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CROATIA GRANT PROGRAM REPORT, Quarter Two, Year Three

Period from February 1, 1999 to April 30, 1999

To the United States Agency for  
International Development

In fulfillment of the 1996-1999  
AID/OPPORTUNITY International Grant  
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Submitted by "NOA" SAVINGS AND LOAN COOPERATIVE, OSIJEK  
May 11, 1999

QUARTERLY REPORT: **NOA** February 1999 to April 1999

### PRINCIPLE OBJECTIVES

1. **DEVELOPMENT STRATEGY**
2. **ANNUAL REPORT AND KPMG AUDIT FOR 1998**
3. **RESOLVE LEGAL ISSUES REGARDING TAXATION**
4. **RE-REGISTER NOA UNDER THE NEW LAW ON SAVINGS AND LOAN COOPERATIVES**
5. **COORDINATE EFFORTS WITH OTHER NGO'S**
6. **FINANCIAL RATIOS AND INDICATORS TO BE REPORTED**
7. **OPEN NEW OFFICE IN DUBROVNIK**
8. **STRENGTHENING OF ENTREPRENEURS THROUGH BUSINESS TRAINING SESSIONS**

### MAJOR IMPLEMENTATION ACCOMPLISHMENTS

Up to date we have received 1625 loan applications. Out of that, 1407 individual loan applications and 218 group loan applications. We have processed for the loan committee 1147 applications, which has approved 973 loans to be disbursed. After loan approval, 123 persons withdrew from the application, mostly due to insufficient guarantee or some difficulty in possible loan realization (lack of business space, registration or location permit). At this time, 62 loans are in the procedure of disbursement. In the third quarter NOA has disbursed 204 loans, what from the beginning of the project totals 788 loans. Up to date 1203 jobs were sustained and 820 jobs were created. We also have 283 paid off loans.

### ACTIVITIES

#### **1. Development strategy**

In the past quarter, NOA's strategy for next five years was considered in the way the portfolio structure to be changed. Agricultural loans need to be under 50% of the portfolio, we need to bring in loan repayment in monthly installments where ever the type of business enables it, to increase percentage of the group loans on 25% in the year 2000 with tendency of slight growth.

On account of complete realization the beginning goal of NOA to be registered as a "small bank", starting-up savings services and opening branches throughout whole Croatia, we expect our strategic partners in the future continue to be USAID, Opportunity International, Centers for entrepreneurship in Osijek and Dubrovnik, UK Know-How Fund, EU and the potential creditors EDCS and Triodos banks from Dutch, as well as the Microfinance Center from Poland.

#### **2. Annual report and KPMG audit for 1998**

In 1998 operating with available funds NOA realized total income in amount of 2.380.759,15 kunas and total expenditure in amount of 1.535.783,29 kunas, what indicates on a gross profit in amount of 844.975,86 kunas. After paying the income tax in amount of 312.107,89 kunas, we have a net profit in amount of 532.867,97 kunas.

KPMG has audited our activities past April, and now we are expecting their report.

#### **3. Resolve legal issues regarding taxation**

Even at the end of 1998 NOA still didn't received the opinion of the Ministry of Finance regarding funds deposited from a foreign depositor (Opportunity International deposit), so before turning in the annual report NOA has asked one more time for a written opinion.

NOA was VAT exempted, and has paid income tax, as well as all regular taxes and contributions for employees (law obligatory on salaries).

#### **4. Re-register NOA under the new law on Savings and Loan Cooperatives**

After applying to the Ministry of Finance for working license December 1998, Ministry has two times asked for application supplements with some additional data and decisions which issues local government about offices contending to health and technical conditions, what was promptly issued.

On the Commercial Court requirement NOA to turn in all documentation for a preliminary registering until issuing the license, NOA has complied with it.

Ministry of Finance has informed NOA that she meets all the requirements and criteria for getting the license. Now they only have to wait for the Croatian National Bank opinion.

#### **5. Coordinate efforts with other NGO's**

OI and NOA have coordinated with several organizations during this quarter including ICMC in Bosnia, EU, CFE in Osijek and Dubrovnik, OSCE, SEAF, IRC Yugoslavia, Japanese Emergency NGO Belgrade and FLAG.

#### **6. Financial Ratios and Indicators**

Please see attachment. NOA also produces a month by month cash flow.

#### **7. Open new office in Dubrovnik**

In the past quarter, NOA's activities in Southern Croatia were as follows:

- Loan applications received: 26
- Loans approved for disbursement: 23
- Rejected loan applications: 3
- Loans disbursed: 18
- Disbursement pending: 5
- To be disbursed in 1999 in US\$: 200.000
- Disbursed up till now in US\$: 80.000
- Average loan size in US\$: 4.462
- Jobs sustained: 29
- New created jobs: 15

##### ***Loans disbursed in:***

- Tourism: 6
- Agriculture: 4
- Craftsmen and intellectual services: 3
- Craftsmen manufacture: 5

#### **8. Strengthening of Entrepreneurs through Business Training Sessions**

NOA has contracted a local agency, the Center for Entrepreneurship (CFE) and Center for Entrepreneurship in Dubrovnik (DCFE) to work with clients in developing business plans and cash flow analysis. This training assists clients to think through the larger issues regarding manufacturing and marketing of products. Overall, the training helps to reduce the risks not only to the client receiving the loan, but also reduces the risk to NOA. If the client has a well thought out plan, it helps everyone to succeed. Last winter were organized expert seminars for the clients in Beli Manastir, Pakrac and Vukovar about milk production, bull fattening and pig fattening. This training is also provided through a grant from the British Know-How Fund.

### **PROBLEMS AND CONSTRAINTS**

During the past quarter the number of late payments has increased to the troubled level. The Board of Directors and the Loan Committee discusses about the loan repayment issue on a monthly basis. It has been determined that most of the problems in loan repayment has occurred due to problems in entire Croatian economy, especially the ones in agriculture which are caused with the internal insolvency.

As the percussion in the current situation we are in a constant contact with our clients, and sometimes where clients is late in loan repayment due to some objective reason, we consider reprogramming the loan. If a client is consistently late, we are forced to turn the client to our Attorney and to file a legal complaint.

As our biggest success we have to emphasize that our continuous loan activity is based on our income, which reaches monthly up to 350.000 DEM, now, when the loan activities in Croatian Commercial banks and other Savings and Loan Cooperatives is almost frozen. Another success is also 283 completely repaid loans.