

PD-ABS-764

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CROATIA GRANT PROGRAM REPORT, Quarter Four, Year Four

Period from November 01, 1999 to January 31, 2000

To the United States Agency for
International Development

In fulfillment of the 1996-1999+2000 Amendment
AID/OPPORTUNITY International Grant
EPE-0023-A-00-6022-00

Submitted by "NOA" SAVINGS AND LOAN COOPERATIVE, OSIJEK
January 18, 2000

QUARTERLY REPORT: NOA August 1999 to October 1999

PRINCIPLE OBJECTIVES

1. **DEVELOPMENT STRATEGY**
2. **FINANCIAL ANNUAL REPORT**
3. **RESOLVE LEGAL ISSUES REGARDING TAXATION**
4. **NOA'S LEGAL STATUS**
5. **COORDINATE EFFORTS WITH OTHER NGO'S**
6. **FINANCIAL RATIOS AND INDICATORS TO BE REPORTED**
7. **STRENGTHENING OF ENTREPRENEURS THROUGH BUSINESS TRAINING SESSIONS**

MAJOR IMPLEMENTATION ACCOMPLISHMENTS

Up to date we have received 1913 loan applications. Out of that, 1730 individual loan applications and 283 group loan applications. We have processed for the loan committee 1370 applications, which has approved 1218 loans to be disbursed. After loan approval, 208 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, 22 loans are in the procedure of disbursement. In the second quarter NOA has disbursed 57 loans, what from the beginning of the project totals 1005 loans. Up to date 1583 jobs were sustained and 982 jobs were created. We also have 461 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.

NOA has strategically decided to extend the agreement with USAID and Opportunity International on another 6 months, in the frames of same terms. During the following six months we will disburse 500.000\$ in Southern Croatia. Also, there is a possibility that Open Society Institute may, through NOA, disburse another 500.000\$ in Southern Croatia.

Till January 31st 2000, the above mentioned contract still wasn't neither signed, neither realized. In the period between August 1st 1999 till January 31st 2000, NOA has worked without a Contract with USAID or Opportunity International. I hope this issue will be resolved in the next quarter.

2. Financial annual report

Ending 1999 we started working on the annual report for year 1999. Parallel we were entering all data from the "Loan administrator" and "Dukic" programs into BANKPOS IPC program, which will in the future be our main database for loans and bookkeeping.

3. Resolve legal issues regarding taxation

Beginnings of January 2000 major political changes have happened in Croatia, so the Finance Minister Mr. Škegro was also replaced. For now we don't have any new suppositions regarding interpretation of the Bilateral Agreement between Governments of USA and Croatia, nor the tax obligation regarding the Opportunity International deposit to NOA.

4. NOA's legal status

In the past period NOA has resolved all her legal problems and legal status, and joined the Union of Savings and loan cooperatives, which counts 40 members. The Union will make suggestions to the

Ministry of finance on possible changes that may be applicable in the Law on Savings and loan cooperatives, and will represent common interests in the Parliament and the Government.

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. Strengthening of Entrepreneurs through Business Training Sessions

NOA has continued cooperation with the Center for entrepreneurship in Osijek and Dubrovnik. They help in organizing training for making a Business plan. In January were held training's in Beli Manastir (8 attendants), Vukovar (14 attendants) and in Dubrovnik (20 attendants).

PROBLEMS AND CONSTRAINTS

Economic situation in Croatia has been worsening during last 3 years, and it culminated in past 6 months. Reciprocal debts are huge, payments have almost stopped in the whole country, and the rate of unemployment is 20%. In our region over 30.000 people are registered as unemployed (there are probably more that are not registered), which is the highest unemployment rate in last 50 years.

All mentioned problems have reflected on loan repayments in NOA, so delinquency rate has raised up to an apprehensive level. As a consequence of non-payments, we had to turn to the court 50 clients, and we will collect the debt through the legal procedure of selling their collateral.

Most of the late loan payments are in the former Sector East (Vukovar, Vera, Bobota and Trpinja where the Serbs live, and in Baranya with Croats returnees). These two population groups are in a very bad material situation, what is the consequence of the insolvency in agriculture (they didn't get paid for pigs they have fattened, for bulls; for the produced milk, grains, sunflower or sugar-beet; for harvesting services they didn't get paid more than 6 months, so in cases like that we have no choice but to go for the collateral, what can cause a very bad publicity for NOA, as well as a negative reaction of certain civil unions (Serb and returnees).

Loan officers are attending an education program about proficiency and competitions of small entrepreneurs called FRAM, which organized Center for entrepreneurship in Osijek. There will be 4 sessions, two were already held. Lecturers are Ole Hald and Willy Birkeland, from a Norwegian Government institution called SND.

As a constraint in the past period, we definitely need to mention completely repaid 461 loan, 1583 sustained jobs and 982 new opened jobs. Another success is also continuance of loan activity with the old clients, whom we trust and who trust us. In the last quarter we have disbursed 57 new loans, out of what 15 are group loans.