, are best prepared to manage the process. Some MFIs work with consultants to facilitate the initial development and then make adjustments/modifications to the plan as the program evolves.

Why is it important?

Most successful NGOs are familiar with project or strategic planning. Since microfinance institutions seek financial viability, their operations are strongly influenced by the external financial market and client needs. To prepare themselves to manage rapid program growth and plan for financial sustainability, many MFIs are embracing business planning as an appropriate alternative to the traditional strategic plan. *Moving Forward: Emerging Strategies for Sustainability and Expansion* (SEEP Network, 1996) explains: "Business planning, a standard tool of the private sector, identifies the market as it's starting point in the planning process. Growth targets are set as a function of market demand and the competition. These targets and other key assumptions inform income and expense projections that take sustainability from theory to reality."

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The strategic assessment

Critical data, core decisions

In the strategic section of a business plan microfinance institutions assess the current situation and make decisions regarding the markets they will reach, the services they will offer, the nature of their products, as well as their strategies for marketing and responding to the external environment.

At least seven points need to be included in the strategic assessment section of an MFI's business plan. The analysis in this section should support decisions made and support any plans for growth. Everyone in PLAN will recognize the first three elements of a strategic assessment, but the other sections involve terms and concepts which are less familiar to NGO staffs.

Vision

A clearly articulated vision encompasses the core values of the organization and what motivates it to excellence. A vision statement shows what the organization intends to do and how.

Mission

The mission is a statement of guiding principles, direction and values. Some examples of questions answered in a mission statement are: the organization's critical issues and how the organization responds to them, identification of the core clients and how the organization reaches them, core values and what makes the organization unique.

Goals

Goals are the concrete expressions of the vision and mission. Goals tend to be general and long-term in nature, but the connection with the vision should be clear. For example, if the organization's vision is to provide access to cost-effective microfinance services to poor residents of a rural area and reach sustainability in five years, you would look for goals which reflect outreach capacity, services appropriate to the clients and operations at a level of efficiency and scale that will achieve sustainability. The ensuing strategies should be clearly related to the articulated goals.

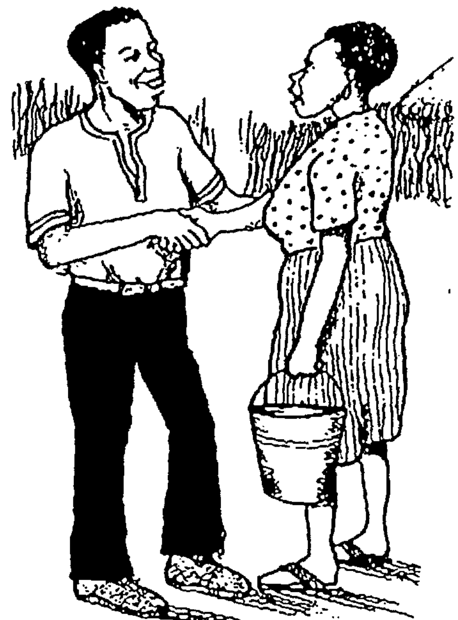
Client Analysis

For MFIs, the client analysis is one of the fundamental keys to meeting client needs effectively and efficiently. The MFI needs to understand its clients thoroughly to serve them well and to build client loyalty and accountability.

The client analysis identifies the potential clients, where they live, their enterprise activities and their financial service needs. Clients are often grouped into "markets" characterized by common factors. Markets may be defined by geography (urban, rural, coastal, inland), financial service product (group lending, individual loans, savings, loans for fixed assets or working capital loans) by enterprise market type (producers, vendors, market vendors, etc.) or by operating scale (income generating, microenterprise, small enterprise). The market analysis informs the MFI's identification of key strategic factors, such as where demand is highest, which services clients need and potential growth areas.

The client analysis also describes the economic and personal characteristics of the population to be served. Economic traits include income and assets, work experience, location, financial needs (what services are valued), perceptions of credit and evolving credit needs. Relevant personal traits for the analysis might include gender, age, language, literacy and cultural cohesion. The business plan should offer an analysis of these characteristics, identify client needs and present a "profile" of the potential clients and the financial services and products the organization will need to satisfy the financial needs of this group.

Turn to "Strategic Assessment" on page 4



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"Strategic Assessment," continued from page 5

Environmental Analysis

What is the broader context in which the organization operates, what changes are anticipated and how will the organization respond to the changes? What trends represent opportunities for expansion or growth? Which might jeopardize the MFI's ability to meet client needs? Once identified, there should be a strategy for responding to these situations. Here are some key topics to cover in the environmental analysis:

Competition: What other financial services are available to the client markets now? How do those services compete in terms of service, cost and products offered? What changes in the competition are projected for the future?

Collaborators: Which organizations might supplement the services offered by the MFI now or in the future? For example, a list of local banks for savings services and organizations which provide relevant training might be included.

Macroeconomic Issues:

Look for an analysis of the larger economic context. How do people earn their livings?What are the average amounts people earn? What influences might affect incomes, such as inflation and economic stability? Data should be segmented by the region or locality where the clients live.

What is the national gross domestic product and economic growth rate? Note demographic trends (e.g., gender, population shifts from rural to urban areas, etc.), political, social and economic stability.

Regulatory Factors: Each MFI should be aware of and take into account government policies and the policies and practices of financial institutions in their area. Of course, they must know the legal requirements of operation. But such knowledge also allows them to assess which policy areas they may choose to try to influence at a later date.

The environmental analysis should be clearly presented with patterns identified. There should be a direct line between the environmental analysis and the products and services offered to the clients.

Institutional Assessment

The institutional assessment analyzes the organization's strengths and weaknesses. There are a number of ways this information can be presented, but for MFIs the following information should be included:

Products and Services: The analysis should show that the institution's products and services respond to clients' needs and are sufficient to reach a scale necessary for covering operating and financial costs. It should demonstrate that effective interest rates are high enough to ensure financial self-sufficiency once the projected scale (number of clients) is reached.

Institutional Resources and Capacity: This section sets out the organization's structure and governance, describe its staff and human resources policies and details critical management systems. What are the positions, the qualifications and the capacity of existing staff? How are they recruited, promoted and evaluated?

What is the organization's asset base? What are credit policies and financial management policies and procedures? Describe the management information systems (MIS), the system of internal controls (rigorous systems to ensure no funds are misused) and audit provisions (an external audit should be performed annually).

The institutional assessment is of critical importance. Objectivity is crucial. An outside perspective can ensure that objectivity and provides a broader perspective. The analysis should honestly describe the current state and note what changes are needed for projected growth and sustainability.

Strategies

Each MFI should have clearly articulated objectives. These should be measured in quantifiable terms and time frames which make sense when compared with the client, market and situation analyses. The strategy should explain the policies, programs, actions and resources which will enable the organization to achieve the objectives. In particular, this section should discuss what primary decisions have been made regarding how the organization will achieve its objectives, including a discussion of changes or development in the product (programs) offered, the areas of human resources and systems design. A strategy for competing in the market should be based on the product to be offered, the cost of services and the quality of service to be offered (to build customer loyalty). The MFI must balance growth, risk and profitability and it is in this section an organization should identify what opportunities they have chosen to not act on and what opportunities they may act on at a later date.

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What is a business plan?

First step: The strategic assessment

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In the strategic section of a business plan, MFIs assess their current situation and make decisions regarding the markets they will reach, the services they will offer, the cost of their products as well as their strategies for marketing and responding to the external environment.

Critical data, core decisions

6 *What should PLAN look for?*

MAIN SUBHEADS GREEN ALL OTHER BLACK

- **Vision**
- **Mission**
- **Goals**
- **Client Analysis**
  - ✔ Economic activities
  - ✔ Financial needs
  - ✔ Market defininition
- **Environmental Analysis**
  - ✔ Competition
  - ✔ Collaborators
  - ✔ Macroeconomic Issues
  - ✔ Regulatory Factors
- **Institutional Assessment**
  - ✔ Products and Services
  - ✔ Marketing and Distribution
  - ✔ Institutional Resources and Capacity
- **Strategies**
  - ✔ Specific objectives
  - ✔ Timeframes
  - ✔ Product
  - ✔ Product development
  - ✔ Marketing and Distribution
  - ✔ Institutional Resources and Capacity

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What is a business plan?

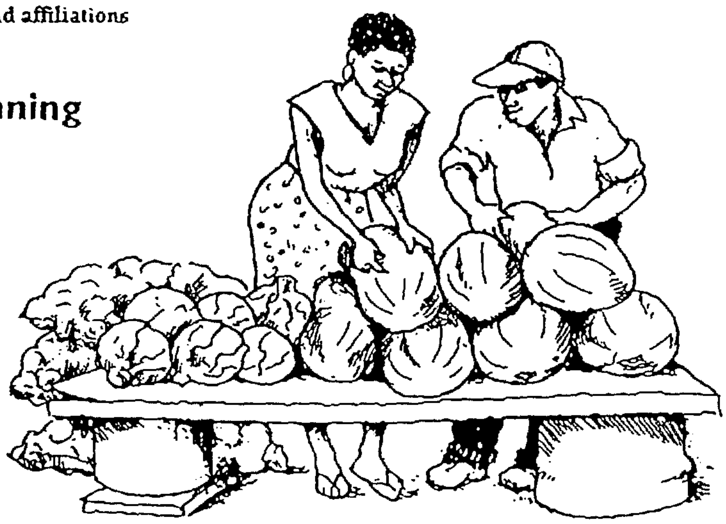
Second step: The operational guide

Putting analysis into action

By applying the information, conclusions and decisions contained in the strategic plan to the organization's goals and environment, operational planning provides a road map to the MFI's goal of becoming a viable, financially sustainable operation.

What should PLAN look for?

- **Products and Services**
  - ✔ Loan size and terms
  - ✔ Savings design
  - ✔ Meeting changing client needs
- **Marketing and Distribution**
  - ✔ Client reach
  - ✔ Profitability
  - ✔ Growth and financial viability
- **Institutional Resources and Capacity**
  - ✔ Management Information Systems
  - ✔ Internal controls
  - ✔ Audits
  - ✔ Strategic alliances and affiliations
  - ✔ Legal structure
- **Financial Planning**
  - ✔ Loan portfolio report
  - ✔ Income statement
  - ✔ Balance sheet
  - ✔ Cash flow projection



PLAN INTERNATIONAL

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The operational guide

Putting analysis into action

By applying the information, conclusions and decisions contained in the strategic assessment to the MFI's organization, goals and environment, the operational guide provides a road map to the MFI's goal of becoming a viable, financially sustainable operation.

Sustainability requires that the operation serve a large number of clients cost efficiently. The services or products offered must be client-driven and revenues must be sufficient and timely enough to ensure a scale of operations. The operational guide should provide a detailed, realistic action plan for achieving all of this. As with the strategic assessment, there is no single format used for the operational guide, but there are some minimum elements.

Products and Services

For most of PLAN's partner MFIs, providing cost-effective financial (and possibly education) services to poor women will be an integral part of their mission. This commitment to service must be balanced with the need to reach a significant scale within a projected time frame. The stronger the organization's emphasis on meeting clients' needs and building customer loyalty, the higher its chances for balancing scale and service.

The size and terms of loans to be offered will affect who the clients are. The importance of savings should be factored into the design as should considerations for flexibility in meeting the various needs for capital. The institution's response to changing client needs will have a direct bearing on customer retention and loyalty. As the institution grows, the products should become increasingly standardized to promote efficiency. Yet, at the same time, the number of products will probably increase to accommodate new and increasing client needs.

Marketing and Distribution

This section addresses the question "How will the institution 'market' its services to clients?" There are many considerations for marketing and distribution, but at a minimum each MFI business plan should provide for a strategy

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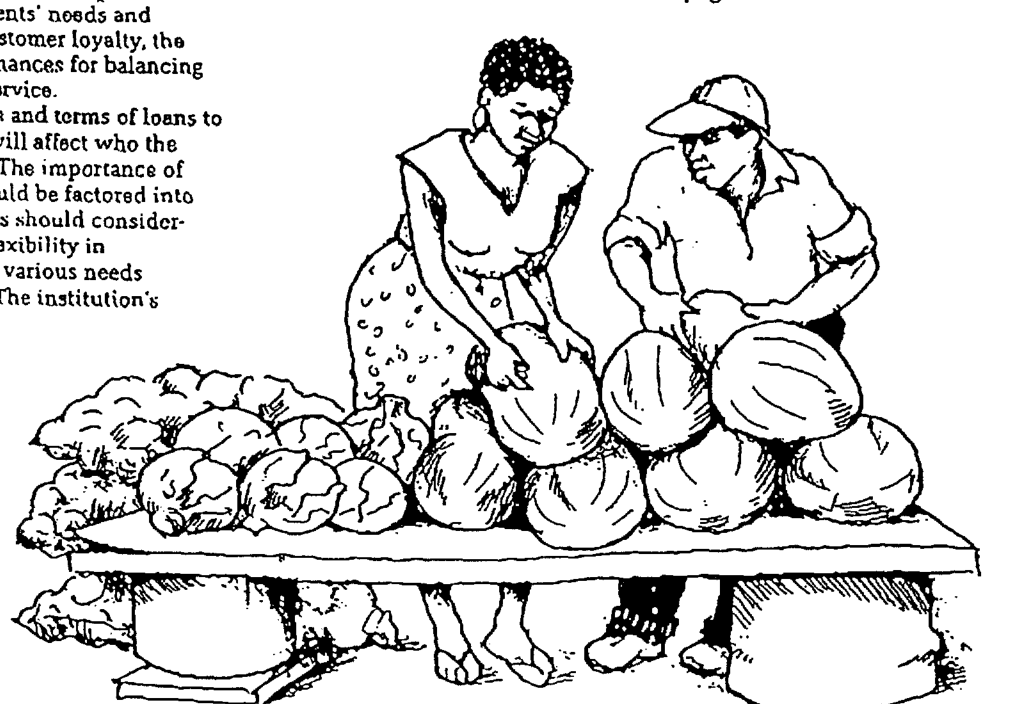
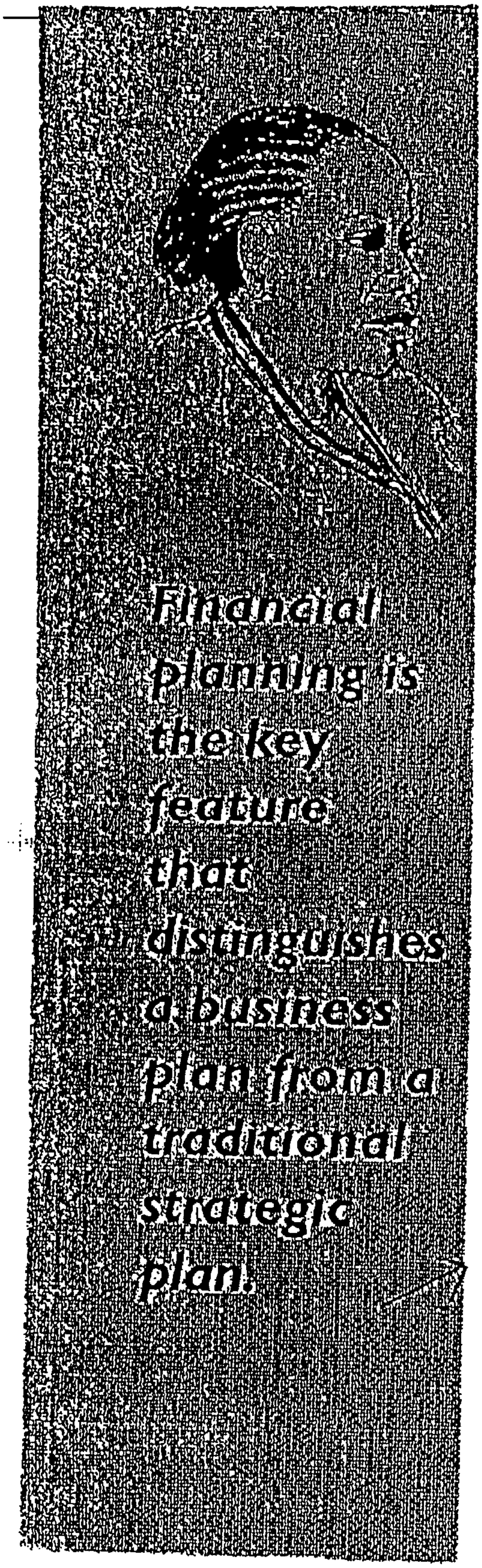
Turn to "Operational Guide" on page 6





"Operational Guide," continued from page 5

which is cost effective, provides for geographic coverage in terms of outreach and service and ensures that a strong relationship is maintained with the clients. The marketing strategy draws on information from the client analysis and the environmental analysis. The marketing plan establishes what must be done to reach a substantial scale of operation and maximize both client reach and profitability as soon as feasible. Plans for decentralized operations (such as branch offices) and growth will be clarified in this section along with a discussion of constraints on program expansion.

Institutional Resources and Capacity

The organization's capacity is at least as important to its success as the market and the broader economic and social context in which it operates. An MFI must have strong institutional capacity and a strategy for future self-development. Some institutional characteristics to look for include a strong organizational structure and an interested, committed board, mechanisms for hiring staff and developing their capacity, such as salary incentives and promotional opportunities. Be sure the MFI has enough staff with the experience and qualifications to perform their duties well. The MFI should anticipate the training staff will need to carry out expansion and growth.

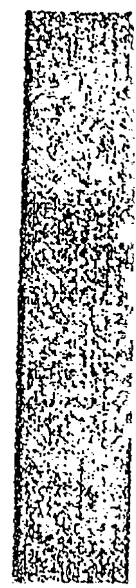
Another indication of capacity is the organization's management information system (MIS). Their MIS must be capable of producing timely, accurate and comprehensive reports with information on key indicators. The business plan should include a description of how the MIS will work, what information is collected and reported, who will receive the information and how it will be used.

There are a few other capacity factors PLAN should consider. **Internal controls:** do they exist, are they formal and are they followed? **Audits:** are they regular, conducted by independent auditors and meet acceptable accounting standards? **Strategic alliances and affiliations:** does the MFI have external support it needs? **Legal structure:** are the organization's bylaws, registration and governance appropriate for the activities and growth in their plan?

It is worth noting that most MFIs are not currently operating at the level necessary for full financial self-sufficiency. Business plans should present strategies for building capacity to accommodate growth and expansion. Often it is PLAN's role to support that partnership growth by helping the MFI build institutional capacity.

Financial Planning and Management

Financial planning is the key feature that distinguishes a business plan from a traditional strategic plan. In the financial section, the MFI demonstrates in quantitative terms how it proposes to cover expenses with earnings, how it intends to finance growth, expansion and other objectives, and how it will manage its liquid assets. This section is based largely on key financial statements that include loan portfolio reports, income statements, balance sheets and cash flow projections. Ideally, for analytical purposes, the business plan should present statements on the prior three years' performance as well as projections of the



organization's ability to generate these statements is a good sign that it possesses appropriate management information and accounting systems.

The *loan portfolio report* should describe the evolution of the loan fund over the previous three years. It should contain a statement of the current loan portfolio in terms of its volume, composition and effective interest rate. It should also present an accurate picture of the portion of the portfolio at risk by giving an aging of arrears and explain the institution's policy for loan loss provision. The report should describe the MFI's credit market broken down by product, sector, and region and describe the interest rate policy. Finally, it should describe the specific steps the MFI will follow to increase loan volume and interest income and present growth projections for bringing new clients and income into the system.

An *income statement* details the MFI's financial income and cost of funds, allowing it to calculate its financial margin. By further subtracting operating costs it will produce a net income figure which indicates whether the organization is operationally sustainable. In the case of organizations that are not yet sustainable, it will show streams of concessional funds that are necessary to cover all expenditures.

A *balance sheet* is a summary of the MFI's uses of funds (assets) and sources of funds (liabilities and net worth) at a particular moment in time. Information from the balance sheet and corresponding income statements can be used to calculate ratios that indicate the financial health of the institution. Analysis of these ratios over time will reveal whether an organization is moving towards sustainability.

The *cash flow projection* tracks the sources and uses of funds and, most importantly, indicates the timing of cash flows in and out of the organization. Anticipating cash surpluses and deficits enables MFI staff to invest cash surpluses for additional income and to borrow extra funds or delay payments to cover cash deficits. A realistic projection is another good sign of the MFI's capacity.

Putting it all together

At the 1995 Microfinance Network Annual Conference, Michael Chu, President and CEO of ACCION International explained how business planning connects goals to the practical means by which we can accomplish them.

"*For example,*" he explained, "*if an institution wants to assist national economic development through microlending, it must identify the market share that it will achieve... The market will be further defined by geographic area, which translates into a certain number of branches and field staff, which in turn determines the organization's cost structure. From these targets, one deduces the portfolio size, which leads to the funding sources that are required, which result in a funding plan.*"

Planning is the process of thoroughly thinking through a problem and its solution before acting. We cannot fully predict the future, but by applying data and experience to planning techniques, we can anticipate and prepare for most of the needs and obstacles we are likely to face in action. By planning for the foreseeable, we free ourselves to deal with — and to learn from — the unexpected.

The stronger the organization's emphasis on meeting clients' needs and building customer loyalty, the higher its chances for balancing scale and service.

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We can meet client needs *and* the bottom line

As we said at the beginning, this information is offered as a guide to PLAN staff who are working with partners to establish and operate high performance poverty lending programs. A good business plan demonstrates that the MFI PLAN intends to partner with has clarified their mission and goals, carefully analyzed the external environment and their institutional capacity and thoroughly analyzed the steps necessary to reach a level of sustainability associated with high performance poverty lending.

This business approach we are offering does not dismiss clients' needs; rather, it is based on the premise that a clear understanding of client needs is critical to developing a strategy for success. However, to achieve financial and operational self-sufficiency — in other words, sustainability — an MFI must approach planning in the same way a business does. Generating and managing resources, financial and otherwise, are necessary and critical skills. The business plan is a road map to support this end.

Further Reading:

This information in this issue of Credit Lines represents only a general outline of what is contained in a business plan and how it is used. For a more in-depth understanding of business planning for MFIs, we recommend the following.

Banking Services for the Poor: Managing for Financial Success. An Expanded and Revised Guidebook for Microfinance Institutions, Robert Peck Christen. Available from ACCION International, Publication Department, 733 15th St. NW, Suite 700, Washington, D.C., USA

Financial Ratio Analysis of Micro-Finance Institutions and *Moving Forward: Emerging Strategies for Sustainability*, The SEEP Network. Both available from PACT Publications, 777 United Nations Plaza, New York, NY 10017 USA.

Forthcoming publications:

Business Planning and Financial Modeling: A Handbook for Micro-Finance Institutions. Publication pending from the World Bank. A draft of this document contributed significantly to this article. It is expected to be completed and published by World Bank C-GAP before January, 1998.

The CMTT will include a guide for assessing business plans and a model business plan in the forthcoming Guide to Microfinance Partnerships for PLAN which will also be available during 1998.

Credit Lines

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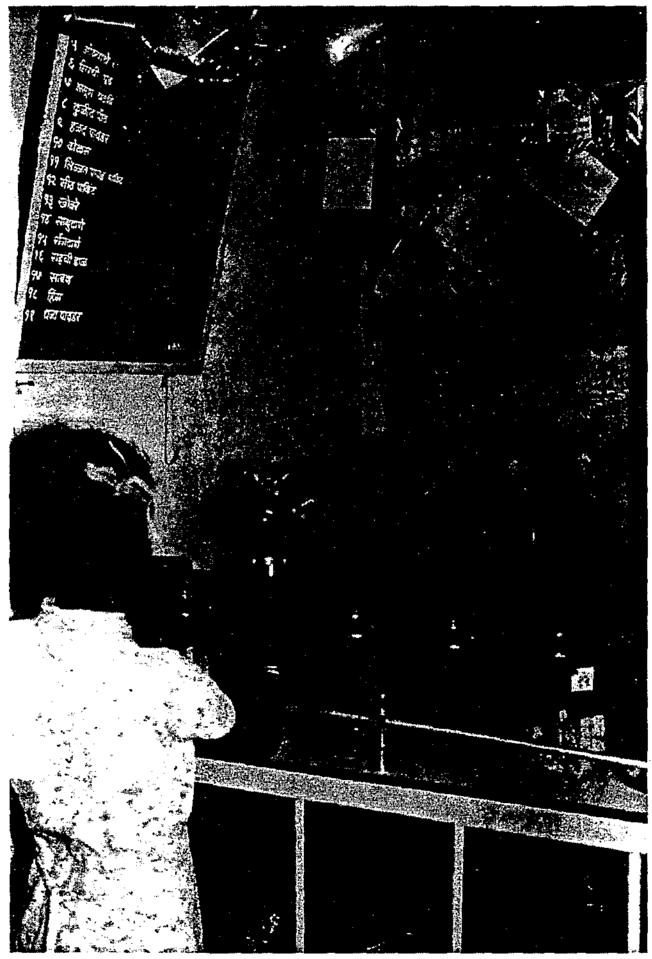
Attachment C

A Childreach Program Report Vol. 3, No. 1

Giving Women the Credit

Of the world's 1.2 billion poor, approximately 70% are women.



ALTIPLANO, BOLIVIA—High on the wind-swept plains of the Andes mountains, the native Aymara people earn their income primarily from the soil.

The going is hard; these are among the poorest families in the Hemisphere.

Aymara women bear a disproportionate share of the burden of poverty, often struggling to manage a household while operating a range of economic activities to supplement the average annual income of $150.

Some earn money by selling the surplus from their crops and animals. Others produce goods that are sold or traded with neighbors or in local markets.

For these women, self-employment is their only option to earn income that is critical to the well-being of their children.

Banking on Women

PLAN is working to increase the employment and income of the productive poor, mainly women. One way we do this is by investing in local organizations that help women organize and manage village banks.

Village banking is a program that enables poor communities to establish their own credit and savings associations. A village bank is formed when a group of women in the community come together, choose members, elect officers, and establish by-laws.

PLAN provides a loan to the village bank, which then makes individual loans to its members. The bank guarantees the loan and relies on peer support for repayment.

By U.S. standards, repayment rates in our programs are astounding: 95% to 98%!

Credit Linked to Savings

Borrowers start with a small loan (approx. $50). As they establish a good repayment record, the amount of money borrowed may be increased.

Women use the loans to invest in and operate their small business and other

Continued on next page

"It is better to look for a path than to grow angry with the forest."

—Wolof proverb (Senegal)

Continued from cover
enterprise activities, and they repay the loans from their profits.

Credit is linked to savings, which are held by the village bank and constitute capital that the bank can lend or invest.

Women-Focused, Child-Centered

Credit programs for poor women have proved to be very important as a development strategy.

Credit programs make capital available for women to earn income who would not be considered credit-worthy by local banks and who would otherwise pay exorbitant amounts of interest to money-lenders. They also create opportunities for women to learn the skills of managing a bank and their own financial resources.

The empowerment gained from these programs carries over into every critical aspect of women's lives, helping them acquire far greater control over their options and choices in regards to their own and their children's health, nutrition, housing and education.

PLAN's women-focused credit programs help the poorest women increase their income and thus—as our experience has borne out—improve the lives of their children.

Story by Delores McLaughlin, PLAN Credit/MED Technical Unit.

reach
is a program report of Childreach
Vol. 3, No. 1

Address inquiries to
Childreach
reach report
155 Plan Way
Warwick, RI 02886
800/556-7918 toll free
From overseas 401/738-5600

Why Credit?

Why not grants, without need for repayment?

Because PLAN works to prepare families for an independent future, free from poverty—and free from PLAN.

Small business—or "microenterprise"—development provides a way for women to generate income, which in turn allows them to meet their families' basic needs for food, clothing, and shelter *themselves*. Credit is an important vehicle that supports microenterprise activities.

"Poverty Lending" is the term used when providing credit to people who have minimal or no resources. The loans provide an "economic intravenous," allowing poor women to borrow small amounts to capitalize their microenterprise activities.

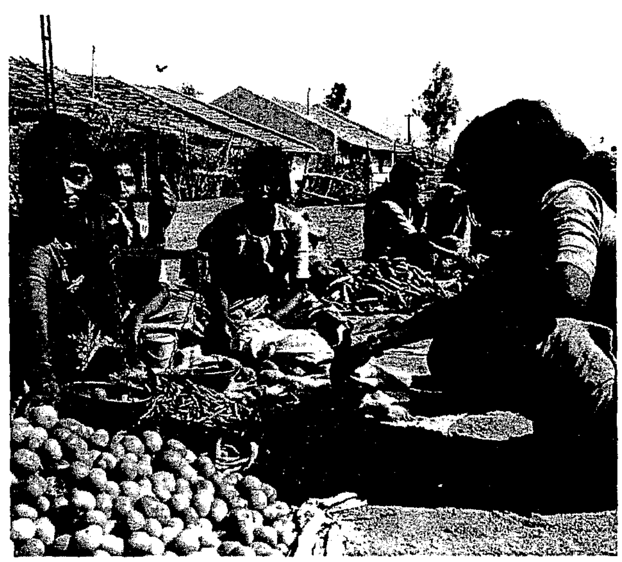
Typically, they repay the loans, with interest, quickly, which allows them to borrow again. Each repayment results in a better credit history and increased amounts available for future business loans.

Why Women-Focused?

Our program is focused on women in order to realize an impact on children.

Women are much more likely than men to spend their surplus income on the needs of the family and the children.

A focus on women results in better nutrition and health, safer shelter, greater opportunities for schooling, and other benefits that improve the lives of children.



A MESSAGE FROM THE NATIONAL EXECUTIVE DIRECTOR

Educating Girls & Women: No Time To Lose

In 1990, about 300 million children did not have access to primary education. Of these, 200 million were girls.

Dear Friend,

Since 1994—the Year of the Girl Child—Childreach has focused a lot of attention on the special needs of girls and women.

We've received many comments from donors on our efforts. Most offered praise for our work toward gender equity. Others wondered, *Why the fuss?*

Why Educate Girls?

- **It reduces child mortality.** Studies show that the health of children is *directly proportional* to the education (expressed in years of schooling) of the mother. Aymara children (see cover story) whose mothers have a primary school education have an infant mortality rate *half* the size of those whose mothers are illiterate.
- **It reduces fertility.** An extra year of schooling reduces female fertility by 5-10%.
- **It reduces maternal mortality.** By increasing knowledge about health care practices and reducing the average number of pregnancies, female education significantly reduces the risk of maternal death.
- **It helps prevent the spread of HIV/AIDS.** Educated girls are more likely to know the risk factors for contracting the HIV virus. Educated girls and women have far greater control over their sexuality.

The case for increased investment in the education of girls and women is overwhelming. Indeed, few other investments in the developing world—though immensely valuable—are as productive as our investment in female education.

Yes, educating girls is a long-term strategy, with many complex social and cultural barriers erected over the centuries to be broken through. How can two thirds of all the world's illiterate people be women, except for the existence of the most obstinate and intractable barriers? In this case it might be helpful to remember the story John F. Kennedy used to tell, about a man who asked his gardener how long it would take for a certain seed to grow into a tree.

"A hundred years," the gardener said, to which the man replied:

"Then plant the seed this morning. There is no time to lose."

Samuel A. Worthington
National Executive Director

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"We Live Here, Too!"

The special needs and abilities of children occupied a far greater share of the agenda at the recent UN "Habitat II" summit on housing in Istanbul—thanks to PLAN.

At the start of the Preparatory Committee Meetings in New York last February, where the Global Plan of Action (GPA) on Habitat was to be drafted for decision at the Istanbul summit, children were all but completely ignored in the document plans.

Aghast at the exclusion, PLAN delegates went to work. Since non-governmental organizations could not participate directly in "PrepComm" negotiations, PLAN prevailed upon Norway and UNICEF to introduce language for a "child principle" into the draft Habitat GPA.

At our aid was an extraordinary 21-panel exhibit of colorful works of art, all created by PLAN-sponsored children, on *their* needs and visions as they relate to Habitat. The exhibit—titled *"We Live Here, Too!"*—dominated a key corridor through which most of the PrepComm's 800 delegates passed several times a day.

The PLAN delegates also received significant support from the European Union nations, Japan, Sierra Leone, Malawi, Senegal, and India.

If at the start of the PrepComm there was scarce mention of children in the draft GPA, by the end the document included:

- *new references to children* in the Preamble to the draft GPA;
- *recognition of children's special needs* for shelter, leisure, recreation, and access to open space;
- *language calling for children to take part in setting standards* for community facilities and in the setting of habitat priorities and disaster preparedness; and
- *recommendations that data on children be used* in evaluation and monitoring of habitat.

"PLAN International became synonymous with championing the child in Habitat II," noted David Goldenberg, one of the five PLAN delegates.

At the official opening of the *"We Live Here, Too!"* exhibit, Secretary-General Wally N'Dow of the UN's Centre for Human Settlements, called PLAN "one of the most important organizations in the world today."

Even more satisfying, he took up our call on behalf of children, stating that "our survival as a human project must be predicated upon children, upon youth."

Story compiled from PLAN International reports.

Slow Is Beautiful

The world's population is growing more slowly than at any time since the second world war, says the UN. In 1990-94, population growth averaged 1.57% a year, compared with 1.73% over the previous 15 years. Many countries in Africa and Asia are starting to see lower total fertility rates. Kenya's rate has dropped from more than 8 children per woman in the late 1970s to 6.3 in 1990-95. In Bangladesh the fall has been even faster, from 6.2 children in 1980-85 to 4.4 in 1990-95. In several African countries, however, fertility rates show no sign of dropping.

Declining fertility has generally been accompanied by a rising age of marriage and wider use of contraception.

"[PLAN is] one of the most important organizations in the world today."

—Wally N'Dow, Secretary-General, UN Centre for Human Settlements

Thank you for making child-focused programs like these possible, by giving so generously!

Senegal's Children Take Their Message Over the Air

"The child shall have the right to freedom of expression...The child shall have the right to engage in play and recreational activities and to participate freely in cultural life and the arts."
—from Articles 13 and 31 of the UN Convention on the Rights of the Child

Sixty percent of the population of Senegal is under 16 years of age—yet there is extremely little radio or TV available that is tailored to children, encouraging them to learn, have fun, express their opinions, or think for themselves.

Mimi Brazeau, an experienced Canadian radio broadcaster, is putting her skills to work for PLAN in Senegal by creating a new radio program for children ages 5 to 15.

Following the success of *Guneyl*, the popular PLAN-supported children's newspaper, the program will be a further way of giving children access to information and ideas which are fun, educational, and reinforcing of children's rights.

PLAN has negotiated the use of air time on the national broadcasting station, RTS, for the weekly one-hour program, free of charge.

"Our mission will be to entertain first, educate second," says Mimi.

"We must remember, children have a right to play!"

Mimi is involving children from urban and rural areas in the conception of the recorded programs as well as in their on-air presentation. The program includes a news "round-up", folklore, a "Did You Know?" segment, a "child's viewpoint" segment on a particular issue, interviews with other children and with famous Senegalese personalities, and much more.

The national show is broadcast mostly in Wolof, with some French and other local languages.

Please Consider a Childreach Gold MasterCard

A contribution from MBNA America Bank goes directly to our Children's Emergency Fund every time you make a purchase using the no-annual-fee Childreach Gold MasterCard with the joyful Childreach logo. To apply, call toll free **1-800-847-7378.** Please give the Childreach Priority Code MZPL. Thank you.

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Please reach out to the neediest children

☐ **Yes, I'll help deliver child-focused development programs to needy children and their families.**

Enclosed is my gift of:
☐ $15 ☐ $25 ☐ $50 ☐ $100 $_______other

☐ **I'll become a sponsor to a needy child and family.**

I'll sponsor a ☐ boy ☐ girl ☐ either

Who lives in ☐ Central/South America ☐ Asia
☐ Caribbean ☐ Africa

Enclosed is my first sponsorship contribution of:
☐ $264 annually ☐ $132 semi-annually
☐ $66 quarterly ☐ $22 monthly

Name ______________________ Donor # ________

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Your gift is tax deductible. For a copy of our most recent financial report, write to: New York State Department of State, Office of Charities and Registrations, Albany, NY 12231; or to Childreach. If you have questions of any kind about our work, please call **1-800-556-7918.** From overseas call 401/738-5600.

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Attachment C

Foster Plan News

August 1997 **No.37**

Special Report

Increasing Family Income Saves Children
Is Foster Parent "SATOOYA"

Residents discussing their repayment plan at the weekly meeting.

In order to provide a clear picture depicting a future credit rating system and the growth potential of micro-enterprise, loan lending is designed in four succesive stages. First and second stage loans must be repaid within a maximum 50 week period, while third and fourth stage loans must be repaid within two weeks. Subsequent loans are determined by their repayment history. After the fourth loan stage, it is hoped that project members will graduate to formal lending institutions. By 1995, a total of 413 males and 487 females werer egistered and a total of Kshs.(Kenyan Shillings) 21 million (¥42 million, Kshs.1≒¥2) had been loaned and savings of Kshs. 5.3 million(¥10.6 million) had been loaned to the project participants, while Kshs. 2.4million(¥4.8 million) in loan interest had been generated. The repayment rate was 97.38 %!.

Micro Credit Project -Kenya-

In the Eastern Province of Kenya, Embu, primary industries such as farming, livestock rearing, fishing and forestry are significant micro-economic activities. Commerce, trade and agricultural processing are also important industries within the micro-economy. The Micro Credit Project aims at a promotion of productivity, profitability and working conditions of the productive poor. By providing l small short-term loans and encouraging the local population to use their skills and ideas to engage in commercial activity which creates employment and sustains income levels, their quality of life improves.

The groups targeted are in Gachoka and Siakago divisions of Embu District. 5-year plan will reach 2010 direct beneficiaries with 4831 loans being lent. 90%of the loan recipients have repaid their loans on time. Each small group is composed of 30 members and further sub-divided into 6 groups of 5 members each. Its members share similar economic status and all come from the same village. Since group members are familiar with one another, the 'we' feeling is enhanced, hence group solidarity is achieved. Such groups therefore enjoy mutual trust, confidence, and moral support for each other, hence creating a sounding board for problem solving. Each group has a management committee. The committee determines loan beneficiaries and oversees the collection and repayment procedure. A effective working climate is therefore cultivated.

The repayment rate in this Small-Scale Credit Loan Project is remarkable. More important is the change in their economic consciousness. Establishing a small-scale credit loan institution accompanied by a human resource promoting projects an effective means of empowering the socially and economically weak, especially women. Women's income and savings directly reflect their level of child care and level of nutrition. By attending local meetings, they become aware of common feelings in the district. At the same time, by being lent money and starting to save, they can consider what it is like to have a better standard of living for their children and themselves. Small-scale credit loans can never be a 'cure-all' for poverty, as its effects depend on the economic environment of the targeted people. It will never be successful if the conditions do not meet of their needs. This loan strategy will never take effect without the mutual trust of residents, and residents' trust of the supporting organization built on past successes.

Conclusion

How can we promote development and assistance activities in face of the global poverty? What non-governmental organizations can do is small-scaled and limited. Therefore, our activities should be not only comprehensive but also focused. They should be carried out with the assistance of local residents and contain learning experiences. It requires continuous effort to improve the area living environment. PLAN regards Improving Children's Quality of Life by Mothers' Attendance as the main key of its Livelihood Domain. To improve mothers' and children's living environment, we need to provide appropriate economic activities in which they can participate and increase their disposable income. Furthermore, we need to pay attention to how they use the income in their families. If there is a certain meeting place for women, they have opportunities to cooperate by discussing how to solve daily problems and share housework and child care. Their lives need to be improved while not neglecting their responsibilities. This is to ensure the support of their family members. On the other hand, as a supporting organization, we have to pay close attention so as to approach their lives while not ruining their existing relationships. We also need to avoid increasing their working load without increasing their income. Therefore, 'when' is the biggest concern in terms

Mothers can change Children's lives.

of introducing income generating projects and small scale loans. What kind of approaches should be taken for people at the bottom of the economic ladder in the developing countries? By considering racial, sexual, economic and social inequalities, PLAN and other NGOs are working on activities to promote poverty relief.

Key Indicators of Livelihood Domain

Considerations for an Individual and Household Economy

Are there various ways to fulfil children's needs such as food, clothing and accommodation?
Are the guardians eager to improve children's life?
Is their disposable income increased?
Are their savings and property holdings increased and do they utilize the loan?
Are women and children able to decide on a use of their property and incomes.

Considerations for Communities

Were the profits shared widely?
Were they able to chose their leaders democratically without financial restrictions?
Did they gain property for the group and acquire economic strength to carry on?

Considerations for the PLAN

What is the volume and number of the loan and savings?
Did the cost inputs decline because of local earnings?
What time frame is involved from the endowment or loan to the point of realizing benefits?
Is a monitoring system established?
Who will be suitable to monitor and evaluate the social and economic effectiveness of the projects?

Attachment D

PLAN INTERNATIONAL/USAID
CREDIT/MED STRENGTHENING INITIATIVE

STRATEGY FOR COLLABORATION
WITH
NATIONAL OFFICES

BACKGROUND:

When PLAN International embarked on the institutional strengthening initiative for Credit/MED the primary concern was to inject the concepts and principles of high performance poverty lending into program strategies and to build capacity within PLAN and partner organizations to implement these programs effectively. This remains the primary focus. However, we have always understood long-term success of the initiative will be determined by our ability to establish and maintain a base of political and financial support for the continuation of program activities after the grant period. This is an important sustainable element of the overall program design. We need to create a culture in the organization to support poverty lending.

PLAN was established 60 years ago as an effort to counteract the effects of war on children. The strategy of the organization has evolved over the years from providing direct charitable contributions to children to working within communities to create a holistic environment that will nurture and sustain children. The move from a philosophy of "welfare" to "empowerment" has been a gradual, and at times difficult, process of evolution. The effort to incorporate high performance poverty lending programs into the program strategies is part of that evolution and represents a cutting edge for PLAN.

PLAN's worldwide network of National Offices (NOs) play a critical role for the organization. The fourteen [1]NOs are responsible for a number of activities but their primary role is to recruit sponsors and manage the communication between sponsor and the sponsor children in program countries. This involves marketing, recruitment, selection and education. Shared letters between child and sponsor provide information from the child about their family and the community they live in. However, the NOs are the primary source of information for sponsors about the programs we operate to improve the lives of children and the results of those activities.

Sponsor donations are the primary source of financial sustainability for PLAN programs. According to the 1996 annual report PLAN raised $264 million dollars in revenue, almost all of this coming from the efforts of NOs and more than 92% from sponsor donations. The organization is accountable to sponsors in a unique way and any key part PLAN's economic development program strategy must be understood by and acceptable to sponsors. Sponsor opinion plays a strong role in programming strategy.

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[1] Currently National Offices are operating in Australia, Belgium, Canada, Denmark, France, Germany, Japan, Republic of Korea, Netherlands, Norway, Sweden, Thailand, United Kingdom and the United States. Brazil is pending board approval.

The NOs are critical players for other reasons as well. In addition to sponsorship activities, NOs are involved in other types of fundraising activities such as securing grants from governmental and private organizations, donations from benefactors and public relations. The NOs are the source of financial support in the organization and clearly any effort to build and sustain long term sustainability for high performance poverty lending must include collaboration with them.

The purpose of the paper is to provide an overview of the issues identified for collaboration and the goals, objective and strategy for moving forward for further collaboration.

GOAL:

Build solid political and constituency support within PLAN National Offices and create mechanisms to integrate poverty lending into their fundraising and sponsor education activities.

OBJECTIVES:

1.) Increase understanding and awareness of the concepts and benefits of poverty lending by National Office staff.
2.) Create and test strategies for building long-term support within new financial markets.
3.) Secure sufficient financial resources to support the development and expansion of pilot site programs.
4.) Develop materials for building sponsor understanding and support for poverty lending programs.

STRATEGY:

During the first year of operation of the Credit/MED Institutional Strengthening grant the CMTT has made a concerted effort to keep the National Offices informed of the goals and progress of the Credit/MED institutional strengthening initiative. For example, we have included them on the mailing list for Credit Lines, made presentations to the Program Management Team (which includes the Directors of the NOs) and the Grants Information Network (which is a team made up of National Office representatives) and invited National Office representatives to our two latest Credit/MED workshops.

However, the most important action we have taken to date in this area is to visit six of the offices[2]. During these visits we have given presentations about poverty lending in general, and the Credit/MED institutional strengthening initiative in particular, to staff, board members and sponsors. One objective of these visits was to learn about how a National Office operates. It was an important beginning to understanding how we might

[2] To date visits have been made to Australia, Canada, Japan, Netherlands, United Kingdom and United States offices.

collaborate in the future to build long term financial and sponsor support for the continuation of the activities.

These discussions revealed some important points to be considered:

- The 14 National Offices are each autonomous with independent boards. There is a common framework for communications between sponsor and child, but that is where the similarities end. Each office has a different market they work in and these markets respond in different ways. The implications of this are that each NO will have to evaluate the responsiveness of their market to determine what benefits are to be gained from collaboration as well as where it sits in their order of priorities. Each organization has a limited budget to operate on and the funds spent for fundraising or development education must produce results. In short, no single strategy will fit all organizations. However, the benefit of this initiative is that we can support some of the developments costs (financial and otherwise) associated with testing new markets and methodologies.

- Many of the National Offices are starting to express more interest and desire in understanding and supporting various program strategies. For example, PLAN has identified five program domain (sector) areas and seven program principles that constitute the basis of our program strategies. Some NOs are concentrating their interests in areas that are of particular interest to their sponsors and major donors.

- The high performance poverty lending methodologies contain inherent elements some NOs consider highly marketable such as the focus on women, the business approach and the design for sustainability. Nevertheless, other people think there are also elements that are contradictory to organizational philosophy. Specifically, some question the appropriateness of using sponsorship funds to invest in institutional development of NGOs because of the difficulty of accounting to the sponsor for benefits to children. Others are concerned about charging poor people high interest rates. As described in the original program proposal, the high performance credit methodologies are part of a movement from charity based projects to sustainable economic development strategies. The tension resulting from this shift is strong in the NOs because their connection with sponsors is the most direct.

- Since PLAN is a child focused organization there is tremendous pressure to produce results that directly benefit children. Our program model is based on the premise that opening up access to revenue for women to engage in enterprise activities, combined with educational messages, will result in direct benefits to children and family. A result of this nature takes time to manifest and evidence to demonstrate it requires well-documented evaluations. We need to demonstrate clearly that children's lives improve in order to build and sustain sponsor support.

- As mentioned earlier, microfinance is a unique activity within PLAN and even with the tremendous potential for gaining long term financial support. One of the challenges for long term is to ensure that steady, reliable funding is available from diverse sources to support the continuation of poverty lending.

Activities:

In the program area we are working with microfinance methodologies previously tested. The challenge with NOs is to identify a model that works within the PLAN structure, introduce these programs into PLAN strategies and build the capacity to implement them. Working with NOs will require a different approach since there are no established and tested methodologies for addressing building institutional support and long term financial resources in an organization like PLAN. Efforts of this nature are highly specialized and need to be individualized. In the case of PLAN that may even involve individualized strategies for each NO. Any efforts to integrate microfinance into NO activities will require us to identify where and how there is a fit with their overall activities.

With this in mind our strategy for collaboration will focus on four areas:

- developing and testing strategies for securing long term financial support from for PLAN's high performance microfinance from new financial markets;
- developing products appropriate for sponsors to increase awareness and support for poverty lending schemes;
- increasing awareness and knowledge of National Office staff and contributors of the goals and benefits of microfinance programs; and
- ensuring adequate funds to establish and expand programs in pilot areas and other countries committed to high performance microfinance.

Following is a summary of how we intend to accomplish this.

Work with a National Office as a 'pilot site' to develop and test strategies and products for new financial markets:

The Australia National Office (ANO) is one of the most promising of relationships established to date. In May,1997 a visit was made to the ANO to introduce PLAN's Credit/MED strengthening initiative. The environment in Australia was receptive at this time primarily because the Australian Government participated in the Microcredit Summit held in Washington in February, 1997. As a result they extended an invitation to Muhammad Yunnus (of the Grameen Bank) and during his visit received a lot of press coverage.

During the week there were meetings with sponsors, representatives from local educational institutions and many discussions with the ANO staff. They were all moved by the stories and images, and encouraged by the level of commitment within the organization to microfinance. Specifically they were attracted because of the focus on poor women and the fact that we are supporting local NGOs to build sustainable programs. A number of possibilities for collaboration have been discussed and the ANO has agreed to work with the Credit/MED as a 'pilot site' to develop and test methodologies for marketing microfinance and building a base of long-term, committed financial supporters. The activities of the pilot site are still in the discussion stage but the objective of the activities are to increase PLAN's profile in Australia amongst the finance/business community (a new target audience) and to gain long-term financial support from finance/business leaders for PLAN's Credit/MED programs.

Expected outcome:

This is an exciting milestone for the initiative. It will be an opportunity to work with a National Office to explore a funding base beyond sponsors. The expected outcome will be one NO will have an on-going relationship with the business and financial community that secures long-term financial support for microfinance. We expect to learn more about how this market functions, what appeals to them and how to secure their interest.
Institutional Learning:

Institutional learning will be ensured in the following ways: 1.) an article will be included in PLAN's News and Views, the international newsletter as the effort progresses; 2.) at least one edition of Credit Lines (CMTT's Credit/MED Technical Bulletin) will be devoted to sharing the lessons learned; 3.) a presentation will be made to the National Directors; 4.) all materials developed will be shared with other National Offices; and 5.) a report of the results will be prepared and distributed to all National Offices;

Time frame: October 1, 1997 to September 30, 1999.

Produce materials suitable for NOs to educate and inform sponsors about why poverty lending is important.

To date efforts with individual National Offices have produced two products in the form of a newsletter to sponsors. Two NOs (US and Japan) highlighted microfinance as an effective economic development strategy in their newsletters to sponsors. We will continue to encourage NOs to increase the information provided to sponsors and provide them with input whenever possible.

However, in order to build increased understanding and support among sponsors we will develop and/or secure the following materials suitable for sponsors and offer them to National Offices for use in their marketing and sponsor education efforts:

1.) A brochure directed at sponsors explaining the benefits of poverty lending.

2.) A presentation package suitable for NO staff to use when speaking to local community and sponsors groups.

3.) A series of articles suitable for inclusion in NO mailings to sponsors offering case studies and profile of clients for the purpose of giving examples of how participation in a microfinance program effects client's lives (with a focus on benefits to children).

Expected Outcomes:

The product will be a portfolio of materials suitable for sponsors to increase awareness and increase support for microfinance schemes.

Institutional Learning:

The portfolio will be shared with all NOs. We are hopeful that once the materials are developed we will be able to convince a NO to test the materials with sponsors and produce a report of the results which will also be shared. (We consider USNO, Japan and the UKNO all to be strong candidates for this.)

Time Frame: October 1, 1997 to September 30, 1999.

Increase awareness and understanding of PLAN's Credit/MED initiative and high performance poverty lending in general among National Offices.

It is our intention to provide information and exposure the NO regarding the efforts of the CMTT, progress of the six pilot site programs, and general information about microfinance programs. The following activities are planned to promote maximum knowledge and exposure:

1.) CMTT will sponsor visits to pilot sites and participation in Credit/MED Workshops for National Office staff (particularly staff working on activities under this strategy);

2.) The six National Offices who are leaders in sponsorship, fundraising and grants and have an interest in microfinance activities (Australia, Canada, Japan, Netherlands, United Kingdom, and United States) will be visited at least once a year to keep them up to date on issues, progress of the program and to disseminate new materials as developed.

3.) Results of, and lessons learned from, NO collaboration activities will be reported in the CMTT bulletin Credit Lines . All NOs will receive this publication and other major products produced by CMTT such as the forthcoming manual on partnerships.

Expected Outcomes:

We have found in our preliminary efforts in this area there is much to be gained from bring NO and program staff together. It allows for more full appreciation and understanding of all perspectives. Exposing NO staff to program activities is expected to result in increased knowledge and awareness of the benefits of microfinance programs for PLAN communities and better prepare these staff to explain the benefits to co-workers and constituents. By spending time with NO staff it is also anticipated program staff will learn more about how they operate, what their priorities are and how to effectively present information to sponsors.

Institutional Learning:

All efforts are directed to mutual sharing of information and learning.

Time Frame:

On-going throughout the grant.

Work with representatives of National Offices in the Grants Network to identify and secure adequate funding for pilot site startup and expansion.

The USAID/PLAN initiative provides support for institutional development within PLAN for high performance programming. PLAN has also committed PLAN funding to support activity at the partner level (both for capacity building and capital funds). As the program evolves we realize original estimates of funding needed by partners is probably low. Country Directors sometimes find it necessary to secure outside funding for the continuation or expansion of the pilot programs. USAID and PLAN funds are not always sufficient (or available) for an area. For example, in Kenya (where no USAID funds are spent) PLAN funds are supplemented by CIDA who contributes to the capacity building of one partner.

When we started this initiative it was assumed our collaboration with NOs would be through helping them secure grants for future projects. Some NOs have staff who are dedicated to seeking and obtaining grants from various government development organizations and in a few cases foundations and initially these NOs were hopeful we could provide them with technical assistance for microfinance grants. Our expectation was to work with the Grants Information Network (GIN) to develop guidelines for preparing proposals for microfinance funding (See CMTT DIP). Since then we have determined this would not be the best strategy for long term sustainability.

It is our intention to work with National Offices as necessary to secure grants when appropriate to continue or expand pilot site programs. This will be done primarily by nurturing the link between NO grant staff and program staff (see previous activity) and providing the necessary technical support for the program.

Expected outcomes:

Sufficient financial support for creating or expanding high performance programs in pilot countries.

Time frame:

On-going throughout the grant.

Attachment E

PLAN INTERNATIONAL/USAID
CREDIT/MED
INSTITUTIONAL STRENGTHENING INITIATIVE

STRATEGY FOR SUSTAINABILITY

BACKGROUND:

In September 1994, PLAN International and USAID entered into a preliminary agreement (called a Learning Grant) to explore the possibility of PLAN making a longer term commitment to institutional strengthening and capacity building in the program area of credit for microenterprise development activities.

Everyone understood the risks of this undertaking. PLAN has a history with Credit/MED programs, technical assistance and Matching Grants. A substantial amount of resources had been dedicated to MED projects in the past with mixed results. For the most part activities were localized with limited scope and impact. The most common forms of MED activities involved some form of craft skills or agriculture production. Credit activities were generally operated by program staff and rarely subject to strict discipline regarding repayment of loans.

There are a number of reasons why PLAN achieved less than satisfactory results in Credit/MED programs but the most common stated has to do with the inherent conflict within the organizational culture. For many years PLAN operated as a charity based operation providing direct handouts at first and then later grants to communities for development projects. The principles of charging interest, recovering costs of operation and requiring repayment of loans were perceived as inherently contradictory to the organizational philosophy. There is also an organizational belief that working directly with community groups is the best route to empowerment; however, this strategy does not lend itself to sustainability in terms of financial services.

On two occasions PLAN staff recognized the need to improve capacity to operate MED programs and Matching Grants were secured from USAID: the first was 1984-87 and then again 1987-90. The final evaluations of these programs identified a lack of leadership and a lack of common definition of terms contributed substantially to the under performance. The chief planner for the organization added to this perspective several other reasons including an overall resistance to technical advisors (the organizational philosophy maintained that technical assistance should be decentralized and provided by consultants acquired at the Regional level) and the inability of the staff working within the grants to integrate with other program areas and organizational activities. Feed-back from the field added another perspective. It was perceived by most field offices that the activities of the Matching Grant were centralized and consisted mainly of producing documents or instruction manuals. The important step of applying the instructions at the field level didn't occur.

However, at the time of the Learning Grant several things were happening in the organization that opened new windows of opportunity and the end result was that PLAN and USAID believed that a sufficient foundation had been established during the two years. (See the December, 1996 Final Report on Learning Grant activities submitted to USAID for further information.) A five-year strategy for institutional strengthening was developed and USAID and PLAN International entered a matching grant agreement in September, 1997 to implement the strategy.

We are now at the end of the first year of implementation of the Matching Grant. During this period the CMTT has given serious consideration to the issue of long-term sustainability for the program. We have reviewed and considered previous efforts in this area, assessed the progress made during the first three years of operation, and taken into account the current state of the program and the future direction of the organization. Our effort involved discussions with several colleagues both within PLAN (many of these colleagues are leaders in the organization) and externally. CMTT staff also participated in workshops and discussions led by the Sustainable Development Services (SDS), a USAID funded project to assist NGOs in developing strategies for sustainability.

This paper puts forth our definition of sustainability and the strategy we propose to work to this end.

SUSTAINABILITY: WHAT ARE THE ISSUES?

This is an important question and must be considered at multiple levels. At the pilot site level, program standards and monitoring systems have taken into account sustainability in terms of microfinance (portfolio) management and institutional capacity. Microfinance programs established with partners all include business plans that map out their path to financial sustainability.

However, PLAN International is a complex organization and the subject of sustainability for a program intended to 'build institutional capacity' in the area of microfinance programming in an international PVO is a complex one. If we start with the premise our intention is to ***create an environment that will support the continuation and expansion of the program model PLAN has adopted[1] after the Matching Grant funding has ceased***, then a number of factors need to be considered:

> ***Building capacity within pilot sites:*** We have said from the beginning that a cornerstone of the success of the institutional strengthening initiative will require us to demonstrate that the model we have chosen for PLAN can be successfully implemented in each of the six PLAN Regions. That is why we chose six pilot

[1] PLAN's program model focuses on poor women and works through partnerships with local organizations to implement high performance, sustainable financial services with education programs that result in socio-economic benefits to children.

countries to test the model, one in each Region. There are a number of key elements that need to be conducted successfully in order for CMTT to be able to declare the model as suitable and realistic for PLAN. We need to build the understanding of, commitment to and technical capacity of staff to operate high performance microfinance programs within the pilot countries. That will be the foundation for long term sustainability.

Demonstrating program impact: PLAN has a very clear mandate to improve the lives of children. For any program strategy to continue to be incorporated into long term operations we must ultimately demonstrate how it helps reduce the stresses of poverty and improves the lives of children, directly or indirectly. It is also critical to successfully demonstrate that the program model chosen incorporates the values PLAN has established (such as the seven program principles) and successfully integrates with other PLAN programs.

Institutional learning: Institutional learning has taken place primarily at the staff level (technical training and capacity building). However, establishing and maintaining programs at pilot sites are only a part of the equation. On an institutional level we need to be able to transfer this technology and the lessons we learn to PLAN staff in other countries. Additionally other key people (board members makers and other policy makers especially) need to understand the impact of microfinance programs on communities and individuals and the progress we are making in learning how to implement these programs. The learning from the Matching Grant activities should contribute to and influence program activities in the future as well.

Institutional policies: Institutional policies can either be an incentive or disincentive for supporting high performance microfinance programs. Policies directly effecting this program include goals established within program planning documents approved by the International Board, policies relating to partnership agreements and credit policies, and policies regarding the use of sponsorship funds (the primary source of financial support for institutionalized programs).

Extending capacity beyond the pilot sites: The long-term ideal would be that high performance, sustainable microfinance programs are an integral part of the PLAN Livelihood strategy in all countries where the environment supports this programming. To date we have identified a number of countries that are interested in starting, or have initiated, programming. The CMTT supports these efforts to the extent possible the context of the grant imposes certain limits. Additionally, it is expected the interest will increase as the pilot site programs start to generate impact results. The issue for sustainability is how adequate technical guidance and support will be made available for the countries beyond pilot sites who want to pursue this programming once the grant has ended.

Technical backstopping: During the term of the Matching Grant PLAN has agreed that technical support for Credit/MED will be provided through the CMTT which is based in the International Headquarters (IH) Program Quality Unit (PQU). Strong technical guidance and backstopping is a condition of the grant and is critical to the success of the initiative. However, this arrangement is contradictory to the current organizational philosophy. Within the past few years PLAN International Headquarters shifted their strategy from centrally based technical support to a decentralized approach. This is the result of a strong opinion on the part of many organizational leaders that technical support should not come from the center; rather, each local office is encouraged to hire local consultants on an as-needed basis. Without getting into discussions regarding the pros and cons of this approach, the issue for sustainability will be how to ensure that state of the art technical backstopping the in the area of high performance microfinance programs will be available for PLAN management and program staff.

Financial support for programs: Some of the programs established during the Matching Grant period have strategies to reach a point of being financially self-sufficient (or close to it). These programs will be able to continue after the term of the grant. However, real sustainability of a pilot site requires continued access to financial resources that will allow for expansion of established programs and creating programs in new areas. Long term sustainability within PLAN would mean the capacity to expand the technology to additional PLAN countries. This would require financial resources for programs and technical backstopping.

Integration into National Office activities: The 14 National Offices (NOs) have an impact of program operations. They are the bodies that raise all funds for the organization and maintain the direct link between the sponsor and child. The NOs are the barometers in the organization that measure what sponsors and other donors are willing to support. They are also a primary source of information to the sponsor and other donors regarding the program activities and the benefits children receive. The sponsor has direct communication from the child, but in programs where benefits involve community development the NO is the body that educates the sponsor on those activities. We need to work with NOs to integrate the benefits of microfinance programs into their sponsor education programs and to ensure long-term financial support for the continuation of microfinance programs within PLAN.

The points discussed above represent a range of people, functions and issues within the organization that are all contributing factors to long-term sustainability of the activities established under the Matching Grant. They take into account the analysis of previous efforts as well as what has been learned during the first three years of operation.

Finally, one of the points mentioned in the introduction was the perception of the field staff regarding the 'top down' strategy of previous Matching Grant efforts. From the beginning the CMTT has been determined that our efforts would be to build from the 'field up'. This means that we spend most of our time in the field getting to know the field staff and what their circumstances are. This approach was affirmed recently when the IH PQU conducted a survey to determine if the CMTT efforts are effective. The response was unanimous in support of the continuation of this effort. The survey also included suggestions from the field regarding the 'institutionalization' of the Credit/MED technical strengthening. The following strategy incorporates the suggestion made by the field staff in the survey response.

STEPS TOWARD SUSTAINABILITY

The CMTT strategy to work toward sustainability for the Credit/MED program involves: 1.) successfully establishing and operating a high performance microfinance program that is suitable for PLAN in six pilot program countries; 2.) evaluating and documenting the benefits of microfinance programs to PLAN, including socio-economic impact on children; 3.) implementing a strategy for institutional learning to build an extensive, cross-cutting, long-term constituency base among program staff, sponsors and policy makers; 4.) promoting policies and organizational philosophy that sustains high performance programs; 5.) collaboration with National Office activities; and 6.) establishing a mechanism to ensure long term financial resources for future program activity.

Establishing a framework and the capacity to implement high performance microfinance programs in each of six pilot countries.

Choosing a pilot country in each Region was a strategic decision. The circumstances differ tremendously in each of the six Regions. To establish and operate a program in South or Central America is not sufficient to become a integral part of PLAN's strategy. In order to institutionalize the program strategy it must be applicable in all of PLAN's Regions. By establishing the capacity and creating a program in each Region we open the opportunity to prove that a general program model will work within PLAN with adjustments for local conditions. Each pilot program is considered a seed in the Region to be used as an entry to introduce these programs on a broader scale.

We will use the following measurement for sustainability at the pilot site level for each of the six country programs established under the grant. Each country program will be operating at a scale that includes (but is not limited to) the following:

1. A clear program commitment (reflected in annual budget and planning documents) to focus on high performance microfinance;

2. An national strategy in each pilot country for microfinance which includes policies to discontinue ineffective practices and sets forth standards for implementing high performance microfinance programs;

3. Staff dedicated and trained specifically for Credit/MED programs;

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4. A team (including PLAN and partner organization staff) supporting the program and joined with established networks of advisors, consultants and practitioners for on-going implementation;

5. Established on-going partnerships with local organizations that contain business plans for reaching sustainability within 5 years of initiation and showing clear evidence of meeting goals and objectives established in the agreements;

6. Established indicators for sustainability in the areas of portfolio management, organizational capacity and socio-economic impact; and

7. Established and operating monitoring systems to assess the progress of each partnership and business plan.

These elements are considered minimal for the continued operation of successful programs in each of the pilot countries at the end of the grant period. Our commitment to sustainability is to ensure that adequate guidance and support is provided to ensure that each of the pilot sites can reach and sustain a level of operation necessary for effective programming. (For more information about the strategy for building this capacity and the methodology for microfinance programs see the original program proposal and DIP.)

Demonstrating socio-economic impact on children:

This is one of the major challenges facing us since the ability to measure impact on clients involves a number of factors. First, the program must be operating over a sufficient period of time before many of the socio-economic impacts can be measured. We intend to address this issue in the following way:

1. Each pilot country program will identify specific goals to achieve in the area of socio-economic impact;

2. We have embraced a program model that has been demonstrated to increase the likelihood of achieving socio-economic benefits.[2] Each program will contain an 'education' component designed to achieve the socio-economoic goals of that pilot country;

3. We will establish a terms of reference for each partnership assessment and partners will be chosen for their 'shared vision' and willingness to support PLAN's socio-economic goals;

4. We will establish consistent terms of reference for program evaluations including a review and evaluation of scoio-economic impact, particularly on children; and

5. All programs will be subject to independent program evaluations.

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[2] The Credit with Education approach pioneered by Freedom from Hunger Foundation (FFHF).

In addition to these steps we will continue to seek out evaluations conducted by other organizations and groups to glean information regarding impact of microfinance programs, particularly on women and children.

Institutional Learning and Constituency Building:

In terms of sustainability we consider it critical that the sharing of information (particularly new technology, experiences within the organization and lessons learned) continue on a broad scale to promote further awareness and understanding, build constituency support and to increase knowledge about effective methods and techniques for implementing programs.

In this vein CMTT will enhance our efforts for long term sustainability by conducting the following activities:

1. Produce and publish *Credit Lines* (the CMTT microfinance bulletin) three times a year;

2. Produce and publish technical manuals for successfully operating programs within PLAN (such as creating and maintaining partnerships, integrating gender equity, a monitoring and evaluation system, etc.);

3. Conduct workshops and training sessions within pilot countries for Credit/MED staff;

4. Conduct workshops in each Region (for Country directors) to share program information and lessons learned from pilot site activities; and

5. Identify and circulate information regarding training opportunities, publications and other resources for learning.

The CMTT will also take advantage of any opportunity to give presentations and speak to groups regarding benefits of microfinance programs. (See the NO strategy for collaboration for other significant institutional learning activities to build a constituency, particularly among sponsors.)

Promoting policies and organizational philosophy that sustains high performance programs:

This is an important element of any continued program operations. There are formal and informal policies in PLAN and the CMTT has continually tried to influence both and will continue to do so in the following ways:

1. Advocate the development of an organizational credit policy that promotes capacity building of partners who work in PLAN communities and supporting cost-effective, high-performance microfinance programs;

2. Advocate program policies for women and child focused economic development strategies;

3. Promote the development of policies within each Region for discontinuing ineffective practices and promoting high performance, sustainable microfinance schemes;

4. Advocate for investing sponsorship donations to provide capital funds and build institutional capacity of local organizations that provide microfinance services for PLAN communities;

5. Demonstrate the value of providing centrally based technical backstopping within PLAN.

Collaboration with National Offices:

The fourteen[3] National Offices (NOs) in PLAN are responsible for a number of activities. The NOs recruit sponsors and manage the communication between sponsor and the sponsor children in program countries. This involves marketing, recruitment, selection and education. Shared letters between child and sponsor provide information from the child about their family and the community they live in. However, the NOs are the primary source of information for sponsors about the programs we operate to improve the lives of children and the results of those activities. Finally, the NOs raise all the funds for the organization; 92% of funds come from sponsor donations.

It is clear to the CMTT that any plan for sustainability must include integration with the NO functions. In fact, this activity is substantial enough to warrant a separate document that details our strategy for collaboration with NOs. (Strategy for Collaboration with National Offices submitted to USAID September 30, 1997.) The action steps included in that document are considered part of the strategy for sustainability.

CONCLUSION

As indicated earlier, it is our intent to work toward the goal of sustainability by creating an environment that understands, values and supports microfinance programs as an important element of PLAN's economic development strategy. However, there is one important issue not addressed through the above strategy. Specifically, how will PLAN ensure that technical support will be sustained after the end of the grant period? The answer to that question will be dependent on all of the above factors and will most likely be influenced by others as well. We will promote continued discussion and consideration of this issue over the period of the grant.

[3] Currently National Offices are operating in Australia, Belgium, Canada, Denmark, France, Germany, Japan, Republic of Korea, Netherlands, Norway, Sweden, Thailand, United Kingdom and the United States. Brazil is pending board approval.

Attachment F

A Guide for Assessing Credit/MED Institutions

One way in which PLAN can help needy families achieve higher levels of economic well-being is to provide access to credit and training that will help them develop microenterprises. For example, during the past fifteen years there have been great advances in lending methods to the very poor, especially poor women, that have resulted in increased economic opportunity to millions.

Because PLAN is a generalist, multiservice organization, it is not realistic to expect that it can deliver a high level of economic development services itsélf. It can, however, form partnerships with local organizations that are specialized and experienced in this area and, therefore, capable of implementing savings and credit and enterprise development models among large numbers of the poor.

This guide is intended to help PLAN program staff analyze the effectiveness and suitability of intermediary organizations that provide financial services and training in microenterprise development. The goal is to identify compatible organizations that share PLAN's vision of women and child-focused economic development, deliver high-quality services and that are managed in a way that results in sustainability over time. To this end, the guide looks at four aspects of institutional capability: high performance programming, organizational culture, management and reporting systems and governance. Each of these sections is broken into sub-categories that include indicators that can be measured or described.

The guide is not a questionnaire. Rather it is an outline for information-gathering which should ideally take place over time through interviews, field visits, the study of documents, informal encounters with staff and discussions with other development professionals who know the organization.

Organizational Particulars

- Name
- Address
- Executive Director
- Number of staff
- Key staff (names and functions)
- Years in operation
- Annual budget
- Sources of income and percentage of total budget by category

High Performance Program Model

High performance models typically have approaches very focused on one or a few benefits with a well-defined process for achieving them. Support systems (training, monitoring and evaluation, information, financial management) are also well-defined and support the benefit delivery approach effectively. Cost recovery, affordability of services (often achieved by focus and minimalism) and cost management are characteristics of such approaches. In the best cases these characteristics lead to profitability.

Financial services

1. Wide scope of services and focus on the poor. Services provided on a wide scale to thousands or tens of thousands of clients. Evidence of service to low-income clients, women and men, especially clients lacking access to other financial institutions.
    - Number of clients
    - Average loan outstanding
    - Average loan outstanding as a percentage of per capita GDP
    - Percentage of loans to women

2. Client-appropriate lending. Providing quick, simple and convenient access to small, short-term loans that are renewed or increased based on excellent repayments. Use of collateral substitutes (e.g. peer guarantees or repayment incentives) or alternative forms of collateral to motivate repayment. Emphasis on character-based lending for small loans, with simple cashflow and project appraisal for larger loans.
    - Credit & savings model
        - how are groups organized, what is lending process
        - loan size, terms, purpose
        - interest rate, fees -- how calculated

3. Appropriate pricing policies. Offering loans at rates sufficient to cover the full costs of efficient lending on a sustainable basis (after a start-up period), recognizing that poor entrepreneurs are able and willing to pay what it costs an efficient lender to provide sustainable financial services. Interest charges should be set to cover the costs of mobilizing funds, inflation, administration and loan losses.
    - Effective interest rate
    - Rates of other financial institutions and microenterprise lenders

4. Portfolio quality. Maintaining a portfolio with arrears low enough that late payments and defaults do not threaten the ongoing viability of the institution. For example, organizations with loans in arrears over 30 days below 10 percent of loans outstanding (i.e., portfolio at risk below 10 percent) and annual loan losses under 4 percent satisfy this condition.
    - Current volume of lending and effectiveness
        - number, value of loans outstanding
        - number, value of arrears, aging of arrears

5. Savings services. Offering savings mobilization services, where legally possible and economically feasible, that facilitate small deposits , convenient collections, safety and ready access to funds -- either independently or with another institution.
    - Obiligatory vs. voluntary savings
    - Uses of savings by the institution
    - Interest paid on savings

6. Growth of outreach. Making significant progress in expanding client reach and market penetration, demonstrating both strong client response to services offered and competence in service delivery management.
    - Growth in number of clients since
      - previous month
      - previous quarter
      - previous 180 days
      - previous year
    - Projected growth for
      - next quarter
      - next 180 days
      - next year

Non-financial services

1. Offering training and other non-financial services to enhance impact
    - Content of training (business, health, literacy, etc.)
    - Delivery system, integration with financial services
    - Capacity to develop training materials
    - Monitoring and assessment of impact

2. Progress towards developing self-sufficiency in non-financial services
    - Cost recovery mechanisms
    - Percentages of services covered by
      - income
      - subsidy

Organizational Culture

Management commitment to deliver high-quality services to the poor -- especially poor women -- in sustainable ways. This includes comitment to scale up and cover costs locally; the personnel, organizational structure and institutional values supportive of high productivity; and cost management, competitive services and the skill and strategy to acquire a steady and sufficient amount of income to provide benefits to large numbers on a continuing basis a to manage well an asset base to finance those benefits.

1. Self sufficiency. Steadily reducing dependence on subsidies in order to move toward financial self-sufficiency. Achieving operational efficiency, i.e., covering all administrative costs with client revenues, in three to seven years, and full self-sufficiency, i.e. covering all financing costs at non-subsidized rates within five to ten years.
    - Effective interest rate
    - Sources of income
    - Percentage of financial self-sufficiency reached

2. Movement toward financial independence. Building a solid and growing funding base with clear business plans, backed by operational capacities, that lead to mobilization of commercial funds from depositors and the financial system, and eventually to full independence from donor support.
    - Business plan and financial projections
    - Financial statements

3. Willingness to make any necessary adjustments in organizational attitudes, behaviors or practices to be consistent with overall program objectives. This may include training for organization staff in gender awareness and gender planning and analysis methodology to increase understanding of how to effectively plan and implement programs to benefit women; changes in organizational procedures and practices; and/or consultation with gender experts or women's organizations.

Management and Reporting Systems

Effective financial planning, management and information systems that gather in a timely way information that is analyzed and used to make decisions to improve program effectiveness, productivity and profitability.

1. Profit-oriented accounting system

2. Operations that manage large numbers of small transactions efficiently with high productivity.
   - Loans per staff member
   - Operating costs as a percentage of average portfolio

3. Accurate management information systems that are used to make decisions, motivate performance and provide accountability for funds.
   - Production of regular financial and program reports
   - Evidence that MIS is used to solve problems
   - Incentive system for employees

4. High reporting standards. Transparent financial reporting that conforms to international standards and allows prospective funders to evaluate performance adequately. At a minimum, financial statements should allow the following indicators to be computed:
   - number and amount of loans outstanding
   - number of small saver deposit accounts and total amount deposited
   - gender breakdown of clients
   - number of employees and managers working on savings and credit
   - effective interest rate paid by clients (incorporating all required fees, and calculated on a declining balance basis), both nominal and real
   - arrears (on a loans outstanding basis) -- unpaid balance of loans with payments overdue more than 30 days divided by the amount of loans outstanding -- there should also be an aging of arrears report available.
   - loan losses -- amounts of loans written off during a period, divided by average loans outstanding during the same period -- all loans over one year in arrears should be written off.
   - actual client revenues -- sum of all interest and fee income collected from clients on a cash basis (not accrual)
   - non-interest expenses -- includes administration, depreciation of fixed assets and loan losses
   - actual interest expenses (cost of funds)
   - local interbank lending rate and inflation rate

Governance

Institutional culture, structures, capacities and operating systems that can support sustained service delivery to a significant and growing number of low income clients. Requirements include a sound governing structure, freedom from political interference, competent and stable staff, a strong business plan for expansion and sustainability, and mission and vision which create a sense of purpose, ownership and mutual accountability among staff and clients.

- Existence of a governing board of directors, state of relations between the board and management, strengths and weaknesses and overall effectiveness of board.
- Strengths and weaknesses of executive director, participatory nature and transparency of management style
- Motivation and sense of mission of staff
- Existence of business plan, evidence of utilization, projected attainment of sustainability
- Organizational culture accepts change and evolves to adapt to changing circumstances, evidence of problem-solving ability
- Shares PLAN's vision of women and child-focused sustainable economic development
- Defines and measures impact in terms of positive effects on women and child welfare

A Guide For Written Credit/MED Partnership Agreements

1. Names, addresses, etc. of PLAN and Partner

2. Shared vision of PLAN and Partner

3. Specific objectives of each organization
   - PLAN's objectives are the following:
     - ⇒ Set up financial systems/services
     - ⇒ Institutional growth and stability of Partner institutions
     - ⇒ Socio-economic impact on women and children
     - ⇒ PLAN families served

4. Responsibilities and obligations of:
   - Shared
   - PLAN International
   - Partner
     - ⇒ Recovery of loan portfolio managed by Partner is 100% responsibility of Partner

5. Resources
   - Financial Transfers
     - ⇒ Amounts by category and schedule
     - ⇒ Conditions of transfer
       - ◊ Met objectives
       - ◊ Justify expenses
       - ◊ Submittal of reports
   - Loans
     - ⇒ Terms of loan repayment and forgiveness
     - ⇒ Loan guarantee clause
     - ⇒ Who assumes risk of recuperation of Partner's loan portfolio

6. Reporting requirements (See Annex 7)
   - Which reports (financial and program)
   - Periodicity of each report
   - Who must submit each report and to whom

7. Inter-Institutional Coordination
   - Responsible parties (named by their position within each institution)
   - Annual review meeting (to evaluate the program, coordination, and written agreement)
   - Levels of staff responsibility (lines and schedule of communication, duties and authority of each staff member)
   - Field visits (protocol and procedure)

8. Evaluation
   - Mid
   - Final
   - Others (Ex. - Case Studies)

9. Audit (open door)

10. Upon mutual agreement by both parties, may add related activities to written agreement, with appropriate amendments (without making new agreement). Examples are additional monitoring activities, reporting requirements, or budget amendments

11. Causes for Termination (legal assistance required)
    - 60 days notice required for termination of agreement
    - Results of failure to comply with responsibilities

12. Process for Dispute Resolution (legal assistance required)

13. Release from Liability Clause - Standard PLAN clause? (legal assistance required)

14. Protection of PLAN's and Partner's:
    - Trademarks
    - Computer software
    - Intellectual property
    - Manuals

15. Support for PLAN's sponsorship activities by Partner

16. Conflict of interest
    - Transparency
    - PLAN employees cannot receive loans (depending on level of financing, relationship, and nature of institution)

Annexes to Written Agreement

1. Project summary (2-3 pages)
    - Background
    - Goals
    - Elaboration of specific objectives
    - Methodology
    - Terms and conditions of loans (from Partner to beneficiaries)

2. Sustainability plan of partner

3. Financial growth schedule of partner

4. Detailed project budget
    - Operational costs broken down

5. PLAN's procedures for managing money
    - Includes financial controls

6. General criteria to evaluate the success of the program

7. Reporting forms
    - Examples of each form
    - Information required for each form

Program Domains

Livelihood

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1. Background

PLAN is focussing its work on poorer communities, giving special attention to poorer households within communities. PLAN aims to help its partners to become self reliant and self sufficient by attacking the root cause of poverty and ensuring that the family's improved economic position leads to positive social benefits for children. By helping to improve the financial and managerial capacity of communities, PLAN is ensuring that investment by other domains can be sustained.

There are several important issues that must be borne in mind when determining program elements and overall goal and strategic objectives for livelihood. These concern the children themselves, their families and the communities they live in.

Children Children play an important part in the economy of poor families and usually have to work long hours both within the household and sometimes outside. It is important that these labour obligations shall be kept to a minimum and that children's rights to education, health and recreation are respected even if they are working outside their family. Simply banning

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Attachment G

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child labour does not work; this often forces victims into even more hazardous and exploitive work. PLAN's Livelihood approach should, therefore, combine economic initiatives with education and increased awareness.

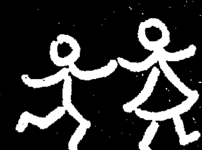
Families. The main factor influencing child welfare is poverty. If family income, particularly that of women, can be raised, there is considerable evidence to show that children will benefit. Increasing access to credit and financial services and micro enterprise training are two of the most effective ways of helping women increase their incomes. In doing this, it is also necessary to find ways of reducing the labor and time spent on subsistence and domestic work by family members.

Many of the families PLAN works with live on the fringes of the market economy and depend heavily on subsistence agriculture. Food production, the types of food they can grow, and the food they can thereby acquire for their own use are their major concerns. This determines their level and pattern of nutrition, which is of particular importance for children. To the extent that production can be intensified and diversified without extra labor demands, more can be sold to augment family income. Therefore, another key element of Livelihood is to strengthen food security and to improve and intensify agricultural production.

Communities. Improving the economic welfare of the poor is not simply a function of raising household incomes, but also depends on general community improvements. PLAN will therefore work with communities and other third parties (e.g. governments, NGOs) to help communities increase their capacity to improve community conditions and services. These programs are linked with Growing up Healthy, Learning and Habitat by providing community managed services and finance raised from families for activities in these domains.

[illegible]

PLAN will [illegible] through enlarging productive opportunities and increasing [illegible] for PLAN families and [illegible] and strengthening their [illegible] capacities.



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3. Livelihood Strategic Objectives

i. **To raise disposable household income of PLAN families through improving and diversifying sustainable agricultural production. Access to extension and other related services (e.g. credit) should be sought to that effect. . ii. To raise disposable household incomes of PLAN families through increasing access to financial services for the poor and encouraging their use.**

iii. **To enable children, youth and adults in PLAN communities to make a success of enterprise ventures and obtain employment through the promotion of relevant training and formal education.**

iv. **To increase the capacity of PLAN communities to provide and manage, in a sustainable way, some of the economic and social services needed to meet their basic livelihood requirements.**

v. **To prevent excessive or hazardous child labour that is detrimental to their development.**

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Plan International USA, Inc. 14-Oct-97
Agreement #FAO-0158-A-00-6047-00 (old numbering system)
Agreement #FAO-A-00-96-00047 (new numbering system)

PIPELINE ANALYSIS

		EXPENDITURES - YEAR 1 (09/01/96 - 08/31/97)			VARIANCE (09/01/96 - 08/31/97)			AGREEMENT BUDGET - YEAR 1 (09/01/96 - 08/31/97)		
I. DIRECT COSTS		USAID	MATCH	TOTAL	USAID	MATCH	TOTAL	USAID	MATCH	TOTAL
A. PERSONNEL - SALARIES & FRINGE BENEFITS	1. Headquarters - wages/salaries	101,818	25,455	127,273	22,431	5,296	27,727	124,249	30,751	155,000
	2. Field - wages/salaries	15,851	70,513	86,364	29,149	(55,513)	(26,364)	45,000	15,000	60,000
	3. Fringes - Headquarters & Field	25,138	21,123	46,261	8,712	(11,973)	(3,261)	33,850	9,150	43,000
	SUBTOTAL - PERSONNEL	142,807	117,091	259,898	60,292	(62,190)	(1,898)	203,099	54,901	258,000
B. TRAVEL, TRANSPORTATION, PER DIEM	1. Headquarters - Domestic (US)	19,207	4,493	23,700	(807)	(4,493)	(5,300)	18,400	0	18,400
	2. Headquarters - International	0	86,646	86,646	0	122,354	122,354	0	209,000	209,000
	3. Field - In country	0	24,294	24,294	0	49,306	49,306	0	73,600	73,600
	4. Field - International	0	0	0	0	0	0	0	0	0
	SUBTOTAL - TRAVEL	19,207	115,433	134,640	(807)	167,167	166,360	18,400	282,600	301,000
C. SUBCONTRACTS	1. Headquarters	0	0	0	0	0	0	0	0	0
	2. Field	0	730,853	730,853	0	419,147	419,147	0	1,150,000	1,150,000
	SUBTOTAL - SUBCONTRACTS	0	730,853	730,853	0	419,147	419,147	0	1,150,000	1,150,000
D. PROCUREMENT	1. Headquarters	36,765	11,925	48,690	47,035	(11,925)	35,110	83,800	0	83,800
	2. Field	0	27,470	27,470	0	38,930	38,930	0	66,400	66,400
	SUBTOTAL - PROCUREMENT	36,765	39,395	76,160	47,035	27,005	74,040	83,800	66,400	150,200
E. OTHER DIRECT COSTS	1. Headquarters	65,102	1,072	66,174	(23,102)	13,928	(9,174)	42,000	15,000	57,000
	2. Field	23,872	11,466	35,338	12,128	534	12,662	36,000	12,000	48,000
	SUBTOTAL - OTHER DIRECT	88,974	12,538	101,512	(10,974)	14,462	3,488	78,000	27,000	105,000
TOTAL - DIRECT COSTS		287,753	1,015,310	1,303,063	95,546	565,591	661,137	383,299	1,580,901	1,964,200
II. INDIRECT COSTS (17.7% excluding subcontracts)		50,932	50,349	101,281	16,912	25,921	42,833	67,844	76,270	144,114
GRAND TOTAL (DIRECT AND INDIRECT COSTS)		338,685	1,065,659	1,404,344	112,458	591,512	703,970	451,143	1,657,171	2,108,314

attachment H