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**Matching Grant Annual
Progress Report
to 30 September 2000**

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**MEDA's Matching Grant Program
Progress Report to 30 September 2000**

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MEDA Matching Grant Program

USAID Award No. FAO-00-98-00080-00

Annual Progress Report to 30 September 2000

1.0 INTRODUCTION

The following progress report on the MEDA Matching Grant (MG) Program, financed by USAID's PVC division, covers the period from 1 October 1999 through 30 September 2000. The matching grant project provides support to MEDA's Small Business Development Programs (micro-enterprise credit programs) in Mozambique and Haiti, and to MEDA's headquarters to assist in enhancing capacity at the headquarters level as well as providing technical assistance and management oversight to field partners.

The report is structured to correspond USAID's guidelines for the matching grant's second year annual report. The report will provide an overview of MEDA's activities (as an organization) in year 2 as set out in the Business Plan (March 99) and examine accomplishments against objectives, constraints and lessons learned in Mozambique and Haiti using the Detailed Implementation Plans (DIPS) as a basis.

2.0 BACKGROUND TO GRANT AND PROJECT CONTEXT

2.1 Background and Organizational Structure

MEDA was first organized in 1953 by a small group of Mennonite business persons with an interest in encouraging the development of business enterprises in less developed areas of the world. Today, MEDA is an organization of 3,000 Christian business people, mostly from North America, who believe their faith, skills and resources can be used to help overcome poverty. In the 1970s, MEDA obtained PVO status in both the United States and Canada. MEDA remains a bi-national PVO with offices in Lancaster, PA, Waterloo, Ontario and Winnipeg, Manitoba. MEDA is also registered and maintains offices in Bolivia, Haiti, Mozambique, Nicaragua, and Tanzania.

MEDA currently supports small business development activities in 8 countries, including the US. MEDA is organized into three divisions: Member Services/Marketing and Fundraising, North American Services (NAS) and International Economic Development (IED).

2.1.1 International Economic Development (IED)

The International Economic Development Division is comprised of four departments, and is the division which manages and also derives benefit from the MG Program.

International Operations (IOPS) works primarily in contract execution, governed by movement from pilot projects to programs that establish viable businesses. MEDA provides technical support, training and funding to eight micro-credit programs and four business development programs. With technical and financial strengthening from MEDA, many of these are independent, self-sustaining institutions that continue to provide services to the poorest of the economically active.



The **MEDA Consulting Group (MCG)** carries out internal technical support (through the Technical Resource Unit - TRU) and external consultancies that enhance performance of other organizations carrying out work in which MEDA has experience and expertise.

MEDA Trade Company Inc. (MTC) is a for-profit arm working in such areas as currency exchange, debt swaps, insurance products and commodity monetization.

The **MEDA Investments Inc.(MII)/Sarona Global Investment Fund (Sarona)** manages business involvements that have graduated from operations, and pursues opportunities that involve debt and equity investment. Through the GIF, MEDA can provide working capital investments which may be required to match technical assistance financing provided by donors.

The synergy between the four departments of the IED enhances the MG program. While International Operations manages the program, the other three departments are also involved. MCG and the TRU brings its experience and skills to the training components, as well as disseminating the "best practices" learned from the program. MTC will explore possibilities of trade for the individual clients and businesses created in Haiti and Mozambique to move them to increased profitability, as well as providing income to MEDA. The GIF will provide the necessary loan funds to the partners for the project, as well as maintaining oversight in the future at the board level. This will allow the Operations Department to move on to new program interventions. This interaction between programs, consultants, trade, and investment is a positive step towards financial sustainability of MEDA as an organization, as well as contributing to the long-term social goals of the IED.

2.2 Matching Grant Goal and Project Context

The goal of MEDA's MG program is to build and strengthen sustainable, local capacity to promote economic growth with and among the economically active poor, through enterprise development in selected countries in Africa and the Caribbean. More specifically, the MG program will enable MEDA to refine and document its community banking experience, through its program in Haiti. The MG program will also enable MEDA to strengthen its capacity in the area of capital formation by providing support to the *Sarona Global Investment Fund (Sarona)*. Advances in this area will enable MEDA to generate the needed capital to finance the Haiti and Mozambique capital requirements and fuel the growth of other micro-finance and marketing institutions. Other technical capacity areas that will benefit from systems development under the MG are: accounting/MIS, monitoring, evaluation, tools for business development services, and gender equity.

2.2.1 Haiti

MEDA is seeking to extend partnerships to approximately five organizations in various rural areas throughout Haiti, specifically in the rural areas of the western and northern regions. These localities are impoverished; income is very low in the rural villages and there is an absence of services, particularly financial services. The MG program in Haiti is an expansion of the current Community Banking Project implemented in partnership with CODEP (Comprehensive Development Project). The program will enable MEDA Haiti to develop a self-sustaining Community Bank (CB), by adding 50 new community banks over a 3 year period and increasing the loan portfolio to \$131,250. The program will directly benefit 1,500 micro-entrepreneurs most of whom are women and will indirectly benefit 10,500 people related to these direct beneficiaries (it is believed 7 people will benefit from each loan disbursed based on the average number of people within one rural household).

The community banking model was new to MEDA when it began its partnership with CODEP. Over the past five years MEDA has learned a great deal from project beneficiaries, other NGOs providing rural credit and through its own credit programs in other countries. The MEDA Haiti CB model grew out of the classic Village Banking model and has adapted its own repayment regulations and loan period based on local needs and demands.

2.2.2 Mozambique

MEDA Mozambique began its micro-finance project in Maputo in 1997 in what is known as Xikelene Market situated at one of the major crossroads linking a populous peri-urban area with one of the principal industrial areas. It is estimated that, in Xikelene market alone, there are some 5,000 stall owners. Although Xikelene is the principal market in the area and one of the largest in Maputo, it forms the nucleus for a continuum of markets spreading both east and west of it. Xikelene was chosen as the focus for MEDA largely because of a dynamic and well-organized market commission, which showed great potential for collaborating with our proposed microfinance program.

The objective of the microfinance project is to provide the market operators with small working capital loans for the purchase of merchandise or raw materials with the assumption that by expanding the activity base, incomes of the urban poor would increase. Apart from poverty alleviation, the MEDA program hopes that it will reach and stimulate those entrepreneurs with the requisite acumen and motivation to develop their activities into something substantially more than just a means to survive. Currently, MEDA uses the Solidarity Group Methodology to reach its target group in the Xikelene market.

3.0 PROJECT METHODOLOGY

3.1 MG Purpose and Approach

The goal of MEDA's MG program is to build and strengthen sustainable, local capacity to promote economic growth with and among the economically active poor through enterprise development in selected countries in Africa, and the Caribbean.

The MG program for MEDA calls for four levels of sustainability:

Client Level. Level one for sustainability is to provide a means of income for individual clients in both Haiti and Mozambique.

Country Institution/Partner Level. Level two for sustainability is the institutional level in Haiti and Mozambique. In Haiti the program will work with 5 partners, each collaborating with 10 community banks, and plans will be developed to create a sustainable organization which will serve each of these partners. In Mozambique the program will work with one partner serving clients directly.

MEDA Organizational Level. Level three for sustainability is the organizational level of MEDA. The program will seek to increase the capacity of MEDA to deliver products and services to country programs; developing skills for monitoring, evaluation, analysis of statistical and financial information; taking the "best practices" methodologies to other programs, countries, and organizations. As a result of increased competence and capacity, MEDA's ability to raise necessary resources through contract work and through its "for-profit" departments will be increased.

Industry level. MEDA is committed to sharing its knowledge with other PVO's through industry networks (e.g. SEEP), training, and consulting (MCG). In this way the lessons learned through the MG will have a wider impact worldwide, and should result in increased sustainability for other PVOs.

3.2 Objectives and targets for sustainability

3.2.1 Client Level (Refer to section 4 for Year 2 results for Haiti and Mozambique.)

- Haiti*
- 1,500 active community bank members
 - \$131,250 loan portfolio in operation
 - less than 5% of portfolio over 30 days late

- Mozambique*
- 2,400 active loan clients
 - \$153,600 loan portfolio in operation
 - less than 5% of portfolio over 30 days late

3.2.2 Country Partner Level (Refer to section 4 for Year 2 results for Haiti and Mozambique.)

- Haiti*
- 50 new community banks established
 - 5 community groups serving as liaison with 10 banks each
 - 62% overall operational self-sufficiency attained
 - 49% overall financial self-sufficiency attained

- Mozambique*
- 2 new satellite lending offices established
 - 100% overall operational self-sufficiency attained
 - 87% overall financial self-sufficiency attained

3.2.3 MEDA Organizational Level

The MG will help strengthen MEDA's capacity in its Small Business Development Programs (micro-enterprise finance and business development services). MEDA's history in the field is extensive, however, there are areas where the MG program will augment MEDA's current technical skills. MEDA has demonstrated expertise in solidarity group and individual micro-enterprise lending methodologies. The MG program will enable MEDA to refine and document its community banking experience. The MG program will also enable MEDA to strengthen its capacity in the area of capital formation by providing support to the *Global Investment Fund (GIF)*. Advances in this area will enable MEDA to generate the needed capital to finance the Haiti and Mozambique capital requirements and fuel the growth of other micro-finance and marketing institutions. Other technical capacity areas that will benefit from systems development under the MG are: accounting/MIS, monitoring, evaluation, tools for business development services, and gender equity.

The aforementioned capacity is expected to manifest itself in improved financial self-sufficiency for MEDA as outlined below.

MEDA Financial Self-sufficiency (3 years targets) (Refer to section 5 for Year 2 results for Headquarters.)

- 200% increase in member contributions
- Government funding decreased from 74% to 66% of total
- Revenue from consulting, trade and investment increased to 21% of total
- Financial surplus achieved each year

3.2.4 Industry level

While MEDA cannot be accountable for increased sustainability in the industry as a whole, the following tools will be further developed and made available to the industry through consulting services and publications:

- Quality standards for micro-finance institutions
- Client account system (MIS)
- Best practice training modules
- Cost-benefit analysis tool.

3.3 Double Bottom-Line

3.3.1 Financial Sustainability

The MG will serve the financial sustainability objective of MEDA at three levels:

At the individual client level the program goals will work to sustain a means for livelihood for 4,000 individuals now in poverty, 65% of them women (975 in Haiti and 1,560 in Mozambique.)

At the country institutional level the program goals will work to create sustainable institutions which remain after the MEDA intervention to serve the individual clients now in poverty. In Haiti 5 institutions, each with 10 village banks will be sustained. In Mozambique an MFI will be sustained, with 2,400 clients. Overall of financial sustainability of the Haiti and Mozambique programs are expected to reach 49% and 87% respectively by the end of the three year program (89% and 122% by the end of five years). As the institutions become sustainable, MEDA resources can be used to create new institutions in other countries to serve the poor. MEDA will continue its long term monitoring role in institutions in an investment mode, allowing for earnings to be used in other countries.

At the international organizational level the goals will work to create a sustainable MEDA which can assist in creating country level institutions to serve the poor, monitor and evaluate the performance and the results, and then replicate the program in another context. This information will be used to improve program performance, to develop tools and systems used in testing and replicating new programs, and to mobilize additional financial resources. MEDA's financial self-sufficiency is expected to increase in keeping with the following three-year targets:

- 200% increase in member contributions;
- Government funding decreased from 74% to 66% of total;
- Revenue from consulting, trade and investment increased to 21% of total;
- Financial surplus achieved each year.

3.3.2 Social Impact Goals

MEDA's International Economic Development Division has the following goal:

Internationally MEDA serves the poor through the development of businesses.

The following statement describes the purpose of the International Operations department of the IED:

To sustainably provide financial, business development, production and marketing services to micro-entrepreneurs and small farmers through local institutions, in order to increase economic options and provide more secure livelihoods for the poor.

The MG goals coincide with MEDA's social impact goals on three levels -- specific country level, MEDA programs level, and industry level.

The objectives of the MG serve the specific SBDPs (Small Business Development Programs) being developed in Haiti and Mozambique, targeting entrepreneurs who are in poverty. These programs will continue to serve this sector through sustainable institutions long after MEDA's intervention has been completed.

In terms of *Gender Equity*, MEDA is committed to applying gender equity principles in all areas of its work, including both field and headquarter levels. In the past two years, a revised gender policy has been approved by the Board of Directors. A Gender Working Committee was formed at Headquarters, with representation from the Technical Resource Unit (TRU), Human Resources, and Senior Management (Executive Vice-President). The working group has developed an implementation plan to put MEDA's new gender policy and strategies into practice. The plan was approved by the Senior Management Team, and the first set of actions has been taken. North American staff and the Board have received additional gender sensitivity training. A survey on gender policies, practices, and resources has been developed for the field level. The survey will be administered in Mozambique in the first quarter of next year, and has already been administered in Haiti. At the field level, MEDA has continued to target and reach women clients, ensuring gender sensitive methodologies (products that work for women) and lending practices (hiring women credit officers).

The learning from these projects will also serve other MEDA programs which target the poor in other countries. By improving MEDA's capacity to monitor and evaluate programs in this sector, the MG program's impact will be extended beyond these specific programs.

Finally, the MG will serve the poor beyond MEDA programs. MEDA, being a member of SEEP and other networks, will disseminate lessons learned among other organizations working in SBDP.

3.4 Strategy for Meeting Business Objectives

MEDA has been involved in developing rural and urban credit, training and marketing facilities for nearly two decades. Prior to that, beginning in 1953, MEDA invested in development-oriented businesses through a venture capital fund. MEDA's first micro-credit facility opened in Haiti in 1985. Since then, MEDA has replicated its micro-credit programs to Jamaica (1987), Bolivia (1988), Nicaragua (1990), Tanzania (1994), Russia (1995), Zimbabwe (1995), Mozambique (1996) and Romania (1997). The key to successful replication has been the systematic packaging of these programs.

MEDA has offered training courses in microenterprise credit management to other development agencies in a number of countries, and regularly provides consulting services to major donors and other PVOs in the area of business oriented development through MEDA Consulting Group (MCG). MEDA also provides trade linkages through its wholly owned for-profit subsidiary, MEDA Trade Co.

Ltd. (MTC), and invests in viable microfinance and marketing institutions through its Global Investment Fund (GIF).

3.4.1 Key inputs and income sources

Charitable Donations: MEDA is an organization of 3,000 Christian business and professional men and women, mostly from the U.S. and Canada. MEDA receives donations from these members towards its programs. In fiscal year 1999/2000, MEDA's International Economic Development Division received \$570,000 from this source. MEDA expects to increase contributions to the IED to over \$700,000 by fiscal year 2001/02 from this source.

In general, people purchase products or contribute to organizations when there is a perceived value for products and services. If the customer is well served with valued, cost-effective products, then sales result. The Marketing and Fund-raising team have set up MEDA's various development programs as products in the "MEDA Store". As MEDA members and chapters respond to specific product offerings, they help to shape MEDA's future directions by giving an indication of which products/programs are of interest. Since MEDA's membership is mostly business persons who wish to serve the poor in sustainable ways, those programs which are perceived as less sustainable will receive less funding.

Contracts/Grants: MEDA receives contracts and grant income from CIDA, USAID, and a number of small foundations. In its country and regional programs, MEDA will continue to be in dialogue with donors and contractors to determine the intersection points between MEDA's mandate and vision and donor interests. It is expected that MEDA will, in the next three years, see income from these sources increase by about 16% from the current level of \$3.3 million.

MEDA generated income: The International Economic Development Division has four departments, as described in Section 2. Three of these departments are designed as "for-profit" departments with the mandate to earn income for MEDA.

4.0 MONITORING AND EVALUATION

The Technical Resource Unit (TRU) provides monthly and quarterly analysis on data and trends in MEDA programs and makes this information available to the program directors. These statistics (financial ratios) reflect financial and program performance, and provide managers with critical information on the financial health of the programs. This year the TRU placed special emphasis on gender impact, environmental effects of programs, and longer-term impact assessment.

Highlight of TRU and TRU-related activities during the past year were:

- ◆ The TRU revised and updated MEDA's monthly monitoring sheets for both its microfinance programs and marketing programs. **(Annex 1)**
- ◆ MEDA finalized the earlier work done by a consultant on MEDA's Evaluation Process. A Guide Document exists for all field programs that includes hints and tools for data collection and impact assessment at a number of levels. A standardized baseline data survey **(Annex 2)** was developed, together with a database that processes the information (the database was developed with the help of a CIDA intern in Haiti). The credit loan application was updated and standardized **(Annex 3)** to include sections on impact, environmental effects, and gender.

- ◆ Training on MEDA's revised Evaluation Process was provided to all Country Managers during meetings in Haiti (February) and Mozambique (March). All new staff are now being oriented on the new process.
- ◆ An intern from CIDA's Youth Internship Program has been selected to work with the TRU on implementing the baseline survey, carrying out an initial client impact study and organizing focus groups to determine client satisfaction in Mozambique and Tanzania. This initiative will be undertaken over a five month period beginning January 2001. The same baseline will be carried out in Haiti by existing staff.
- ◆ A Gender Working Committee was formed at Headquarters, with representation from the Technical Resource Unit (TRU), Human Resources, and Senior Management (Executive Vice-President). The working group has developed an implementation plan to put MEDA's new gender policy and strategies into practice. The plan was approved by the Senior Management Team, and the first set of actions has been taken. North American staff and the Board have received additional gender sensitivity training. A survey on gender policies, practices, and resources has been developed for the field level. The survey will be administered in Mozambique in the first quarter of next year, and has already been administered in Haiti. At the field level, MEDA has continued to target and reach women clients, ensuring gender sensitive methodologies (products that work for women) and lending practices (hiring women credit officers).
- ◆ MEDA conducted a long-range evaluation of MEDA's work over the past 27 years in Bolivia. A team of evaluators traveled to Bolivia during April and May to conduct a series of interviews and research that examined MEDA's involvement in both the microenterprise and agricultural sectors of the country. The team included experts in microcredit, rural development, environmental impact assessment, gender, and institutional development, and was led by an economist and development professional. The TRU participated as part of the team. The results of the study have been finalized and a report will be made available soon.
- ◆ The TRU received initial training on MEDA's cost-benefit tool during the reporting period. An additional training session will be conducted during a MEDA Consulting Group (MCG) meeting in December 2000.
- ◆ Over this past year, MCG has developed an internal audit program to be used first in MEDA's internal MFI programs. It will then be made available to other organizations in conjunction with a training workshop.
- ◆ The TRU and MEDA have made preparations for a special training and technical assistance session on environmental impact assessment. The session is expected to take place in Tanzania in February 2001.
- ◆ MEDA established a database to keep track of current and former partners; since it is MEDA's goal to establish partners as independent businesses it is easy to lose track of former partners – many of which have gone on to establish considerable clientele.

MEDA will carry out a final evaluation of the Matching Grant program with a team comprised of MEDA, USAID and an outside consultant.

5.0 PROJECT RESULTS BY COUNTRY

5.1 Mozambique

5.1.1 Background

MEDA Mozambique, through its *Kulane Ka Ntwanano* credit program, has been issuing Solidarity group loans in Maputo, the capital city of Mozambique, since 1997. The *Kulane Ka Ntwanano* targets the urban poor, and is largely based in Xiquelene, one of Maputo's largest markets. In order to better service the market the *Kulane Ka Ntwanano* credit program has an office at Xikelene market where loans are distributed and payments are accepted. Despite being in operation for three years, MEDA Mozambique remains in its infancy, and is slowly building its loan portfolio and loan products offered.

In the first year of operation, fraud and dishonest staff hindered MEDA Mozambique's growth. During a long cessation of lending, taken during a house cleaning, MEDA Mozambique removed fraudulent staff and hired new ones. This house cleaning was MEDA Mozambique's "second chance". In the second year, the program started anew with stringent operational audits, and newly hired manager of operations, accountant and an expatriate comptroller. With the new staff, MEDA Mozambique began to rebuild slowly.

In the third year of operation, and the second year of the PVC matching grant, the *Kulane Ka Ntwanano* credit program has finally started to show progress.

5.1.2 Program Rationale

Maputo's economy is largely driven by the informal sector. The markets in and around Maputo are the lifelines for the urban poor. Thousands of Maputo citizens are vending at these markets, and for the large majority their stalls are the only source of income for their families. MEDA Mozambique believes that the provision of credit will expand the economic activities of the urban poor, and ultimately increase the standard of living of their families.

Even with an increasing number of credit programs entering into the Maputo market, many potential clients remain without access to capital. Currently, there is room for expansion and success for a well-run organization. The concepts of credit, repaying debts and permanent credit institutions are also becoming understood, and are increasing the demand for loans. Maputo needs an established and profitable micro-finance institution that is able to supply credit in an efficient manner. An efficient micro credit institution with a large customer base will be able to reduce the current exorbitant interest rates that the credit programs are charging in an attempt to attain sustainability. By reducing interest rates and increasing project efficiency, the clients will benefit from reliable access to credit at a reasonable cost. MEDA Mozambique, with its strong, committed local staff, sound lending methodologies and solid operational policies and procedures, is presented with an excellent opportunity to fill the gap and meet the market's needs.

5.1.3 Review and Analysis of Project Results

This reporting year ending in September 30th, 2000 was one of rebuilding and organizational learning. The main improvements were in management and operational policies. All of MEDA Mozambique is learning how to better manage a loan portfolio. This organizational learning has allowed the credit program to grow and strengthen. Significant improvements in the portfolio quality, and the program's outreach are a testament to how far the program has progressed. This

past reporting year was giant step in the right direction for institutionalization and sustainability for MEDA Mozambique.

MIS

In September 1999 Brad Martens, an MIS intern, was contracted to install and implement the CAS (Client Account System). The CAS is a financial management information system developed by MEDA head office implemented in MEDA Mozambique and MEDA Mbeya (Tanzania). During the early stages of the implementation program bugs and careless data entry made the system ineffectual. In order to make the system function in Mozambique, considerable effort was put into fixing the defects, and creating stringent CAS operating procedures and reports. Currently, all major system bugs have been corrected, and the system has been catered to MEDA Mozambique's needs. The data entry errors have also been resolved through regular reconciliation with weekly bank statements. MEDA Mozambique now has access to important portfolio information, arrears reporting, payment schedules and expected payments, loan status, payment status, budgeting, cash flow and forecasting tools on a daily basis with a simple click of the button.

Accounting and Financial Management

In April 2000, MEDA Mozambique released their contracted accountant due to the quality of work, timeliness, and the high cost of his services. A new accountant/financial manager, Mr Helder Goncalves, became responsible for producing the monthly financial statements. To aid him in creating the statements, a local accounting information system was purchased. Mr. Goncalves received training for the program, and quickly showed proficiency. Within a months time the entire system was operational and the statements were being produced on a timely basis. By fiscal year-end, Mr. Goncalves, with the help from the data from the CAS, was able to correct all the erroneous accounting of the previous accountant, and put the financial operations back on track. By the end of August 2000, MEDA Mozambique also implemented an automated spreadsheet for calculating all major SEEP ratios from information provided by the AIS (Accounting Information System) and CAS. The complete automation of the loan tracking and accounting, has given management immediate access to portfolio and accounting information.

Credit Operations

In July 1999 the credit program started giving loans after a five-month pause in lending due to a minor fraud. In order to avoid previous mistakes, the credit program focused intently on operations and audits. Mr. Dionisio Matos, Operations Manager and Ms. Fernandes, General Manger, worked together to create strict operational audits, and a new code of conduct for credit operations. To enforce the credit policies and code of conduct, the Operations Manager started weekly meetings where credit officers submit a weekly plan of activity, and an end of week summary. Through the weekly meetings, management is able to keep a close watch on the credit officers' activities, and ensure that they are continually following-up with their clients. In addition to enforcing the new credit policies, the credit officers have benefited from the training provided by MEDA head quarters and local training initiatives. The training helped solidify, and explain the measures taken by management. Credit Officers have also received inspiration from a new incentive program. Since the implementation of the incentives program, the Credit Officers have been working hard to increase their client loads and decrease their PAR.

New Lending Methodologies

Due to increased competition from other MFI's offering individual lending, MEDA Mozambique has had to reconsider their reliance on solidarity group lending. In September 2000, the credit program will start issuing individual loans to groups whose loan amounts exceed \$1200. The credit program

hopes that individual lending will provide an incentive for groups to stay with the credit program, and will also provide an incentive for an individual to get an initial group loan for the opportunity of a future individual loan. Individual loans will also increase the credit program's market base as there are numerous vendors with better-established businesses that could benefit from larger loan sizes.

In addition to individual lending, the credit program has aggressively sought out new markets this past year. During the first reporting period, the credit program limited its operation to the Xikelene market. While Xikelene had great potential, many of the vendors did not seem to be interested in loans. In order to find new clients, the credit officers started seeking out new markets in Maputo, and even started lending in Matola, a suburb of Maputo. MEDA Mozambique has been well received in the new markets, and has an opportunity to start fresh in markets that are not tainted by the previous problems. The new groups have shown strong performance, which has helped lower the PAR (Portfolio at Risk). In the new fiscal year, MEDA Mozambique will be operating in all the major markets of Maputo, including Xipamanine Maputo's largest market.

Sustainability/Institutionalization

Over the past year, the program has made great strides towards sustainability. Both the credit program's performance, and staff have made significant improvements. In many aspects, this year was a first year for many of the program's staff. The Operations Manager, Mr. Matos; the financial manager, Mr. Goncalves; the MIS Operator, Ms. Duvane; the Clerk, Ms. Ascobar; the Credit Officers, Ms. Bernardo, Ms. Fumo, Mr. Ventura and Mr. Chusane and the MIS Specialist/Interim Director, Mr. Martens are all new to the program, and the second reporting year can be considered their first year. Because over 90 percent of the staff was new at the start of this financial year or were acquired during the year, this fiscal year has been a year of finding the program's niche and learning. This past year the staff of MEDA Mozambique have made a lot of mistakes, and have learned a great deal from these mistakes. As MEDA Mozambique learns and develops, it becomes closer and closer to achieving sustainability and institutionalization. MEDA Mozambique now has dedicated, honest and hard working staff.

Impact Evaluation

This annual report marks the first impact assessment of the credit programs clients. Because this was the first time the credit officers delivered impact questions, and the first time management worded the questions, both parties learned a lot from this exercise.

Impact Evaluation of Female Clients

Out of the thirty-seven women respondents:

- ◆ All respondents felt the loan increased their sales, and helped their business grow. The one client who did not benefit from the loan was robbed after she received the money from her loan.
- ◆ Thirty-three respondents responded that their loan helped them increase their stock and profits. Two respondents said the loan helped them fix their house, and the other two stated the loan helped them nourish their family. Five of the respondents used the loan to buy stock and save.
- ◆ All the clients except one with children of school age stated their children are attending school. This is quite likely because school fees are quite low in Mozambique. The one who is not able to send all her children to school, is able to send one out of three.
- ◆ Nine respondents indicated they were able to buy items for their home (varying from tables and chairs to a new room), twenty-four felt that their loan helped them improve their basic needs (food, clothes, school fees, etc...). Four clients responded that their household did not improve after their loans.

- ◆ Thirteen clients stated they were single, and made their financial decisions. Twelve stated that they made the decisions without specifying if they were single (for the purpose of this report they were assumed single). Six clients responded that their husband makes the financial decisions in their house and six clients stated that financial decisions were made jointly with their husbands.
- ◆ Twenty-three clients responded that they sell food staples and basic needs products, while 2 respondents had restaurants, and the other twelve sold shoes, used clothes, new clothes or baby clothes. Every respondent is operating in a traditionally female business.
- ◆ Twenty-six clients felt that their loan helped them make better business decisions.
- ◆ The floods affected ten of the respondents, and all the respondents felt that their loan helped them get through the floods.
- ◆ Twenty-nine of the respondents purchase their stock in Maputo, while the others go to Swaziland or RSA to purchase their stock.

Impact Evaluation of Male Clients

Out of the twenty-one men respondents:

- ◆ All respondents felt the loan increased their sales, and helped their business grow.
- ◆ Sixteen respondents stated that the loan helped them increase the stock of their businesses, and two of the sixteen used the loan to feed their family. Three did not specify how the loan helped; they just stated it helped. The other two used the loan to save and buy land.
- ◆ All the clients with children of school age stated their children are attending school.
- ◆ Fifteen clients were able to buy items for their house (varying from tables and chairs to an entire house), four felt that their loan helped improve their basic needs (food, clothes, school fees, etc...). Two clients responded that their household did not improve after their loans, and one said his situation became worse.
- ◆ Sixteen clients stated that they make the financial decisions. Two clients responded that they and their wives make the financial decisions in their house. The other three stated their parents make the financial decisions.
- ◆ Eight clients responded that they sell food staples and basic needs products, eight clients sell shoes, used clothes, new clothes, one client sells electrical supplies and the other four sell odds and ends.
- ◆ Thirteen clients felt that their loan helped them make better business decisions.
- ◆ The floods affected three respondents, and all three felt that their loan helped them get through the floods.
- ◆ Twelve of the respondents purchase their stock in Maputo (three of these also go to RSA), while the others go to Swaziland or RSA to purchase their stock.

As can be seen from the impact assessments both the men and the women had similar responses. Two differences that stand out are the high percentage of male clients that buy their stock outside of Mozambique, and the relatively small percentage of male clients that sell basic food staples. As for client satisfaction, both male and female clients were happy with their loans. All but one client thought their loan helped better their businesses, and only 6 clients did not feel their loan improved their household. The impact assessment has shown that MEDA Mozambique's loans have a positive affect on its clients.

In January 2001, MEDA Mozambique will benefit from an intern who will be in placed in Mozambique for two months to train and help perform baseline and impact studies, as well as form client satisfaction focus groups.

5.1.4 Objectives and results as outlined by the DIP

Table 2 provides an overall view of the program's objectives, indicators, and major activities as submitted in the DIP compared with Year 2 accomplishments. Table 1 compares the results of Year 2 annual targets and actual critical indicators. A detailed discussion of the results from the comparisons in the two tables is provided in the following sections.

Table 1: Mozambique: Critical Indicators

Critical Indicators End of Period	Annual Targets Year 2	Results Year 2	Result Year 1
Number of Satellite offices established in full operation	2	1	1
Number of active clients	1200 (780 women)	1010 (667 women)	405 (249 women)
Portfolio at risk rate (>30 days)	<10%	4.82%	30%
Size of active loan portfolio	\$75,600	\$64,415	26,000
Operational self-sufficiency	53%	44.16%	15%

Table 2: Mozambique: Objectives and results as outlined by the DIP

Objectives	Indicators	Major Planned Activities	Accomplishments
Increase institutional capacity of the program	<ul style="list-style-type: none"> - Operations Manager hired year 1 - MIS system installed year 1 	<ul style="list-style-type: none"> -Appointment of head of credit department with view of making that person operations manager. -Pilot MIS designed by MEDA to be installed by mid-1999 	<ul style="list-style-type: none"> -Operation manager hired in Year 1. Now attending management school and went to the New Hampshire micro-finance training institute -MIS successfully installed. Many new reports have been created and some forms have been translated for the Mozambique program
Improve the quality of services to SBDP clients.	<ul style="list-style-type: none"> -Loan and training to over 2000 micro-entrepreneurs. -Diverse financial services available (individual lending and savings services) -Three satellite offices. 	<ul style="list-style-type: none"> -Loans re-initiated in early 1999 after 6-month pause for training and methodological adjustments. -UNV proposal for Magude and Moamba districts for possible satellite offices. 	<ul style="list-style-type: none"> -The program now has over 1000 clients. -Started offering individual loans in September 2000.
Increase the sustainability of the program	<ul style="list-style-type: none"> -100% operational self-sufficient by year three. -Portfolio at risk (over 30 days in arrears) < 5% 	<ul style="list-style-type: none"> -Broadening client base through expanding participating markets. -Initiate moves to create independent financial institution. 	<ul style="list-style-type: none"> -Now operate in over 10 markets, and has expanded into a Matola a suburb of Maputo. -Focused on improving portfolio quality (now at <5% PAR) and operating self-sufficiency (44%).
Introduce effective impact assessment methodology	<ul style="list-style-type: none"> -Monitoring system covering representative 5% of sample (initially 20%) established. -Client intake form used to gather baseline information. -Key performance data disaggregated by gender 	<ul style="list-style-type: none"> -Examine current assessment methodologies such as system introduced by CARE in Chimoio -Discuss with OSISA their plans for establishing regional monitoring system. -Incorporate MEDA's revised evaluation process for next fiscal year (begins July 1st) -Revise client intake forms in place by beginning of FY00 	<ul style="list-style-type: none"> -New client intake forms that include basic financial data have been implemented. -Baseline survey of 10% of the clients was performed for the Annual Evaluation.

5.1.5 Analysis of Critical Indicators

As can be seen from the critical indicators above, this past year was considerably stronger than the previous. The credit program more than doubled its active loans, clients, self-sufficiency and loan portfolio, while significantly reducing its portfolio in arrears, portfolio at risk and payments over 30 days late.

While year two was a significant improvement over the past year's performance, the credit program failed to meet its targets for active loans and portfolio size. These differences can be partially explained by the cessation of issuing new loans in June while the Operations Manager was overseas for training, the loss of clients during the floods, and the loss of a credit officer. The active loan targets were also missed because of delinquency problems leading to the cessation of new lending. For a three-month period no new loans were made. Since June, the credit program has adopted a more balanced approach to managing the portfolio that has prevented the delinquency problems from resurfacing.

This past year the credit program fell short of its targets for loan portfolio outstanding by \$11,000. Shortcomings in the portfolio outstanding can be explained by the devaluation of the Mozambican Meticais. The Meticais has fallen by over 25% in two years, while the inflation rate has barely risen more than 2-4% in the same period. Due to the stable inflation rate, there was no pressure to raise the average loan size. Therefore, the program's loan portfolio devaluated as the Meticais devaluated. If the total portfolio outstanding was calculated using an exchange rate of 11,500 Meticais to one USD (exchange rate in mid 1998), the total portfolio outstanding would be over \$85,000, exceeding the targets set for year two by \$10,000.

In order to offset the falling Meticais the credit program has started giving individual loans to stronger and better-established businesses. By entering this market, the credit program will be able to raise its average loans size and value of portfolio outstanding.

Aside from improvements in portfolio performance, the credit program has also shown strong improvements in operational self-sufficiency. Throughout year two MEDA Mozambique has focused on keeping expenses to a minimum while increasing income. By carefully watching the bottom line the credit program was able to attain self-sufficiency for September at 44%. However, the credit program failed to meet its target by 9%. The failure to meet targets for self-sufficiency is partially explained by the devaluation of the Meticais. The main problem with operating in Mozambique is that the majority of the programs expenses are in USD while the income is in Meticais. In order to over come the devaluation of the program's income in Meticais, the credit program must raise its income, and decrease its expenses. By giving larger loans, the program will be able to decrease the cost per loan made.

Lastly, the credit program has yet to establish a satellite office as proposed in the DIP. However, the program's new operations in Matola, a suburb of Maputo, may become a satellite office or a satellite operation. If MEDA Mozambique is able to attract over sixty groups in Matola, a credit officer will be stationed there to service the clients. A bricks and mortar satellite office would not be constructed, but Matola would have a fixed credit officer. In the future MEDA's satellite offices will likely follow the example of Matola. The satellite office will consist of a credit officer who interacts with the clients on a daily basis, and communicates with head office twice a week. By the end of the third year, MEDA Mozambique should be able to attain its goals of three satellite offices in the form of credit officers stationed outside of Maputo.

5.1.6 Analysis of Objectives and Results

This section elaborates on the information given in Table 2.

Increase Institutional Capacity

MEDA Mozambique has already achieved its targets in this area. Presently, the MIS is installed, staff are trained, and the system is fully operational. In addition to the MIS MEDA has further invested in the Operations Manager by enrolling him in a management degree program, and sending him to the New Hampshire micro-finance training this past summer. He now has full control of Operations, and is currently being considered as the future project manager of the credit program.

Improve the Quality of Services to SBDP Clients

This past year the credit program started offering individual loans, increased its client base significantly, and started creating a satellite office in Matola. Currently, the credit program is on track to meet its objectives for improving the quality of services.

Increase the Sustainability of the Program

(Please see the discussion under analysis of the critical indicators above.)

The program will likely not be able to achieve full sustainability by the end of year three. The devaluation of the Meticais, and relatively high labor costs has affected the programs ability to attain sustainability. Given the current situation, the program will likely need between 4000-5000 clients to attain sustainability, which will put the program behind by one to one and a half years.

5.1.7 Impact on Institutions Outside of the Program

Outside of our credit operation, MEDA Mozambique has not dealt specifically with other local institutions or affected local policy on an individual level. However, the program is involved with other institutions.

Informal Working Group On Micro-Finance

The informal working group is a group of micro-finance institutions that meets on a monthly basis to discuss issues, policy and events dealing with micro-finance. Currently the Informal Group has been discussing and working with the government to draft a policy for micro-finance in Mozambique. MEDA Mozambique attends all the meetings of the informal working group.

Market Commissions

A Market commission is the body that governs the vendors at each market. Each market that MEDA Mozambique operates in has a market commission that looks after the daily needs of the market (security, cleaning, stall registration and market conflicts). This year all the market commissions have joined under a market association, and have regular meetings to discuss the issues relating to the markets of Maputo. The leader of the Association of Markets in Maputo has asked MEDA Mozambique to expand its program into new markets throughout Maputo, because they see the need for credit services in the markets. MEDA Mozambique is fortunate to have a strong relationship with Association of Markets in Maputo, this relationship has granted the program access and support throughout Maputo.

AVIDRAMO - Association of the Victims of Traumas

AVIDRAMO contacted MEDA Mozambique requesting loans for their members. MEDA currently has sixty clients or fifteen groups with AVIDRAMO. MEDA's work with AVIDRAMO has given their members access to capital, and has strengthened their membership. With the membership fees that AVIDRAMO collects, they are able to help people who have suffered traumas, like this years flood, overcome their struggles.

5.2 Haiti

5.2.1 Background

The PVC Matching Grant Project is an expansion of MEDA's Rural Business Development Program (RBDP) to an additional five communities in Haiti's North province. Funding for PVC takes place over a three-year period, during which the project promises to add 50 new community banks while increasing the loan fund to US\$131, 250.

MEDA has had a history in the Northern region of Haiti since the mid-1980s when its Cocoa Marketing Project was implemented. The Project worked together with several cooperatives and five of those cooperatives formed the base for the establishment of PVC Community Banks. Through Community Banks, MEDA offers credit to rural Haitians. Unlike typical village banking projects, where loans are primarily for small-scale commerce, this MEDA program offers commerce and agricultural loans.

5.2.2 Program Rationale

For the marginalized people of Haiti, access to credit is either unavailable or extremely expensive to obtain. The mountainous terrain that characterizes Haiti further isolates the peasants, as the majority of Financial Institutions do not provide services beyond the major cities. The rural areas of Haiti thrive on agriculture and small commerce activities. For any business or activity to succeed, one needs working capital to buy seeds, fertilize the soil and harvest the crop. Alternatively, a person may go to the wholesalers to buy commodities and sell it in the market places. MEDA Haiti not only provides that much-needed loan capital to the poor, but offers it at affordable rates. Further, MEDA Haiti provides training in the areas of managing the internal, external and individual savings loan accounts as well as assistance to communities with strategic planning and marketing.

5.2.3 Review and Analysis of Project Results

The reporting year ending September 30th, 2000 was one of cautious expansion for MEDA Haiti's Rural Business Development Program. The main accomplishments were the introduction of new banks, and the creation of infrastructure and processes to support those banks. Table 3 below provides a brief overview of critical indicators, Year 2 objectives, and key program results.

Table 3: Haiti: DIP and Critical Indicators

Critical Indicators (End of Period)	ANNUAL RESULTS			ANNUAL TARGET Year 2 (FY00)			%TARGET		
	F	M	T	F	M	T	F	M	T
Number of new banks*	29			30			97%		
Members receiving loans*	402	321	723	540	360	900	74%	92%	80%
Portfolio at risk rate (> 30 days)	<0%			<5%			100%		

Size of active loan portfolio*	\$37,000	\$54,563	68%
Prgm Operational Self-Sufficiency	42.5%	21%	100%

Credit Operations – Challenges and Successes

As shown by the table above, Year 2 saw a small shortfall from some of the annual targets that were established. During the reporting year, 29 new banks were established – only one short of the annual target. Loans were provided to 723 bank members – over 59% were women. This composes only 80% of the number of target loan recipients. Finally, the actual amount of disbursements reached 88% of the annual target. There are several explanations for these shortfalls. (1) The average bank size is smaller than the expected 30 members. The actual average is 25 members; (2) One of our hired and trained credit officers, decided to run for local elections and had to resign from his position. This reduced the number of communities and banks. This situation has been resolved as 3 new officers were hired and trained later on; (3) Credit activities only started in April 2000, later than expected because of the electoral process that was going on in the country (see further explanation below).

Elections were held on May 21, 2000 with the second runoff occurring in July of the same year. Issues surrounding the election process had an impact on MEDA's programs. Disbursement of loans funds for PVC were delayed as management felt that it was more appropriate to wait for elections to finish before the loan contracts started. This would prevent any attempt that community members would tamper with loan funds and use them in local election campaigns. There were also pockets of violence erupting over election issues and it was felt that it would be more appropriate to take the additional precaution of waiting. This resulted in loans funds disbursed to the communities in mid-April as opposed to the intended date of January 2000.

Acceleration in Crime as a result of the political, social and economic instability also had an impact on our credit program. In July of last year, Manno the Credit Coordinator was robbed at gunpoint in an area downtown of Port-au-Prince. The robbers got away with a MEDA truck and 88,000 gourdes, the equivalent of approximately US\$5,000 in cash. (See a discussion of MEDA Haiti's solution to this issue under the Partnership section.)

Hardship continues to characterize the conditions of many households in Haiti. The lack of rain in the provinces this year has affected the harvest of locally grown crops. With the influx of imported goods (peanuts from the DR and beans and chickens from the US), locally produced goods are unable to compete with the competitive prices that such imported goods are offered at.

Economic Instability caused by the depreciation of the Haitian gourde to the US dollar continue and the increase prices of imported goods continue to deter our bank clients from reaching greater profits in their businesses and economic activities. With the increase in prices of most goods in the market, small business entrepreneurs are finding it difficult to buy merchandise and sell it for profit.

In addition, the country continues to lack adequate infrastructure and communication services. Bad roads can make traveling to the Community Banks difficult while the constant breakdown of the telephones at the office make communication between the fields and office challenging.

Despite the challenging environment in which our clients live and work, the RBDP portfolio at risk was an astounding 0%, while the loan portfolio itself ended the reporting year at US\$54,563.

Setting systems in place that facilitate a well-run and successful credit program, within the challenging environment of Haiti was a priority for the year. Materials for community bank training were revised, as were the intake forms for new banks. Five new credit officers were hired and trained, and members and leaders of all banks were trained as well. As a result of the elections, the PVC did lose one Credit Officer, Jose Louis, when he decided to enter into the local municipal election for a position as township officer. Unfortunately for both Louis and for MEDA, he lost his bid for election in spite of his popularity, while MEDA lost a good credit officer. A new Credit Officer for the community was hired and trained in July.

Given that all of the Credit Officers are in place for the coming year, and that the RBDP has a solid loan methodology to work from, the PVC program expects to meet and possibly surpass all of their targets for Year Three of the Matching Grant.

Accounting and Financial Management

This year MEDA Haiti created a new position, the Systems Specialist, in an effort to implement a new MIS system and to work on other issues. Cherie Tan, the Specialist, worked with Brad Martens, a MEDA consultant, on installing the Calyx, a MicroFinance Information System. While Calyx was installed in Haiti in February 2000, it is still in its testing phase and a new version was released in July of 2000. There remain technical bugs within the system and it has not yet been able to generate the reports needed for the program. Cherie made a trip to Seattle in June to receive further training and to work out some problems with the system.

An internal audit was performed by a MEDA consultant in late 1999. Joyce Lehman assisted MEDA Haiti in getting the accounting system up to date in preparation for the MIS installation. In addition, she worked on correcting the SEEP template for the financial reports.

Sustainability/ Institutionalization

The RBDP program in Haiti is on its way to operational self-sufficiency and sustainability. It reached a level of 42.5% operational self-sufficiency during the year, far surpassing its target of 21%. It is expected that this number will continue to rise, as MEDA Haiti becomes more streamlined in its credit operations.

A number of activities occurred during the year that contribute to the institutionalization of the RBDP. Partnership Agreements were negotiated and signed with five new partners in the north. These partners participated in leadership and management training. The improved monitoring and evaluation process that came from MEDA Headquarters was implemented aiding the development of a "learning" program. Furthermore, MEDA's Environmental Management System is being completed (including tailoring to the Haitian context) and will be incorporated in the coming year.

Skilled staff contribute to a successful institution. Over the year, a variety of Seminars were provided for Coordinators, Representatives, and Credit Officers on Strategic and Financial Planning for MicroFinance, as well as leadership and management skills. In February, both the Community Banks Coordinator and the Economic Development Coordinator visited the FINCA programme in Honduras to learn different strategies at Credit delivery. In June, Economic Development

Coordinator participated in a training seminar on business planning and financial modeling for the Community Banks Program at the Microenterprise Development Institute in New Hampshire, US.

Finally, two MEDA Consultants visited Haiti in September to facilitate a Strategic Planning session together with RBDP staff. Plans for an APEX financial institution were discussed and detailed, and the staff presented a clear commitment to growth and sustainability. As well, a session on Financial Modeling and Projections took place, where the strategic ideas were turned into numbers assisted by the software program Microfin. As a result of these sessions, MEDA Haiti will make some modifications to its loan products in the coming year (surrounding fees and loan terms), and will put significant effort into institutionalizing all changes in a sustainable manner.

Potential Future Challenges

The situation in Haiti is still very unpredictable as is evident from the section on Credit Operations above. Presidential elections are again scheduled for November 26, 2000, but the great majority of political parties are not running because the parliamentary and local elections in May were rigged with fraud and violence. The opposition is requiring a rerun of those elections as a precondition to participate in the coming ones. All this predicts possibilities of unrest and violence. There is a possibility that such a situation may be a threat to the normal operations of the program and reaching all the targets. Unfortunately there is very little that can be done to positively affect the political, social and economic instability. The MEDA Haiti team is working hard to reach all its targets in spite of this situation.

Impact

A number of efforts were made to ensure improved impact assessment for the program in the coming years. Substantial work was done on improving the Loan Application and the Credit Officer's monthly reporting forms. Additional information was added to the Loan Application to ensure that relevant information on household, gender and environmental monitoring are available for impact assessment purposes. The forms were also modified to accommodate data needed for the MIS system.

Another tool for assessing impact is a new baseline survey that was designed by Headquarters, together with support from MEDA Haiti during the year. As well, the Systems Specialist in Haiti created a database to analyze the survey results. The survey has been modified to fit the local context of Haiti and work is currently being done to translate the document into Creole. The survey, based on AIMS research, will be implemented in the next year providing much needed impact information for the program.

It is difficult to determine the impact of program that is quite so young. Already, in its early stages the program has assisted 723 families in 23 different communities. Almost 60% of those being served were women.

Table 4 below provides a more detailed overview of the results and a statistical summary of key indicators. All figures are in Haitian Gourdes.

Table 4 : Haiti: Results and Statistical Summary

Results	Current Month	Quarter to Date	Year to Date	Annual Targets	% Targets
Performance Indicators					
# New Banks Established	0	7	29	30	97%
# Loans Provided	0	9	27	30	90%
# New Members rec. Loans	0	313	723	900	80%
Total amount loaned	0	439,250	986,825	1,120,000	88%
# Partners	5	5	5	5	100%
Revenue from Lending (gds)	16,799	62,892	109,429	193,600	57%
Member Savings (gds)	0	0	0	88,000	0%
Impact Indicators					
% Women Clients	59%	59%	59%	55%	107%
Jobs Created/Sustained	723	723	723	900	80%
Families Assisted	723	723	723	900	80%
Communities Served	0	29	29	30	97%
Statistical Summary					
	Current Month	Quarter to Date	Year to Date		
Total Payments Received	24,547	229,814	280,159		
Capital Reimbursements	7,748	180,091	201,137		
Active Clients (end Period)	723	723	723		
Clients Trained	282	319	7485		
# Outstanding Loans (end Period)	29	29	29		
Value of Outstanding Loans (end Period)	810,880	801,880	810,880		
Outstanding Loans for Commerce	608,115	608,115	608,115		
Outstanding Loans for Production	202,765	202,765	202,765		
Outstanding Loans for Collective	0	0	0		
Use of Money					
Commerce	62%	62%	62%		
Agriculture/Breeding	38%	38%	38%		
Grain Storage	0%	0%	0%		

5.2.4 Objectives and Results as Outlined by the DIP

As discussed in the above section, MEDA Haiti accomplished important growth and consolidation efforts during the year. Table 5 below provides an overall view of the program's objectives, indicators, and major activities as submitted in the DIP, compared with Year 2 accomplishments.

Table 5: Haiti: Project Goals and Objectives

OBJECTIVES	INDICATOR	MAJOR PLANNED ACTIVITIES	ACCOMPLISHED ACTIVITIES
1. To increase the profitability and	▶ 50 new banks established at the end of Year 3 serving 1500 active	▶ Established partnerships in 5 locations, each	▶ Partnerships established in 5 locations of northern

sustainability of the Community Banks Program (CB)	<p>clients</p> <ul style="list-style-type: none"> ▶ 61% of operational self-sufficiency by the end of year 3. ▶ Operational and Business Plans in place, which examine options for future institutional structure. 	<p>having a cluster of 10 Cbs.</p> <ul style="list-style-type: none"> ▶ Examine options for institutional structure at the end of year 2 Monthly financial reports. 	<p>Haiti with 5 cooperatives and a total of 34 CBs established.</p> <ul style="list-style-type: none"> ▶ 5 Credit officers hired and trained ▶ Members and leaders of 34 banks trained ▶ Loans provided as shown on Table 4 ▶ Business Plan being established for an APEX financial institution
2. To increase the institutional capacity of the CB program	<ul style="list-style-type: none"> ▶ Computerized MIS system installed by the end of Year 1. ▶ Improved village bank training materials developed (methodology, group formation training, village bank administration). 	<ul style="list-style-type: none"> ▶ Pilot MIS system designed by MEDA to be installed by July 1999 ▶ Consultancy in year 1 to assist with the enhancement of CB training materials. 	<ul style="list-style-type: none"> ▶ CAYLX MIS system installed and being piloted in Haiti ▶ CB management and training materials being enhanced and refined
3. Improve the quality of services of CB clients	<ul style="list-style-type: none"> ▶ 5 new partner organizations selected and trained on community bank management. ▶ Loans and training provided to over 5,000 clients over a three year period. ▶ Diverse loan products available to meet the needs of rural borrowers. 	<ul style="list-style-type: none"> ▶ Partnership agreements signed with 5 partner organizations. ▶ Examine client needs and satisfaction with loan products. 	<ul style="list-style-type: none"> ▶ Partnership agreements negotiated and signed with 5 partner organizations and partners encouraged to participate into leadership and management training sessions held for CBs ▶ Loans provided to 723 clients ▶ Loan products being regularly adapted to rural needs
4. Improve MEDA's monitoring and evaluation capacity.	<ul style="list-style-type: none"> ▶ Client intake form used to gather baseline information. ▶ Key performance indicators desegregated by gender. ▶ Improved impact indicators incorporated into MEDA's evaluation process. 	<ul style="list-style-type: none"> ▶ Incorporate MEDA's revised evaluation process for next fiscal year (begins July 1). ▶ Revised intake forms in place by beginning of FY00. ▶ Incorporate MEDA's Environmental 	<ul style="list-style-type: none"> ▶ MEDA's revised evaluation process has been integrated and is being progressively implemented ▶ Intake forms being revised and used for new banks. ▶ MEDA's Environmental

		Management System into the evaluation process. ▶ MEDA's MIS system installed.	Management System being completed for incorporation. ▶ CAYLX MIS system installed and being piloted.
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MEDA Haiti has started to integrate the PVC, CODEP and Federec program into one RBDP program. PVC support is key in building this network of banks that will be crowned by an APEX-type financial institution.

5.2.5 Impact on Institutions Outside the Program

The impact on local institutions, policy and people outside the project have not yet been measured because the program is still in the very early stages of operation. As the program progresses, MEDA Haiti will use the information from the loan application, baseline survey, and information from the data base to determine its impact in the communities it serves.

5.2.6 Partnerships

The RBDP Program is designed to be implemented with local partners who serve as a bridge between MEDA and the local communities: All of the partners listed are RBDP partners, however, only CODEP, SOCOSPOC, COTAM, CAPUP and JBC are part of the PVC. We would like to present all of RBDP's partners to show the areas in which this program is expanding. PVC has been an integral part of RBCP's expansion.

CODEP

The original Rural Business Development Program in Cormiers, in the West of the country, was implemented in partnership with the Cormier Comprehensive Development Program (CODEP) funded by Haiti Fund, Inc. based in North Carolina, USA. CODEP identified a need for credit within the Cormier area and approached MEDA in 1994 to act as the implementing organization since they lacked the technical skills in credit delivery. CODEP works with the local community on a variety of environmental conservation projects ranging from improvement of soil, reforestation to road construction. Unlike other partners, CODEP does not intend to increase their capacity at credit delivery. They provide funding for the credit operations and the loan fund and are open to the idea of the formation of an APEX type credit institution to serve as an umbrella over all RBDP banks.

Northern Cooperatives

In the North, the RBDP established a partnership with five cooperatives that were formerly formed in the context of a previous MEDA cocoa marketing program:

An agreement has been signed with each cooperative detailing the responsibilities of each party. The basic role of the partner in this specific case is to accompany the RBDP in the implementation of the program in their respective locality – from Credit Officer candidate selection to site and group identification. They also provide advice in cases of delinquency or other problems affecting the community banks. Cooperative leaders receive training from RBDP on the methodology and the program's expectations from the co-op.

FEDEREC KDK's

In the context of a CIDA-funded rural integrated development program (agroforestry, water infrastructure, credit and community development), Le Fonds pour l'Environnement, le

Développement Economique et la Reconstruction Civile (FEDEREC), the RBDP will expanding to include 15 new communities in the South, the West and Northwest of Haiti. For each of those communities, a structure --the Community Development Committee (KDK)-- has been formed to serve as a bridge between MEDA and the community. KDK's are formed with 11 representatives of organized sectors in the community: religious sector, cooperatives, women's associations, peasant associations, local Government Reps, etc.

Starting in July 2000, the 15 KDK's of FEDEREC have become partners of the credit program for the credit component of the program:

FONKOZE

As mentioned earlier, a robbery took place this year, resulting in loss of funds for the credit program, and in trauma for staff. It was believed that the robbery was planned because it occurred only a few minutes after a withdrawal was made from MEDA's bank account in Port-au-Prince. Manno, MEDA's Credit coordinator was on his way out of town with the disbursement funds intended for the community banks. Fortunately, Manno was not hurt and the police later recovered the truck. As a result of the robbery – and to avoid similar problems in the future – MEDA negotiated a partnership with a financial institution, Fondation Kole Zepòl (Fonkoze), to directly handle all fund transfers from Port-au-Prince to the Fonkoze branch in the North. In this way, MEDA will not need to handle any transactions, money transfers or payments directly to the community banks. Bank members are responsible for making their own deposits and withdrawals from local Fonkoze branches. Community Bank members have been asked to setup accounts at the Fonkoze branch so that MEDA can directly transfer money from Port-au-Prince.

MEDA Haiti is currently negotiating two other partnership agreements with FONKOZE: 1) A funding agreement by which Fonkoze will provide loan funds for the Northern banks as a credit line; 2) An agreement by which Fonkoze will seek funding for and implement their literacy program in the RBDP banks. Fonkoze's literacy program uses a hands-on method to teach their micro-credit clients literacy, numeracy, basic accounting and business skills through a game specially designed for rural audiences.

Table 6: List of RBDP Partners in Haiti

PARTNER	AREA	HISTORY WITH MEDA	DESCRIPTION OF ORGANIZATION
CODEP	Cormier (West)	-Community banks program piloted there starting in 1994 -Currently has 22 community banks -2 Agroforestry projects were funded by MEDA-FURREC (95-98)	-Type: Non-Governmental Organisation (NGO) -Activities: soil conservation, reforestation, economic development projects
SOCOSPOC	Robillard (North)	-Participated in the Cocoa Project (85-92) -Road rehabilitation and agro-forestry projects with FURREC	-Type: Cooperative -Membership: 300 -Activities: Marketing of cocoa and other agricultural goods -Tools bank
COTAM	Bahon (North)	-Participated in the Cocoa Project -Soil conservation and agro-forestry	-Type: Cooperative -Membership: 300

		projects with FURREC	-Activities: Marketing of cocoa and other agricultural goods -Tools bank
CAPUP	Port Margot (North)	-Participated in the Cocoa Project -Road rehabilitation and agro-forestry projects with FURREC	-Type: Cooperative -Membership: 300 -Activities: Marketing of cocoa and other agricultural goods -Tools bank
JBC	Grande Rivière du Nord (North)	-Participated in the Cocoa Project -Soil conservation and agro-forestry projects with FURREC	-Type: Cooperative -Membership: 300 -Activities: Marketing of cocoa and other agricultural goods -Tools bank
UCAT	Thibault (North)	-Participated in the Cocoa Project -Soil conservation and agro-forestry projects with FURREC	-Type: Cooperative -Membership: 300 -Activities: Cocoa marketing o -Tools bank

FEDEREC COMMUNITIES

PARTNER	AREA	HISTORY WITH MEDA	DESCRIPTION OF ORGANIZATION
Grand Boulage KDK	Grand Boulage Crochu	- 2 previous soil conservation/ reforestation/ spring capping projects - good partner provided good reports - literacy programme linked to FURREC, 12 centers. - former centers can be regrouped and encouraged to form banks.	All organized sectors represented in KDK: -Cooperatives -Women's associations -Local Gov't reps -Peasant Associations -Religious sectors -Educational sector
Calebasse KDK	Calebasse Ft. Jacques Duvier	- reforestation/water capping/masonry projects with FURREC - successful literacy training component: 20 centers of approximately 25 people each	All organized sectors represented in KDK (as above)
Thomazeau KDK	Thomazeau	-no previous MEDA experience in this area	All organized sectors represented in KDK (as above)
Fonds d'Oie KDK	Fond d'Oie/ Citronnier	-CODEP Village banks program in nearby area since 1993	All organized sectors represented in KDK (as above)
Fond Baptiste	Fond Baptiste	-no previous MEDA experience in	All organized sectors represented

KDK	Ivoire	this area	in KDK (as above)
Aquin KDK	Aquin	-no previous MEDA experience in this area	All organized sectors represented in KDK (as above)
Arniquet KDK	Arniquet	-no previous MEDA experience in this area	All organized sectors represented in KDK (as above)
Chantal KDK	Chantal	-no previous MEDA experience in this area	All organized sectors represented in KDK (as above)
Ferme Leblanc KDK	Ferme Leblanc Poste Droit Moreau (South)	-2 Road rehabilitation projects with FURREC	All organized sectors represented in KDK (as above)
Saut Mathurine KDK	Saut Mathurine (South)	- 2 soil conservation/ reforestation projects with FURREC - good partner, provided good reports - literacy program linked to FURREC, 12 centers.	All organized sectors represented in KDK (as above)
Chambellan KDK	Chambellan (Southwest)	- 2 soil conservation/ reforestation projects with FURREC in the area - local coop participated in the Cocoa Project	All organized sectors represented in KDK (as above)
Tapona KDK	Tapona (Southwest)	- Road and agro-forestry projects with FURREC - literacy program linked to FURREC, 12 centers.	All organized sectors represented in KDK (as above)
Dame Marie KDK	Dame Marie (Southwest)	-Local coop Participated in the Cocoa Project - 2 soil conservation/ reforestation projects with FURREC - literacy program linked to FURREC, 12 centers.	All organized sectors represented in KDK (as above)
Sicard KDK	Sicard (Southwest)	-Local coop Participated in the Cocoa Project - 2 soil conservation/ reforestation projects with FURREC - literacy program linked to FURREC, 12 centers.	All organized sectors represented in KDK (as above)
Abricots KDK	Abricots (Southwest)	-no previous MEDA experience in this area	All organized sectors represented in KDK (as above)

6.0 MANAGEMENT: REVIEW AND ANALYSIS OF HEADQUARTERS/SUPPORT FUNCTION

6.1 MEDA Targets and Results

Organizationally, MEDA's *three year* MG sustainability targets and accomplishments to date are located in the table 7.

Table 7: Three year sustainability targets

Three year targets	Year 2 accomplishments (as of June 30 2000)
<ul style="list-style-type: none"> ✓ 200% increase in member contributions; ✓ Government funding decreased from 74% to 66% of total; ✓ Revenue from consulting, trade and investment increased to 21% of total; ✓ Financial surplus achieved each year. 	<ul style="list-style-type: none"> ✓ 44% increase in member contributions; ✓ Government funding decreased to 58% for MEDA and 64% for IED; ✓ Revenue increased to 16% of total for MEDA and 18% of total for IED; ✓ Financial surplus achieved in Year 2

A summary of major outputs for MEDA during fiscal year 2000 (ending June 30 2000) is located in Table 8 below.

Table 8: Summary of Major Outputs – FY00

+2	★ Raise \$909,000 in core support, raise \$333,000 in designated contributions
+1	Assist other divisions to generate an additional \$4,216,000 of revenues
+2	★ Revise and implement the visioning plan.
+1	Continue to implement and refine the overall financial strategy based on a product (goods and services) orientation.
+1	Ensure MEDA's financial integrity.
+1	Provide equitable policies and practices for staff including gender awareness training
	★ = New Initiative
	+2 = Progress is ahead of target
	+1 = Progress on target

6.2 Marketing and Public Awareness

Over the past few years MEDA has consciously been promoting itself to a wider audience. MEDA has continued its "product marketing" approach, whereby MEDA's international development programs were "sold" to donors/members. Increased collaboration with the Marketing and Fundraising team has helped to increase overall contributions as well as to sell specific "products".

MEDA's Development Education and Public Awareness activities for the past year included:

- Saw 35 articles about MEDA activity published in various church and other publications.
- Published six issues of *The Marketplace*, MEDA's official publication.
- Published four issues of *MEDA News*, MEDA's official newsletter for supporters.
- Produced an informational computer-generated program for the October, 1999 Ben Heppner fundraising concert in Winnipeg.
- Created a table-top display for MEDA and Sarona Global Investment Fund.
- Placed six advertisements about MEDA's activity in Five U.S. and Canadian Mennonite publications.
- Inserted the MEDA Store into four Mennonite publications and *The Marketplace* in order to inform about MEDA's mission and raise funds.
- Created a bulletin for U.S. and Canadian churches to use in their services. The bulletin contained information about MEDA on the front and back covers.
- Updated information about MEDA activity on the web site on a regular basis.
- Held the MEDA Convention in Norfolk Virginia on Nov 4-7, 1999.

6.3 IED Department

Within the IED (International Economic Development) Department, a number of accomplishments were made during the fiscal year. Highlights of the year include:

- Contracts totaling **\$4.3** million were signed with major donors and clients.
- MEDA received a total of **\$1.24** million from private donors, up **17%** from last year.
- A brainstorming session with the IED directors set the stage for *remaining at the leading edge of economic development* – new research and development priorities, new alliances, and continued affirmation of MEDA's entrepreneurial "can do" attitude.
- International Operations (IOPS) worked with **3,789** microfinance clients with a total portfolio of **\$1,631,310**, up from FY99 by **32%** and **19%** respectively.
- IOPS marketing programs generated sales of **\$1,002,908** and assisted **3,831** families, down by **(6%)** and up by **90%** from FY99 respectively.
- Sarona Global Investment Fund was established as a legally separate family of companies to allow private investors to serve the poor through investment-based development. The new Sarona Fund was rolled out in a marketing campaign at the annual MEDA Convention in Norfolk, Virginia. MEDA will remain as the major equity partner, but the Fund is now open to debt and equity investors among MEDA members and the general public in the U.S. and Canada, in order to attract larger amounts of capital to invest in development programs and businesses.
- The Sarona Global Investment Fund received investments totalling **\$845,408**, including significant investments from several institutional investors.
- Sarona investments of **\$483,600** were made with partners doing business-oriented development.
- A gross return of **6.6%** was realized on Sarona assets.
- MEDA provided **2,352** days of consulting to partners in development around the world, up **80%** from FY99, resulting in MCG revenues of **\$482,612**.
- MEDA Consulting Group (MCG) was selected by CIDA, in association with DevPar Financial Consulting, to manage a major microfinance project in Mozambique (**\$3.2** million over five years).

- MEDA Trade (MTC) had revenues totalling **\$229,636**, up **26%** from FY99 – strongest growth was in contract management, notably the insecticide treated mosquito netting contract for IDRC.
- MTC established a trade association of mosquito netting manufacturers in Uganda and developed an innovative model to help these private sector companies access public funds for social marketing of insecticide treated malaria nets – financed by a **\$342,000** contribution over two years from CIDA Inc.
- The conversion of CHISPA, MEDA's microfinance program in Nicaragua, into a new Nicaraguan microfinance institution was slower than expected, but is now complete. The new institution, CONFIA, is the first regulated microfinance institution in Nicaragua, and includes a number of Nicaraguan and international investors.
- The Bolivia long-range evaluation was completed, looking back at 28 years of MEDA involvement and contribution to new industries now serving the poor.
- A database is being developed to keep track of MEDA's many partners over the years;
- Potential programming was explored in Mexico and Ethiopia, in both cases building upon contacts secured through local Mennonite churches.
- MEDA invested several months of time to develop future programming in Peru – which is now paying off with a number of good project proposals.

6.4 Relationship with Partners

Generally, MEDA provides training, technical assistance (TA), and financial resources to local partners, transferring and adapting proven and successful methodologies and techniques to incipient programs. The Director of International Operations, Technical Resource Unit (TRU) staff as well as other experts/consultants are utilized to develop and carry out the training plan by providing direct, country-level training and regional workshops dealing with common themes. Country Managers participate in MEDA's annual "Country Managers' Meetings" to review past performance, present annual plans, and exchange information/experience. MEDA also provides TA in the development of program monitoring and evaluation systems, performance and financial ratio analysis, and annual planning. The TRU monitors the financial performance of all MEDA programs on a monthly basis. Monthly monitoring statements, based on the SEEP financial ratios, are provided to staff in Headquarters (HQ) and quarterly statements, with analysis, are provided to HQ and to the Country Management staff.

The specific action plan and results for MEDA in Year 2 is summarized in the table below.

Table 9: Year 2 Plan and Results

	Year 2 Plan	Year 2 Results
Head- quarters	<ul style="list-style-type: none"> - Support to Capital Formation Division in marketing and fund management - Enhance MEDA's planning capabilities and tools 	<ul style="list-style-type: none"> - Support provided to GIF resulting in enhanced marketing capability, and the successful registration of the "Sarona Fund" (GIF) in the U.S. - TRU staff participated in Microfinance Training at New Hampshire College. Course work on strategic business planning and financial modeling was completed. MEDA finalized its Evaluation Process document and developed a baseline/impact survey and an accompanying database.

Mozambique	<ul style="list-style-type: none"> - Hire 2 Promoters - Provide lending capital - Provide training in areas as management training, including staff performance and financial management - Update program monitoring & evaluation system and/or conduct follow-up assessment 	<ul style="list-style-type: none"> - Two credit officers hired: one new position was created and one credit officer was terminated and replaced by new credit officer during the year - \$0 as now new capital was needed by the project - TRU trip made to participate in Country Managers' meeting and train loan officers and financial manager in portfolio management, loan analysis and ratio analysis. - MEDA finalized its Evaluation Process document and developed a baseline/impact survey and an accompanying database. Intern will be placed in Mozambique during year three to implement baseline/impact survey and conduct client satisfaction focus groups. <p>Other: Client Account System (CAS) installed in Year 1 (planned for Year 2)</p>
Haiti	<ul style="list-style-type: none"> - Hire 2 promoters - Provide lending capital - Provide training in areas as management training, including staff performance and financial management - Update program monitoring & evaluation system and/or conduct follow-up assessment - Review APEX formation and/or links to Caisses Populaires 	<ul style="list-style-type: none"> - \$46,000 in loan fund capital provided to Haiti. (92% of the budgeted amount for the year.) - MEDA's Human Resources Director delivered staff performance training to MEDA Haiti staff - TRU and MCG delivered an 8-day strategic planning and financial modeling workshop using Microfin. APEX formation was examined during the exercise; further efforts at consolidating the community banks program will be done in Year 3. - MEDA finalized its Evaluation Process document and developed a baseline/impact survey and an accompanying database. The survey was finalized and an intern in Haiti developed the database. <p>-Other: CALYX MIS system tested/installed in Haiti</p>

6.4.1 Personnel

Overall responsibility for the program remains with Allan Sauder, Executive Vice President of MEDA. The Director of International Operations, Ed Epp serves as the liaison between MEDA and USAID, and has overall responsibility for the performance of MEDA's country offices. Neil Janzen serves as the regional manager for MEDA's Africa programs. The Country Manager for Haiti (Jean-Claude Cerin) and the interim Program Director in Mozambique (Brad Martens) oversee the country programs. Technical backstopping is the responsibility of the TRU, housed within the MCG, managed by Julie Redfern. TRU staff Julie Redfern (25% TRU) and Pamela Fehr (75% TRU) provide technical support to Haiti and Mozambique. The Director for Sarona, Gerhard Pries, plays a critical role in raising external capital, managing fund assets, and developing a financially viable investment structure which will enable existing and future programs to access necessary capital.

6.4.2 Monitoring and Support

In addition to regular narrative and financial reporting from the field offices, several trips were made to Haiti and Mozambique to monitor and support activities. These are detailed in the following table.

Table 10: Monitoring/TA trips

Haiti	Mozambique
<ul style="list-style-type: none"> February 2000: Ed Epp, Allan Sauder and Julie Redfern participated in the Regional Country Manager's meeting in Haiti. Management issues were also addressed. January/February 2000: Calyx MIS system installed in Haiti as test site. May 2000: Kim Pityn (Director Human Resources) carried out performance management training. May 2000: Ed Epp made management trip to Haiti September 2000: Pamela Fehr and Joyce Lehman (MEDA Consulting Group) delivered strategic planning and financial modeling workshop for credit staff in Haiti. September/Oct 2000: Ed Epp made management trip to Haiti and reviewed strategic and business planning issues 	<ul style="list-style-type: none"> October 1999: Neil Janzen made management trip to Mozambique March 2000: Ed Epp, Neil Janzen, Julie Redfern and Pamela Fehr participated in the Regional Country Manager's meeting in Mozambique. Management issues were also addressed. March 2000: Julie Redfern and Pamela Fehr delivered training to credit officers and financial manager on loan analysis, credit management and financial ratios May 2000: Gerald Morrison (MEDA's Finance Mgr) conducted an internal review of the Mozambique program. Ed Epp and Neil Janzen planning a management trip in November 2000

In February 2000 (Haiti) and March 2000 (Mozambique), MEDA held Regional Country Managers' Meetings. Follow-up sessions were held on gender and environmental assessments in microfinance as well as MEDA's revised Evaluation Process.

6.4.3 Institutional Development

Sarona Global Investment Fund (Sarona)

The former Global Investment Fund was restructured this year through the incorporation of an investment management company, MEDA Investments Inc.(MII). MII is a wholly-owned MEDA subsidiary designed to manage all of MEDA's investment initiatives. During this year, MII created and became the general partner in Sarona Global Investment Fund, L.P.(SGIF). MII also created Sarona Loan Fund Inc.(SLF) and Sarona Canada, L.P.

The Sarona Group of Companies, as the above are commonly known, is an innovative investment vehicle for directing capital from North America to low income countries for the benefit of the poor. They exist to secure capital from the private and public sectors in North America for investment in profitable programs and businesses that support the development of low income communities.

The MEDA Board has appointed a separate five-member Board of Directors for the Sarona Group. These directors have established investment policies for SGIF. These policies include geographic

and sectoral foci as well as social and financial investment criteria.

Sarona exists to secure capital from the private and public sectors in North America for investment in profitable programs and businesses that support the development of low income communities.

Bringing Sarona to market faces a number of challenges, including promotional issues, the need for improving the financial characteristics of the fund, and the necessity for an investment decision process that includes both financial and social criteria while evaluating potential investments.

Promoting Sarona is made difficult by the traditional separation of investment goals and social goals: the former typically is focused on risk versus return, while the latter is focused on grant donation. Sarona integrates investment and social goals, foregoing some of the former for the latter, and as such, faces a particularly difficult hurdle in marketing itself.

To this end, pursuit of equity and/or subordinated investment from investors who have similar developmental aims is a priority in order to improve the risk and return characteristics of the product.

Further, in the field of international economic development, most ventures that are seeking finance, while they may have laudable social goals, do not meet the financial criteria of an investment fund that includes private financing. Identification of suitable investments, and the carrying out of both social and financial due diligence are critical.

Sarona capital formation has proceeded with establishing Sarona as a legal entity and taking the necessary steps to obtain legal clearance for promotion to private investors. This was accomplished in time to 're-launch' the GIF (as the "Sarona" Global Investment Fund) at the MEDA Annual Convention in November 1999. Sarona has provided capital support to the Mozambique program in Year 1 (\$46,900) and will provide capital in Year 2 to Haiti (\$46,000) .

In the past year, GIF capital formation has included approaching private sector players to investigate their level of interest in deploying capital to ventures that have a demonstrable benefit to the poor. The responses from larger institutions makes it clear that they evaluate investment decisions on the basis of risk and return, while they consider broader social and economic benefit only as a component of their charitable giving. Having institutions integrate these activities will require a philosophical shift.

Projects that have identifiable beneficial social and economic development outcomes do not necessarily meet the risk and return standards needed by the private sector. It is clear that guarantee mechanisms are needed to enhance the security of private sector investment in development related ventures. MEDA continues to pursue this issue and establish guarantees to allow private sector investors to participate in such investments.

Technical Resource Unit

The TRU helps MEDA to remain technically sound in the area microenterprise development. Responsibilities include policy and procedure documentation, monitoring and evaluation, maintenance of a resource centre and general communications. The TRU also provides direct technical assistance to field offices, or out-sources support as needed.

During the second year of the matching grant, significant progress was made in several areas outlined in the business plan, including enhanced monitoring/evaluation tools, enhancement of training tools and resources, and gender awareness and training. In addition, important progress has been made in other technical areas including management information systems, program assessment tools (using MEDA's quality standards), and business plan development in the field of micro-finance. MEDA's work has also advanced in the area of business development services. Highlights of TRU and TRU-related accomplishments during the last year include the following:

The key activities that took place during the year were:

- ◆ A Gender Working Committee was formed at Headquarters, with representation from the TRU, Human Resources, and Senior Management (Executive Vice-President). The working group has developed an implementation plan to put MEDA's new gender policy and strategies into practice. The plan was approved by the Senior Management Team, and the first set of actions has been taken, which included developing a survey on gender policies, practices, and resources at the field level. The survey will be administered in all field offices in the first quarter of next year.
- ◆ The TRU has provided field level technical assistance to Nicaragua and Haiti during the past year. A trip was made to Haiti in September to support the program's information needs, and then in February to support management development. In Nicaragua, the TRU assisted in hiring and orienting a gender specialist. In addition, a trip was made to Nicaragua in February to develop a gender strategy. While the program that originally hired the gender specialist has been cancelled (PRODUMER), the specialist has remained on staff with MEDA Nicaragua.
- ◆ The TRU and MCG facilitated a strategic business planning workshop for credit program staff in Haiti. The Haiti team developed a new mission/vision, completed a SWOT analysis, identified strategic issues, and completed a five year business plan using the financial modeling program, Microfin (**Annex 4**).
- ◆ Field level technical assistance was also provided to Bolivia and Mozambique during the fiscal year. In March the TRU conducted a loan officer training session with the Mozambique staff. Support on proposal writing was offered to Bolivia.
- ◆ The TRU has been actively involved in a research project funded by IDRC (International Development Research Centre). The project examines BDS best practices in impact, cost effectiveness, and sustainability. The first draft of a case study on ASOMEX, MEDA's marketing company in Bolivia, was submitted in April 1999. Since then the case study has been revised and improved through further field level impact research in Bolivia, conducted by the TRU in January 2000.
- ◆ TRU staff member, Pamela Fehr, attending the Microfinance Training Program at the New Hampshire College and participated in the business planning and financial modeling course.
- ◆ The TRU also participated in a number of meetings with Calyx Software Ltd. to discuss the installation of their MIS system for MEDA's microcredit program in Haiti. Since these meetings, the software is being tested in Haiti.

- ◆ The TRU helped orient and provide support to MEDA's four new CIDA Youth Interns throughout the year, with special emphasis on microenterprise development, gender, and results based management. Interns traveled to Haiti, Mozambique, Bolivia, and Nicaragua.
- ◆ The TRU is a member of the SEEP (Small Enterprise Education and Promotion) Network's working group on Business Development Services. MEDA staff attended working group meetings, and contributed to discussions throughout the year.
- ◆ TRU staff work to continuously upgrade their skills. During the year, workshops were attended on the following topics: strategic planning, financial modeling and business planning, and results based management. The TRU is proficient in CGAP's Financial Modeling Program, Microfin.

7.0 FINANCIAL REPORT

7.1 Budget vs actual

MEDA's Financial Status Report and Financial Program Report can be found in Annex 5.

Haiti

Haiti Salaries - an increased proportional share of USAID funding was used on Haiti salaries and benefits during the year. With increased staffing costs and lower than expected program earnings, additional USAID funding was needed for the year.

Haiti Supplies – MEDA's contribution to the Haiti project was exceeded during the year as a vehicle was needed to reach rural areas of Haiti, particularly in light of security concerns for staff travelling in rural Haiti.

Haiti Services - Expenditures on a MIS system for Haiti have been reduced until a suitable system can be found. We expect that the full services budget will be utilized in the final year of the project.

Mozambique

Mozambique Salaries - Due to considerable growth in the program during the year, additional staffing was required which pushed the salaries and benefits line over budget for the year.

Mozambique Operations - Escalating costs of operations in Mozambique pushed operational costs over budget for the year. Mozambique continues to be a very expensive country to operate in but we are committed to working there on a sustainable basis.

Mozambique Loan Fund Capital - No additional loan funds were required by the program during the year. We expect to make a major contribution to loan fund capital in the project in the third year of the program as the program experiences significant growth.

Mozambique Training - The major training component of the Mozambique program will begin in the third year of the program.

Headquarters

Headquarters salaries - Headquarter salaries were 83% of the budget for the year. Salaries will increase in the third year of the project as we have added an administrative assistant in our

International Operations department who will be heavily involved with the PVC project. Any additional savings on head quarter salaries will be used to cover salaries and operational costs in our field programs.

Headquarters audit - The audit line for the year has not yet been utilized as our program audit has not yet been completed.

Total AID funding - As a result of the above variances, the AID portion of the budget was 10% below budget for the year. The savings will be applied to year three of the project where we anticipate the funds will be fully utilized.

7.2 Fundraising plans

The primary purpose of MEDA's fundraising department is to raise contributions and other forms of support for core operations, outreach programs, special projects and funds, the Sarona Fund and in general, enhance MEDA's overall equity. Section 7.2.1 presents the fundraising goals/strategies for fiscal year 2001 (July 2000 – June 2001). Key inputs and income sources has been presented in section 3.4.1.

7.2.1 Goals and Strategies (★ = New Initiative)

- Raise \$1,300,000 (total undesignated and designated) in support of the FY2001 budget
 - Plan the geographic areas where we will target fund-raising and membership growth
 - ★ Recognize gifts of less than \$1,000 with thank you calls (include Board in this process)
 - Prepare personalized contribution promotion material for presentation to specific potential large donors as required, use MEDA Store as a source for these materials
 - ★ Hire half-time fund-raiser in Eastern USA
 - Refine and continue the direct mail solicitation
 - Continue existing procedures for acknowledgment of gifts including letters, selected handwritten notes and thank-you calls
 - Assist in facilitating President's Circle (\$1000+ donors) communication twice annually, organize President's Circle convention dinner invitations in September and conduct special "Thank-you" campaign and gift in April
 - Plan and implement specific appeals for each major donor category
 - Get Board to assist in fund-raising
 - Continue to do donor research to make fund-raising more effective by targeting prospects.
 - Continue to use existing donors to acquire new donors, organize three-way meetings between potential new donors, staff and Board members doing fund-raising
 - Maintain and implement a member and donor communication schedule

- Implement the Planned Giving Program which was developed in FY2000
 - ★ Promote planned giving as an option for existing donor and member support
 - ★ Review the MEDA endowment policy and revise it as appropriate for a planned giving program
 - ★ Promote and secure ten planned gifts to MEDA

- Gain new sources of financial support from foundations, corporations, and service clubs that have common interest in supporting MEDA's values and goals
 - Continue to follow up contacts made through foundation software to solicit foundations in Canada and USA
 - ★ Assist IED and NAS (North American Services) in their appeals for program support
- Produce or assist with special event fund-raising projects
 - ★ Participate in Ben Heppner concert in Waterloo on February 21, 2001, in response to Ben Heppner's invitation for MEDA to participate and to receive proceeds from sponsorships. Explore whether local Mennonite choirs can perform with Ben, work with IED staff to raise sponsorships for which those funds will go to R&D, a new MEDA Store item
 - ★ Work with MEDA's Convention staff to raise money through the MEDA store, a silent and open auction
 - ★ Support the exploration of a "Chapter Challenge", to raise funds for MEDA programs
- Keep records current and maintain Raiser's Edge database, develop plan for future database training and support all MEDA departments with required database functions and reports
 - ★ Train new staff member on MFG/database position
 - Continue proficiency in database management and utilization
 - Provide reports necessary to implement MEDA's mailing schedule
 - Gather additional donor information as needed for the marketing/fund-raising department
 - Define and develop new functions/reports required to support marketing/fund-raising
 - Define and develop new reports to support IED, NAS and Corporate services as required

7.3 PVO Cost share

MEDA's cost share percentage for the year was 54%. For the life of the project MEDA will contribute 51%, which exceeds MEDA's commitment of a 50% cost share.

8.0 LESSONS LEARNED AND LONG-TERM IMPLICATIONS

8.1 Headquarters

8.1.1 Lessons learned

- Continued importance of the synergy between departments in MEDA. There is an important link between human resources, operations, technical assistance, investment, and management.
- MEDA still believes that long-term solutions to development need an investment component. Development is not over until a project/business can stand on its own, attract investment, and survive within the economic rules of the market place. At times there exists a gap between the project and business that needs an investment fund, like Sarona, to fill. However, to be viable on its own, Sarona also needs some guarantees for repayment.

- Responses to natural disasters need to take into account local economic growth. MEDA saw that the huge amounts of relief that poured into Mozambique following the flooding in March 2000 actually hurt the economy. MEDA would like to examine other methods of delivery of relief aid which could invigorate the economy, such as vouchers for people to purchase food and goods from local businesses. MEDA saw some clients actually decrease sales as free food and goods entered the country.
- The impact of political instability in countries like Haiti is great. The turmoil in Haiti effects the local economy and life even in the rural areas. MEDA found that there do not appear to be strategies to address this factor.
- This year MEDA affirmed a lesson learned previously, being the importance of solid management at the field level. MEDA did change management in Mozambique, and now has in place more suitable staff, and has shifted to more Mozambican management. The turn around in the Mozambique program has been remarkable.

8.1.2 Long-term implications

Through the development of sustainable businesses, MEDA offers increased income to the poor. However, MEDA must offer more – an economic development model which enlarges human choices in all aspects of life. MEDA’s Christianity-based values must be felt in the businesses we create and support. A recent study of what lies at the heart of successful organizations and high quality leadership revealed that credibility was the number one factor.¹ The components of credibility were listed as: sustaining hope, serving a purpose, developing capacity, affirming shared values, appreciating constituents and their diversity, and discovering your self. For FY 2001, the IED is committed to building and protecting our credibility as a leading-edge economic development organization. We have adopted the following priorities:

- Sustaining Hope – as staff and associates we are committed to further reflection on what it means to do responsible faith-based economic development, and to seeing that theme echoed throughout the strategic plans presented by each of our managers. We are also challenged to share faith stories, and to grow in our own faith.
- Serving a Purpose – the purpose of all of our work is to serve the poor through business-oriented economic development. In a rapidly changing world, “serving the poor” needs constant definition and redefinition. MEDA is committed to the innovation that is needed to help the poor keep pace with change, much of which is not in their favour. At the same time, all of our business efforts must stand the test of asking “How has this program/business improved your life?”
- Capacity Development – staff, partners and clients alike are looking for ways to be challenged and to grow in their personal and professional development. MEDA will do what it can to help all achieve their dreams. Conscious efforts will be made to limit travel where possible and, within existing policies, to encourage staff to take family members to convention or other travel destinations. Capacity development includes having the skills and contacts needed to secure the financial resources required to research and innovate.

¹Kouzes, James M. & Posner, Barry Z., Credibility, Jossey-Bass Publishers, San Francisco, 1993.

- Shared Values – the world sees us not as we say we are but as we act. The IED is committed to sharing our values: as a team, with our clients and partners, and ultimately manifesting those values in our work.
- Appreciating Others – we are committed to better expression of our appreciation for each other and our work, for our partners, for our clients, for our funders, and for our associates. One of the best forms of appreciation is through opportunities for direct involvement. Can we further use associates, partners, clients and funders in: assessing and monitoring programs and investments; participating in audits, exploratory visits, and consulting work; and in telling the MEDA story?
- Self Awareness – the IED division will continue to explore innovative program approaches, evaluate its impact, document its learning, and freely share its experience with others. While MEDA must remain competitive, the best way to compete in the development industry is through reputation, and sharing of experience is one of the best ways to enhance reputation.

Long-term goals

The long-term goal of the International Economic Development Division is:

To remain at the leading edge of economic development.

Objectives	Measurables	Activities
1. Increase the scope of existing IED services to the poor	1.1 IOPS programs in two new countries 1.2 MCG to double revenues to \$910,000 1.3 MTC to double revenues to \$365,000 1.4 Sarona Fund to double assets to \$7 million	In pursuit of ongoing innovation, the following activities will be explored and emphasized: <ul style="list-style-type: none"> • New alliances and joint ventures • University linkages and research • Staff exchanges • Linkages with MEDA associates • New donor contracts • Joint MCG/MTC/Sarona office in one location
2. Research and develop new products to serve the poor	2.1 Two new major products developed and marketed	
3. Reduce dependence on government funding	3.1 Increase non-government donations and earned income from 34% to 50% of total IED revenue 3.2 IED profitable overall	

The summary of MEDA's major planned outputs for FY2001 are:

- Renewed focus on and funding for research and development of innovative economic development ideas and products;
- 2,284 days of consulting with net revenues of \$474,000 (up 68% from FY00);
- \$193,000 net trade revenue (down 16% from FY00) with focus on developing commodity monetization and trade association concepts;

- Micro-credit portfolio of \$2.9 million managed with 7,700 micro-enterprise clients (up 111% and 69% respectively from FY00);
- Marketing program sales of \$2.7 million (up 87% from FY00);
- Sarona assets increased by \$2 million (up 50%) with a return on MEDA investment capital of \$114,000.

IED Management

IED management is not a true department in that it manages very little programming directly. Nonetheless, its mandate is four-fold:

- Ensure that the IED as a whole fulfills its mission to serve the poor through the development of business;
- Provide the IED departments with necessary human and financial resources, strategic guidance, values-based leadership, and a supportive environment;
- Undertake programs which explore cross-departmental issues of policy or resource development (e.g. gender, environment, evaluation, publicity);
- Be accountable for overall delivery of planned outputs and for meeting the projected financial bottom-line.

Goals and Strategies

- Provide strategic guidance, oversight and support to IED departments.
 - Set and encourage adoption of priority values
 - ★ Develop a presentation on MEDA values for orientation
 - Ensure that IED departments are coordinated
 - Provide supportive office environment
 - ★ Renovate the Waterloo office to provide four new workstations and update the telephone system.
- Increase public visibility and revenues of the IED.
 - Update IED “products” in the MEDA Store
 - Visit major donors twice annually
 - Assist IED departments with contract development
 - ★ Provide training and systems to develop and transfer audio/visuals among offices
 - ★ Coordinate with Marketing/fundraising regarding tours to project sites
 - ★ Coordinate with NAS regarding Convention and the Trade Expo
 - ★ Develop a series of off-the-shelf Powerpoint presentations for use in various public fora.
- Develop the human resources required to deliver planned programs.
 - Plan and approve personnel appointments with the IED departments
 - Ensure that the performance appraisal system is utilized throughout the IED
 - Find suitable opportunities for staff development at all levels
 - ★ Create a new position to develop presentations and other materials and to relieve pressure on the office manager
 - ★ Office manager to devote half time to Sarona fund administration
 - ★ Hire a new receptionist.

- d. Ensure that revenue targets are attained and that a positive bottom line is achieved.
- Monitor IED department revenues and assist with securing necessary resources
 - Ensure that financial and physical assets are adequately protected
 - Monitor IED department expenditures and make adjustments as needed.
- e. Ensure that communication and reporting patterns and operating policies are effectively serving the division's mandate.
- Ensure that the IED's structure is operating efficiently in a coordinated manner
 - Represent IED interests on the senior management team
 - Report on IED plans, priorities and performance to the board
 - Keep IED staff informed of board interests and guidance from the board Learn how to use more creative and effective audio/visual reporting
 - Ensure that IED policies are up-to-date and relevant and that staff adhere to them.
- f. Ensure that IED programs are accomplishing the board-approved mission, that MEDA's history in development is preserved, and that IED's programs are recording the information required by associates, donors and clients.
- Disseminate the results of the Bolivia long-range evaluation and plan another country evaluation
 - Complete development of the historical database and ensure that all MEDA partners are included
- g. Instigate new program investigation and new product research and development.
- Review development trends and literature in order to spot new product or program opportunities
 - Assist IED departments with research and development of the following topics/products:
 - ★ Currency risk insurance mechanism – for Sarona and similar funds
 - ★ Commercialization of microfinance – documentation and possibly seminars/consulting
 - ★ Internal control system for microfinance programs – documentation, seminars, consulting
 - ★ Peru – investigation of investment/consulting/trade/operational involvements
 - ★ Uganda – investigation of trade/investment/consulting/operational involvements
 - ★ Marketing program methodology – documentation and possibly seminars/consulting – link to Bolivia long-range evaluation
 - ★ Investment fund management services – documentation, seminars and consulting
 - ★ Appropriate rural technologies – more contacts and information on the work of the biotechnology companies, the international agricultural research centres, and multinational food marketing companies
 - ★ Communications technology – organize a tour of several high tech companies to see what they have to offer for the poor, and challenge staff around the world to come up with ideas.
 - ★ Establish a separate \$30,000 R&D fund under IED management which all IED departments can access via application to the monthly IED management group meeting.
- h. Ensure that MEDA is represented in appropriate international fora.

Budget

The division is proposing an overall expenditure budget of \$4.8 million, with an operating surplus of \$12,000. MEDA's equity in Sarona is also expected to increase by \$30,000.

The proposed FY01 budget represents a 21% reduction from the approved FY00 budget, but a 11% increase from FY00 actual expenditures. Very little of the proposed budget is unsecured.

8.2 Mozambique: Problems Encountered and Lessons Learned

Constraints were encountered in the following areas of the MEDA Mozambique program:

- Staffing
- Partial loan payments
- Managing credit operations
- Financial Reporting

Staffing

One credit officer that was remaining from the program's original employees started creating problems for the program's credit operations. This staff person refused to complete his work, continually neglected his clients, and undermined the morale of credit operations. After a formal written warning that initiated the process of removing the credit officer from his position, he willingly resigned. Morale immediately improved with his departure. With his resignation, the credit program has been able to focus on his delinquent clients and improve the portfolio quality.

Partial Loan Payments

Due to problems with solidarity, many groups started making partial payments (four of the five group members would pay). Because of the partial loan payments, many groups were getting behind on their payment schedule, and increasing the portfolio at risk. In order to prevent partial payments from continuing the credit operation responded with two new policies. This first was to raise the late payment penalty, and not accept partial payments. By increasing the penalty, many groups started guaranteeing that the full amount owed was paid on a timely basis. The second action taken was the creation of an asset pledging form. This form is completed by each client before the loans, and states what assets they are pledging to the group (this is not held by MEDA) in case they are unable to pay their loan. This form is kept, and managed within the group. If client refuses to make his/her loan payments, the group can take action by confiscating the assets pledged.

Managing Credit Operations

Over the past year, MEDA Mozambique has had trouble managing both finding new loans, and managing the current loans. In the first half of the year focus was put on issuing new loans, and increasing our portfolio. However, in attempt to find new clients, the credit officers ignored their old clients. When the PAR risk started to rise, management called a cessation of new lending, and focused on delinquency. Once the delinquency was back under control, a new balanced approach to delinquency, and finding new clients was created.

One of the main reasons for the delinquency problems was lack of credit officer accountability for their portfolio. Once management started demanding weekly reports on measures taken with delinquent loans, and measures taken to find new clients, the credit officers started taking responsibility for their portfolio. Now management is able to track what a credit officer does with his/her time, and can ensure proper portfolio management.

Financial Reporting

Because of the problem with the program's first accountant, an external accountant was hired to carry out the accounting and financial management functions. However, as internal controls were created, and the increased competency and trustworthiness of MEDA's new accountant (Mr. Goncalves) was exhibited, there was no longer a need to outsource the accounting. Outsourcing the accounting was expensive, and inefficient. The external accountant was rarely available, and not responsive to MEDA Mozambique's requests. Because of the lack of communication between the MIS and the previous AIS (accounting information system), many problems were created with reconciliation and creating the statements. In March the program decided to purchase an AIS, and put Mr. Goncalves in charge of producing the statements. Once the new AIS was in place MEDA Mozambique had access to timely, and accurate statements that reconciled to the CAS.

8.2.1 Future considerations

The current environment in Maputo, Mozambique is amenable to the expansion of a well-run credit organization – many potential clients continue to be without credit services. Furthermore, the concepts of credit, repaying debts and permanent credit institutions are also gaining acceptance and understanding, thus increasing the demand for loans. Maputo needs an established and profitable micro-finance institution that is able to supply credit in an efficient manner. MEDA Mozambique's unique methodology affords the program tremendous room for success despite the increasing number of credit programs in Maputo market.

An efficient micro credit institution with a large customer base will be able to reduce the current exorbitant interest rates that the credit programs are charging in an attempt to attain sustainability. By reducing interest rates and increasing project efficiency, the clients will benefit from reliable access to credit at a reasonable cost. MEDA Mozambique's strong committed local staff, sound lending methodologies and solid operational policies and procedures presents an excellent opportunity to fill a gap and meet the markets' needs.

In order to be able to fill the market gap more efficiently and effectively, additional capacity building is essential for MEDA's SBDP in Mozambique.

Strategic Management Practices

MEDA Mozambique has grown significantly in the last 2 years. With new clients and new staff, it is essential that upper management does not become overloaded, forcing it to lose sight of the important, big picture issues. As the program grows, it is increasingly important to have strong interaction between the finance and operations teams. Decision making will be shared between the teams, and appropriate delegation from the current expatriate Country Manager will be effected.

Human Resource Management

The key to organizational development is human resources. Recruitment practices need to be refined, and as it has been a challenge for MEDA Mozambique to find skilled and honest staff. In addition to refining these practices, MEDA Mozambique supports an emphasis in developing the capacity of its current staff. Training needs to be offered, facilitating a stronger committed staff, and allowing internal promotions. Capacity building will assist in developing an even stronger team, improving staff skills, and enhancing management practices.

The existing incentive programs need to be revised and new options should be considered.

Innovation and New Practices

Longer-term strategies for the program will incorporate at least three unique/ new elements for the current SBDP program.

1) Growth

With a good base being developed, the MFI must consider growth as the next step toward sustainability. MEDA Mozambique will work toward expanding its outreach in two ways: (1) targeting new economic sectors including fishing, artisan production, and farmers; and (2) expanding geographical outreach by forming strategic alliances with other organizations (such as women's associations, NGO's, fishing cooperatives) in the Maputo area allowing new lending without significant additional overhead or replication of services, and by opening a branch office in Beira.

2) Lending Methodologies

Growth that is effective and sustainable is only possible for the MFI that knows its clients well, and caters to their needs. MEDA Mozambique plans to step-up their capacity in evaluating client demand through more client surveys, exit interviews, and impact surveys. Preliminary research in Maputo indicates that there is demand for different and more flexible loan products. After substantiating this demand, the SBDP will then use this information to modify their lending methodologies. For example, there may be a niche for flexible loans that cater to specific artisan activities. Evidence also suggests that working through an "association methodology" will allow for significantly higher levels of outreach at low costs.

3) Institutionalization

To ensure that the program is poised for further expansion and institutionalization in the future, MEDA Mozambique will develop a governance structure. This will take the form of a Board of Directors that will learn as the institution grows, and that will be poised for significant guidance activities when the institution faces transition issues (i.e. becoming a foundation or microbank for example). The institution of a Board at an early stage is in direct response to some initial lessons learned in the transformation of another MEDA credit program to a microbank (CHISPA, which has become CONFIA) where it became evident that experienced governance structures facilitate for smoother growth and development.

Beneficiaries

Maputo's economy is largely driven by the informal sector. The markets in and around Maputo are the lifelines for the urban poor. Thousands of Maputo citizens are vending at these markets; for the majority their stalls are the only source of income for their families. Furthermore, the bulk of vendors in the informal market are women and many are single mothers barely capable of feeding their families. MEDA Mozambique believes that the provision of credit will expand the economic activities of the urban poor, and ultimately increase the standard of living of their families.

The credit program is unique because it specifically targets the poorest vendors in informal markets by offering solidarity group loans to vendors without collateral and to businesses in their infancy (MEDA Mozambique is currently the only MFI offering solidarity group loans in Maputo). To guarantee that the program does not lose sight of the importance of lending to the small vendors, typically women, a minimum of 65% women clients has been set.

8.3 Haiti: Problems Encountered and Lessons Learned

Agricultural Sector

Almost all zones in rural Haiti have problems with poor soil quality and lack of rains. Since farmers produce their own seeds, the seeds are not quality. Without rain, an average of one out of every 3 seeds survive the drought. Most farmers do not have access to fertilizer due to financial difficulty. For the credit program to be successful, there needs to be a stronger linkage with agriculture programs. Agricultural loans are more difficult to implement because the loans should follow the planting season and duration. Such loans are also high risk due to the dependence on weather conditions as well as disease control. The RBDP needs to establish better linkages with other programs to provide technical assistance in agricultural methods and marketing tools.

Animal Husbandry

The price of good feed for the animals is costly and scarce. In the past, breeders were able to use the remains from a mix of mangoes, corn and rice to feed the animals. However, there is a lack of such food supply and feeding the animals has become costly. In addition, the availability of vets and medication is scarce. Yet, the sale of livestock is an extremely dynamic activity especially in the South and Grandans regions. It is profitable and livestock sellers can expect a 10-15% profit for every 15 days they keep and feed their livestock. There needs to be a stronger linkage between Breeding and Commerce activities. MEDA can perhaps look into a partnership with local organizations that specializes in providing consultation in Animal Husbandry programs. Such trainings can help breeders better understand how to care for the livestock as well as incorporate proper feeding methods.

Training

Training remains key to the growth and success of the Community Banks. A training Curriculum needs to be implemented in the coming year to meet the training needs for banks at different stages in their development.

Loan Terms

Loan terms for various types of loans have been reviewed. Commerce loans had a term of 9 months. However, given the nature of commerce activities, monthly repayments and maximum loan term of 6 months is more appropriate. Agricultural loans will remain the same under RBDP at 9 months with 2 principle payments. FEDEREC needs to look into testing a number of loan methodologies for agricultural loans. The loan product should reflect the activity in each region. If a specific region feels that 4-month loan terms for agriculture is more appropriate in conjunction to the planting season, modifications should be made accordingly.

Funding

To continue with the expansion in its community banks program, the RBDP will need to research new funding sources so as to increase and expand the loan fund. At this point, MEDA is negotiating a loan from FONKOZE to increase the loan capital for the PVC program. MEDA Haiti should continue to search for newer and more innovative funding sources in the coming year to ensure the sustainability of the Community Banks Program. This search should focus both internally and externally with private funds like the Haiti Fund Inc. that funds CODEP.

Security

Due to the rise in robberies and crime even in the provinces, MEDA Haiti plans to incorporate a component on Security Issues. MEDA will design a training session for the Community Banks on the need to take preventative measures when they carry deposits to or from the banks. Fortunately, none of our banks have encountered problems on the road, however, given the problems with robberies, it is necessary to take precautions.

ANNEXES

Display formulas (ctr + `)
Mozambique

No. of months reported 3

CREDIT PROGRAM FINANCIAL MONITORING FORMAT																					
exchange rate: 805=1																					
		YTD	Targets	% Achiev	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	Apr	May	June	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Projections
Income Statement	Financial income	11,050	38,890	28.4%	3,181	3,675	4,184										11,050	0	0	0	
	Financial costs	0	3,889	0.0%	0	0	0										0	0	0	0	
	Provision	-406	7,200	-5.6%	-217	-55	-134										-406	0	0	0	
	Gross financial margin	11,456	27,801	41.2%	3,408	3,730	4,318	0	0	0	0	0	0	0	0	0	11,456	0	0	0	0
	Operating costs	26,970	114,109	23.6%	7,569	9,792	9,608										26,970	0	0	0	0
	Net operating income	-15,514	-86,308	18.0%	-4,161	-6,062	-5,290	0	0	0	0	0	0	0	0	0	-15,514	0	0	0	0
	Other income (non-grant)	541	0	0.0%	88	22	431										541	0	0	0	0
	Net income	-14,973	-86,308	17.3%	-4,073	-6,040	-4,859	0	0	0	0	0	0	0	0	0	-14,973	0	0	0	0
Balance Sheet	Cash	38,851	18,740	207.3%	60,860	48,893	38,851										38,851	0	0	0	
	Loans outstanding -avg	56,004	53,520	104.6%	48,704	52,464	56,004	0	0	0	0	0	0	0	0	0	56,004	0	0	0	
	Loans outstanding - net	63,084	70,260	89.8%	48,704	56,224	63,084	0	0	0	0	0	0	0	0	0	63,084	0	0	0	
	Loans outstanding -gross	64,397	75,600	85.2%	50,298	57,864	64,397										64,397	0	0	0	
	Long term assets (net)	17,172	2,000	858.6%	17,087	17,151	17,172										17,172	0	0	0	
	Total assets	121,968	91,000	134.0%	130,113	125,972	121,968										121,968	0	0	0	
	Avg total assets	126,018	81,834	154.0%	130,113	128,042	126,018	94,513	75,611	63,009	54,008	47,257	42,006	37,805	34,368	31,504	126,018	63,009	42,006	31,504	
	Liabilities	89,575	80,000	112.0%	86,291	88,452	89,575										89,575	0	0	0	
	Net worth (Equity)	32,393	11,000	294.5%	43,823	37,519	32,393	0	0	0	0	0	0	0	0	0	32,393	0	0	0	0
	Average Net worth	37,912	19,080	198.7%	43,823	40,671	37,912	28,434	22,747	18,956	16,248	14,217	12,637	11,374	10,340	9,478	37,912	18,956	12,637	9,478	
FINANCIAL SUSTAINABILITY RATIOS	Operating self-sufficiency	42%	32%	129.8%	43%	38%	44%	0%	0%	0%	0%	0%	0%	0%	0%	0%	42%	0%	0%	0%	%
	Financial self-sufficiency	42%	31%	133.9%	43%	38%	44%	0%	0%	0%	0%	0%	0%	0%	0%	0%	42%	0%	0%	0%	%
	Adjusted return on ops	42%	31%	133.9%	43%	38%	44%	0%	0%	0%	0%	0%	0%	0%	0%	0%	42%	0%	0%	0%	%
EARNINGS	Return on assets	-12%	-105%	11.3%	-3%	-5%	-4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-12%	0%	0%	0%	%
	Return on equity	-39%	-452%	8.7%	-9%	-15%	-13%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-41%	0%	0%	0%	%
	Yield on portfolio	19.7%	72.7%	27.2%	6.6%	7.0%	6.9%	%	%	%	%	%	%	%	%	%	20%	%	%	%	%
OTHER RATIOS	Capital adequacy	166%	368%	45.2%	111%	138%	166%	0%	0%	0%	0%	0%	0%	0%	0%	0%	166%	0%	0%	0%	%
	Cash holdings/total assets	32%	21%	154.7%	47%	39%	32%	%	%	%	%	%	%	%	%	%	32%	%	%	%	%
Portfolio Report	Payments in arrears	4,892	3,980	n/a	3,694	3,826	4,892										4,892	0	0	0	
	Balance of loans in arrears	9,554	11,340	84.3%	6,299	7,619	9,554										9,554	0	0	0	
	Write-offs	0	1,070	0.0%	0	0	0										0	0	0	0	
	Reserves (Bal Sheet)	1,313	5,340	24.6%	1,594	1,641	1,313										1,313	0	0	0	
PORTFOLIO QUALITY RATIOS	Portfolio in arrears	7.6%	n/a	n/a	5.7%	5.9%	7.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8%	0%	0%	0%	%
	Portfolio at nsk (>1 day)	14.8%	17.6%	84.3%	9.8%	11.8%	14.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15%	0%	0%	0%	%
	Loan loss ratio	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0%	0%	0%	%
	Reserve ratio	2.0%	8.3%	24.6%	2.5%	2.5%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2%	0%	0%	0%	%
Portfolio Report	Number of loans disb	156	976	16.0%	42	57	57										156	0	0	0	
	Value of loans disb	81,901	578,750	14.2%	25,309	29,089	27,503										81,901	0	0	0	
	Active clients	1,010	1,900	53.2%	715	850	1,010										1,010	0	0	0	
	Active loans	202	380	53.2%	144	171	202										202	0	0	0	
	Percentage of women clients	66%	65%	102%	63%	67%	66%										1	0	0	0	
OPERATING EFFICIENCY RATIOS	Number credit officers	5	6	83.3%	5	5	5										5	0	0	0	
	Cost per unit lent	0.33	0.20	167.0%	0.30	0.34	0.35	\$	\$	\$	\$	\$	\$	\$	\$	\$	0	\$	\$	\$	\$
	Cost per loan	173	117	147.9%	180	172	169	\$	\$	\$	\$	\$	\$	\$	\$	\$	173	\$	\$	\$	\$
	Operational efficiency	48%	213%	22.6%	16%	17%	19%	%	%	%	%	%	%	%	%	%	48%	%	%	%	%
	Average loan size	277	141	196.8%	338	307	277	0	0	0	0	0	0	0	0	0	277	0	0	0	0
	Active loans per c o	40	63	63.8%	29	34	40	0	0	0	0	0	0	0	0	0	40	0	0	0	0
Portfolio per c o	12,879	12,600	102.2%	10,060	11,573	12,879	0	0	0	0	0	0	0	0	0	12,879	0	0	0	0	
Exchange Rate				15360.1	15444	15544															
Inflation		0	0														0	0	0	0	

Notes: Targets come from FY 00 Monitoring Sheets

Annex 1

1/1

Baseline Survey

Annex 2

March 2, 2000

Date: _____ Interviewer: _____ Client# & Name: _____
Date of Birth: _____ Gender: M/F Phone #: _____
Home Address: _____ Location: _____
Business Address: _____ Location: _____

Individual Level: Basic Information

Marital Status*: _____ Literacy Writing Counting Education Level*: _____

Household Level: Basic Information

Members in Household: Adults: _____ Children: _____ Head of Household: _____
School Aged Children: Girls: _____ Boys: _____ Currently in School: Girls: _____ Boys: _____
Never attended School: Girls: _____ Boys: _____ Last Grade Completed: Girl: _____ Boy: _____

Household Level: Consumption (give an approximate amount)

Health(yr): \$0.00 Education(yr): _____ Clothing(yr): _____ Services(mth): _____ Transportation(mth): _____
Fuel(mth): _____ Toiletries(mth): _____ Meat/Fish(wk): _____ StapleFood(wk): _____ Veg/Fruits(wk): _____
Dairy(wk): _____ Dried Food(wk): _____

Household Level: Assets

Residence*: _____ No. of Rooms in House*: _____ House Type*: _____ Latrine in House:

Following Home Improvements made (over the yr):
 House Repairs/Improvements
 House Expansion
 Improved

Following Household Items (list quantity & check items purchased over the yr):
Car/Truck: Radio: FrameBed:
Motorcycle: Cooking Stove: Table:
Bicycle: Television: Chairs:
Refrigerator: Other Appliances: Other Furniture:

Improvements Cost (estimate): \$0.00 Purchases Cost (estimate): \$0.00

Following Livestock and Agricultural Crops (list quantity and check if purchased over the yr):

Horses: Oxs: Goats: Donkeys: Chickens: Pig: Mules: Cows:

Agricultural Crops: List Crops: _____ List Crops Purchased in the Year: _____

Livestock Cost (estimate): _____ Crops Cost (estimate): _____

Other Expenses over the yr (list):

Expenses (list): _____ Cost
(estimate): _____

Friends, family, Relative Support Cost (estimate): _____

Savings Available Is Savings Liquid

Savings (used for):

Savings for Education Savings for Household Assets Savings for Health Savings for Home
Improvements Savings for Business Savings for Emergencies Savings for Other: _____

* Represents fields to be filled out accordingly at the local county offices

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Business Level: Basic Information

Business Sector*: _____

Startup: _____

Business Activity*: _____

Loan taken Loan Amount: \$0.00

Main Income-generating Activity

Pay Rent on Staff

Paid Helpers: _____ Part-Time(# of m/f): _____ Full-Time(# of m/f): _____ Seasonal Workers(# of m/f): _____

Unpaid Helpers: _____ Family: _____ Males: _____ Females: _____

Others: _____ Males: _____ Females: _____

Product Cycle*: _____ Total Sales: _____ Total Expenses: _____ Total Profits: _____

Income*: increase/decrease Reasons for Increase: _____ Reasons for Decrease: _____

Business Level: Improvements and Assets (Client to rate their own ability)

Following Improvements to the Business:

- Expanded size of Business
- Added New Products
- Required additional help
- Improved Quality and added value to product
- Buying inputs in greater vol. at reduced cost
- Reduced cost due to Cheaper source of Credit
- Developed a New Enterprise
- Sold in New Markets/locations

Increased Assets to the Business:

- Purchased Small Tools
- Purchased Major Tools
- Purchased own means of Transportation
- Investment into Storage Structure
- Minor Investment in stall
- Investment in structures of stall

Empowerment: (Rate Client's abilities)

Confidence in Self: High/Average/Low

Financial Decisions for Work: High/Average/Low

Community Participation: _____

Financial Decisions for Household: _____

Business Ability: _____

Future Planning: _____

Taking Business Risk: _____

Confidence in Future: _____

Community Impact

Access to services:

- Access to better health services
- Access to childcare/care-giver
- Access to better schools for children
- Access to a house cleaner/cooker
- Access to Literacy classes
- Access to other community services

Memberships:

- Member of Co-op, Solidarity Group
- Member of a Business Association
- Hold position in the committee

Gender Impact:

- Belong to a women's organization
- Responsible for Household finances
- Responsible for Household Decision

If female,

- non-traditional work
- # of hrs/day: on Household Work
- # of hrs/day: on Business Activity

Ecological Impact:

* Represents fields to be filled out accordingly at the local county offices

Summary of Changes to Make to Loan Application

Gender

1. If female, is your work... traditional _____
 non-traditional _____
2. Who is the head of your household (principle decision maker)?
 self husband wife both male relative female relative

Environment

3. Which of these sectors does your business fit into? manufacturing retail
 wholesale service
 agriculture other _____
4. More specifically:
- | | |
|--|---|
| <input type="checkbox"/> agriculture and aquaculture | <input type="checkbox"/> metal working and electroplating |
| <input type="checkbox"/> textiles and crafts | <input type="checkbox"/> automobile and motor repair |
| <input type="checkbox"/> brick manufacturing | <input type="checkbox"/> tanneries |
| <input type="checkbox"/> small-scale mining | <input type="checkbox"/> foundries |
| <input type="checkbox"/> paint and printing shops | <input type="checkbox"/> food processing |
| <input type="checkbox"/> wood processing | <input type="checkbox"/> cotton ginning |
| <input type="checkbox"/> animal husbandry | <input type="checkbox"/> small-scale transportation systems |
| <input type="checkbox"/> other _____ | |

5. Does the business involve a physical change to the environment? yes no
(if no, business is category 1, go to next section)

Activities that would NOT involve physical change include: medical health services, commodities and hardware, human resource development, consulting, maintenance and repair of existing facilities

6. If the business *does* involve a physical change, is it:

Emergency Assistance (with no side effects)? yes no
(if yes, the business is category 1, go to next section)

Environmental Improvement Activities (with no side effects)? yes no
(if yes, the business is category 1, go to next section)

All other businesses are category 2-4.

7. For category 2-4:
 Please estimate the risk of environmental impacts by checking the boxes below.

ELEMENT	PERCEIVED RISK			
	Unknow	Low	Moderat	High
Natural Resource Impacts				
Water				
Soil / Vegetation				
Air				
Noise				
Aquatic Life				
Wildlife				
Human Impacts				
Community				
Individual Health				
Population				
Other				

Strategic Planning Workshop Agenda
 Community Banking Program - MEDA Haiti
 21 – 23, 25 September, 2000

Time	Day 1	Day 2	Day 3	Day 4
9:00 – 10:30	Welcome and Introductions Expectations Review of Agenda The Business Planning Process <ul style="list-style-type: none"> • Strategic • Operational • Financial 	Environmental Assessment <ul style="list-style-type: none"> • Competition • Collaborators • Regulatory Factors • Other External Elements 	Implementation Strategy <ul style="list-style-type: none"> • Identify Strategic Issues • Write Strategy Statement 	Review Results of Days 1-3 <ul style="list-style-type: none"> • Mission and Goals • Markets and Clients • Environmental Assessment • Institutional Assessment • Implementation Strategy
10:30 – 11:00	BREAK	BREAK	BREAK	BREAK
11:00 – 12:30	Mission and Goals <ul style="list-style-type: none"> • Articulating the Mission • Stating the Goals 	Environmental Assessment (Continued)	Implementation Strategy (Continued)	Review Results (Continued)
Lunch				
1:30 – 3:00	Markets and Clients <ul style="list-style-type: none"> • Market Analysis • Client Analysis 	Institutional Assessment <ul style="list-style-type: none"> • Operations • Management • Human Resources • Administration 	Implementation Strategy <ul style="list-style-type: none"> • Products and Services • Marketing Channels • Institutional Capacity • Financing • Financial Management 	Prepare Action Plan <ul style="list-style-type: none"> • Objectives • Activities • Responsible Person • Date of Completion
3:00 – 3:30	BREAK	BREAK	BREAK	BREAK
3:30 – 4:30	Markets and Clients (Continued)	Institutional Assessment (Continued)	Implementation Strategy (Continued)	Prepare Action Plan (Continued)

Workshop Results

Strategic Planning
for
Community Banking Program – MEDA Haiti

21-23,25 September 2000

Mission Statement

Three Groups wrote a draft of a mission statement based on answers to the following four questions:

1. Why do we exist?
2. Who do we serve?
3. Where do we work?
4. What do we seek to accomplish?

MEDA gives credit for community members who are in need and gives them the means to improve their economic situation so that they can organize their community, create and manage stable businesses that are profitable for the benefit of the community and the institution.

We give financial and technical services to informal sector groups in the rural areas of the North. We want, by those services, to improve the quality of life of the people in the community where we intervene.

The mission of the Community bank program is to

- a) to work with the productive poor people of the country through social and economic development
- b) to build an institutional network offering financial services by promoting solidarity and education.

The Results were Summarized by Question:

Why do we exist?

- Provide credit and organize the community
- Provide financial and technical services
- Provide financial services

Who do we serve?

- People with needs
- Informal groups
- Needy and productive population

Where do we work?

- Communities
- Rural areas in the north
- In Haiti

What do we seek to accomplish?

- Improve the economic situation of the people
- Improve the quality of life of the people
- Promotion of solidarity, and education and support the process of economic and social development

Mission Statement (Continued)

Combining the above answers into one:

1. We exist to provide financial services and related training needs
2. We serve low-income productive people who wish to improve their economic situation
3. We work in the rural communities of Haiti
4. We want to improve the quality of life of the clients through increased economic opportunity

What is missing in 1-4 above that should be included in the mission statement?

- Core Values of the institution
- Organizing the communities (solidarity)
- Create stable businesses
- Benefit the institution (sustainability)
- Utilize institutional network

A group of 4-5 volunteered to continue working on the exact wording of a statement, but all participants agreed all items above should be included.

Examples of Statements of Mission and Goals

Example 1: Mission and Goal Statement Combined

Freedonia Enterprise Development Association's (FEDA)

Our purpose is to strengthen the economic base of the low-income self-employed of Freedonia through increased access to lending and savings services in urban areas. We intend to offer diverse products, combine cost-efficient methodologies with exemplary customer service, and become a financially self-sufficient institution.

2. Mission Statement and Goals written separately

Palestine for Credit and Development (FATEN)

MISSION:

To strengthen the economic base of the Palestinian micro-entrepreneurs, particularly women, through providing high-quality, sustainable financial services.

GOALS:

- To provide Palestinian micro-entrepreneurs with sustained access to financial services.
- To offer diverse credit products and other financial services.
- To combine cost-efficient methodologies with exemplary client services.
- To become a financially sustainable institution.

Markets and Clients

Based on the work done on the Mission Statement, the Target Population of the Community Bank Program is:

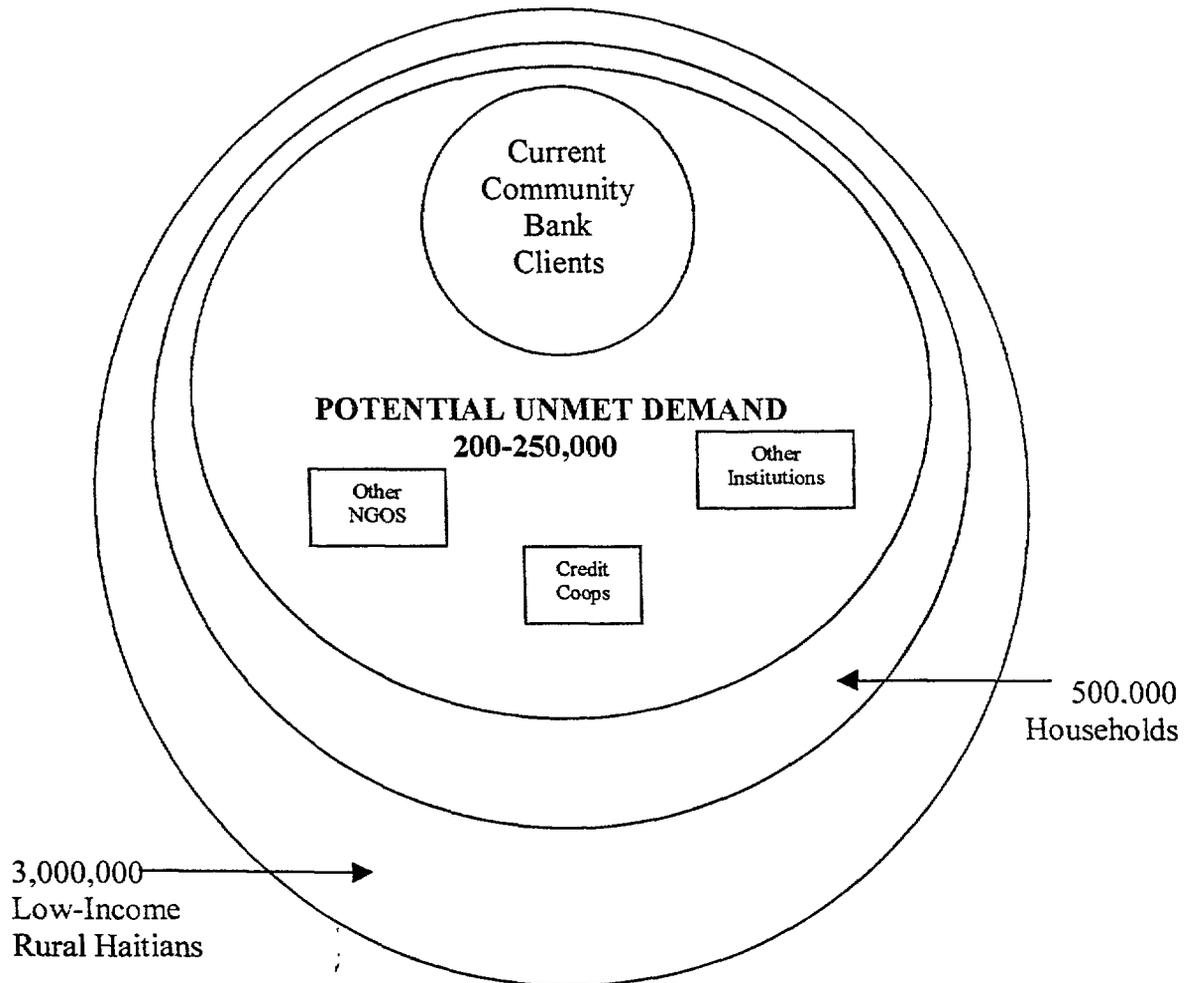
“Low-income Productive People in the Rural Communities of Haiti”

The participants estimated the populations in each of the categories below:

The largest circle represents the total low-income rural population of Haiti at 3,000,000.

The next inside circle represents the Productive segment at 500,000. This assumes an average household of 6 people and one productive enterprise per household.

It was further estimated that 40-50% would be able to afford the services. This means the micro-entrepreneur is able to use credit for his or her business and in turn, repay the loan with interest and fees.



Environmental Analysis (External Issues)

The participants were asked to name one opportunity and one threat that are external to the institution. The results in four categories are given below:

	Opportunities	Threats
Competition	<ul style="list-style-type: none"> • Large target market – high demand for credit services • Decline of jobs in the assembly industry in Port-au-Prince • Can motivate you to improve your products • Currently no financial services available in some areas • Producers want credit to improve their production • Clients know policies and service of other institutions and can compare • There is a lot of demand for credit for persons in rural communities 	<ul style="list-style-type: none"> • Other institutions have lower rates in the same regions • Presence of “Food for Work” programs • Interest rates not consistent within various institutions • Other institutions may have better service • Other institutions may have more lenient credit policies • More than one institution may have the same clients
Collaborators	<ul style="list-style-type: none"> • Presence of financial partners such as Fonkoze to provide security and capital • Exchange of information in a broader institutional network • Opportunity for training services from FinNet • Sources of capital • Partners for community banking such as marketing coops • Exchange of ideas 	
Regulatory Factors	<ul style="list-style-type: none"> • Currently no limit on interest rates that can be charged (2) • New proposed law for financial institutions could help 	<ul style="list-style-type: none"> • No good laws exist for rules and regulations • Lack of policies and regulator institution • Proposed new regulation for NGO’s could be restrictive • Attitude of the government toward NGO’s

Environmental Analysis (Continued)

Economic, Political and other external issues	<ul style="list-style-type: none"> • Political stability will help • Raw materials are available for production • Potential new pool of clients trained in garment-making 	<ul style="list-style-type: none"> • Devaluation of gourde v. dollar • Inflation, exchange rate • No electricity – scarcity of fuel to run generator • Political turmoil which leads to broad exodus • Political turmoil makes it difficult to plan • Security – especially in transferring money to CBs • Insecurity • Thieves attack institution members or the institution itself • Lack of infrastructure • Poor agricultural conditions • Political instability
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There was more discussion of the threats that are of particular concern. There was an attempt to collect some ideas for how to mitigate the threats:

Most Serious Threats	Possible Mitigation
Personal Insecurity	<ul style="list-style-type: none"> • Change patterns of movement • Travel in groups • Change people who carry money
Inflation/Exchange Rate	<ul style="list-style-type: none"> • Keep cash in US Dollars when possible • Add inflation surcharge to loans • Shorter loan terms

While increasing interest rates or adding inflation surcharges is an obvious way to reduce the economic threat to the institution, some participants felt that was a burden the clients would not be able to handle. Maintaining a balance between meeting the needs of clients and maintaining institutional sustainability is difficult and needs constant attention.

Institutional Assessment

The group divided into pairs and each pair was asked to list two Strengths and two Weaknesses in each of six categories. The results follow:

Issues	Strengths	Weaknesses
Products and Services	<ul style="list-style-type: none"> • Adaptation of products to rural situation • Good portfolio quality • Develop collaboration within clients • Allow client to experience financial management • Training of staff and Community bank board • Good staff • Consistency in loan products • Services are supported by respected and reliable staff • Very simple, reasonable and fair rates • Useful for improvement of production • Allows people to be more dynamic • Helps people to be marketable and increase their cash flow • Saving offer a guarantee for the institution and resource base for the institution • Savings build self sufficient capacity for banks and clients 	<ul style="list-style-type: none"> • Lack of good management package for banks • Lack of info on individual clients • Loan amount too small for client needs • Application fees too high • We do not help the CB manage their internal account • We do not have control of what the clients do with their money • Not inclined to modify charges and introduce new methodology • No adequate training materials or a method to help the banks improve and grow • Decrease the assets if the products are not profitable • Because they are forced to do savings they have much less money • Negative impact for the group if one member fails to pay • Loan amounts too low • Savings are compulsory • Risk losing savings because of unpaid loan
Board and Management	<ul style="list-style-type: none"> • Clear vision • Help connect the network and facilitate correcting the discrepancies • Credit manual • Board is well trained on credit • Have good reputation in community • Strong management for RBDP • Transparency • Good management and rapport with clients at field level • Consistently on the field evaluating the progress of community banks • Accompany bank members • Support the mission and vision • Decisions not <i>tighted at direct interest</i> 	<ul style="list-style-type: none"> • Policy manual needs adaptation • Lack of integration of different programs • Bank board complains of heavy work load and no pay • Training time is too long before the first loan • Limited in mobilizing funds • Specific vision is lacking for RBDP • FEDEREC and RBDP do not work together to share and implement methodologies, policies and procedures • Current programs need to have a bigger picture, direction and strategy to implement expansion and consolidate the programs • Board prevents bank members from taking initiative • Heavy bureaucracy • Board members are not always available • Board members are not always informed
Human Resources	<ul style="list-style-type: none"> • Great staff • Good human relations • Credit officers and other staff are well trained • Clear job descriptions • We have all the staff we need in place for expansion 	<ul style="list-style-type: none"> • Lack of in-service training • Lack of cross training • Credit officer work load too heavy • Credit officers believe they are underpaid • Because of lack of vision RBDP is floating • The team needs to stress cohesion within programs

	<ul style="list-style-type: none"> • Lots of training • All the support staff, admin and accounting assist the program • Allow the banks to make progress • Provide good management • Qualified human resources • People are in the right place 	<ul style="list-style-type: none"> • Support staff are not involved in the administrative work of the program • Need more technical skills in computers, accounting • Lack of existence of good job descriptions • When the right person is not at the right place things will be upside down • Lack of experience in the new program
Financial Management	<ul style="list-style-type: none"> • Accurate financial information • Good financial skills • 99% of first loans are being reimbursed • Financial management is transparent • All financial reports in place, they are accurate enough to generate financial statements • The accountant works closely with the RDBP program • When it's well done it allows revenue generation • Self-sufficient • Qualified financial officers • Good accounting system 	<ul style="list-style-type: none"> • Fund mobilization (PVC and FEDEREC) • Delay in financial statements • Risk of losing money when depositing • Not enough funds to satisfy demand • Information is not shared regularly • Lack of funds • More staff has to be trained in financial reporting • Financial management skills at community bank levels are not adequate • Predict scenarios that will never happen • If not adapted, the program will lead to bad results • Weak integrated system • Difficult to use
MIS	<ul style="list-style-type: none"> • Hard ware and soft ware – we have it • Clear expectations from people and when • Accurate information on time • Produce information needed • Have equipment • <i>Logiciels</i> available • We have decided on a system for installation of CB program • Ability to conceptualize how information is gathered and used • Information on time • Data base for every single bank • Good assistance by Cherie • Good training of other actors 	<ul style="list-style-type: none"> • Need a good system • Training • Only one person is in charge doing it • Not centralized for all MEDA staff • We do not have a system established, still experimenting • So far only one person does the MIS • System does not meet the expectation of generating the necessary financial reports • Staff lack proper skills in using data bases • No system in place if MIS specialist leaves • Not able to provide a graph for all the information • Up date the software from time to time • Slow progress in the CALEX system • Insufficiency of material information
Planning and Evaluation	<ul style="list-style-type: none"> • Regular planning processes is in place • Evaluation processes in place • Allows to understand what is being down • Allows to set goal for the year • Good input of the staff • Realistic plan • Good planning system in place • Good strategic planning workshop evaluation • Earn time • Predict almost all the situations • Regularity in planning • Revision of plan 	<ul style="list-style-type: none"> • Need more people involved in planning • Lack of knowledge from field people • Limits number of banks being created • Limits where we work • No control on external conditions • People (clients and officers at the field level) are not participating in the planning vision of the program • Previous evaluation reports that recommended changes are not implemented and followed • Revise the plans from time to time • Most often it does not work out • Change of planning often • Non adaptation sometimes

Selection of the Top Five Issues

Out of all the internal issues selected above, the participants moved into 3 groups, each of which was to choose their top 5 strategic issues that the institution should address first. The fifteen internal issues along with the external issues defined earlier were displayed and the participants combined them into 9 general categories (listed here in alphabetical order):

Bank Management

- Need to increase the institutional and management capacity of the community banks
- Need to enhance materials and tools for training in leadership and management skills for committee members and for the expansion of banks
- There is no follow-up on recommendations

Credit Officers

- Revise work load and pay structure

Fund Mobilization

- Lack of funds for credit program
- Collaboration with others: Fonkoze, FinNet, Other partners
- Search for newer funding sources with a need to find new financial partners, locally and outside of Haiti

Inflation/Exchange Rate

Insecurity

- Personal displacement
- Difficult to travel/transport
- Difficult to plan

Integration of the 3 programs

- Need a clearer and bigger vision and direction for the consolidation of the 3 programs of RBDP: Codep, Federec, and PVC along with a policy and procedures manual and staff management
- Integration of community bank programs into one institution

Market/Products and Services

- Adaptation of products and services to rural reality
- Revise community bank methodology
- Modify and adapt loan products to reflect the reality in the field: loan amounts, savings, loan methodology, and loan term
- Market demand is large
- Competition has lower rates, better service, and looser policies

Management Information System

- Combine MIS system with finance department and add 3rd person as backup
- Implement a good MIS system and training for staff in finance, accounting, computer programs, and using databases.

Regulations

- Proposed new law for NGO's
- Proposed new rules for MFI's

After the issues above were grouped, each participant was given the opportunity to vote on his or her 1st, 2nd, 3rd, 4th, and 5th choice for the most important issues. The results of the votes are in the table below:

Issues	Number of Votes					Result
	First	Second	Third	Fourth	Fifth	
Bank Management	3	4	4	2	0	#2
Credit Officers	0	0	0	1	2	
Fund Mobilization	1	1	4	3	3	#4
Inflation/Exchange Rate	0	0	0	0	1	
Insecurity	0	0	0	0	0	
Integration of 3 programs	3	3	0	3	3	#3
Market/Products and Services	6	3	1	2	0	#1
MIS	0	2	4	1	4	#5
Regulation	0	0	0	1	0	

Based on the selections made by the participants, the Top Five Strategic Issues to be addressed by the institution are:

1. Market/Products & Services
2. Bank Management
3. Integration of 3 programs
4. Fund mobilization
5. MIS

Strategies for the Key Issues

Issue #1: Markets/Products and Services

OBJECTIVE

To provide products that meet the needs of the client and the institution.

The participants worked in groups first to share ideas about products. The table below represents the consensus reached as a whole group. The small group continuing work on the financial plan will make the final decisions as to specific products.

Note: The interest rate is constant for all products, currently at 2.5%

ACTIVITY	USE OF PRODUCT	PROPOSED PRODUCTS			
		Term	Capital Payment	Interest Payment	Fees
Commerce		6 mo	Monthly	Monthly	3%
Animal Husbandry		6 mo	1 payment at end of term	Monthly	4%
Grain Storage					
Small Trades		6 mo	2 payments at 3 and 6 months	Monthly	4%
Fishing					
Agricultural Production		12 mo	2 payments at 6 and 12 months	Monthly	5%
Processing					
Investment					

Issue #2: Bank Management

OBJECTIVE

To help the Community Bank Boards manage their loan portfolios.

The groups as a whole did brainstorming on the types of activities needed to help meet the objective. The institution will need to decide who should be the responsible persons and what the time frame should be.

	Need Defined	Responsible Persons	Time Frame
Training	<ul style="list-style-type: none">• Bookkeeping Skills• Planning• Organizing• Leadership• Loan Analysis• Calculating Interest• Group Solidarity		
Systems	<ul style="list-style-type: none">• Records of meetings and attendance• Control of Internal Accounts• Control of External Accounts		
Materials	<ul style="list-style-type: none">• Adding Machines• Notebooks for Record-Keeping• Pre-designed Forms• Training Materials• Newsletter		

:

Issue #3: Integration of 3 Programs

OBJECTIVE

To combine the three programs into a separate legal entity.

Purpose: To achieve economies of scale by consistency in management and reporting procedures.

Time-Line:

- The PVC grant period ends in September 2001
- The FEDEREC grant period ends in June 2002
- The CODEP program is ongoing.

After June 2001, the process will be started to establish a separate financial institution. Under the current environment, this could take a long time or perhaps not be possible at all. It will certainly not be completed until after June 2002.

When the institution is established, the intent is to apply for a new grant for the combined programs. At that point in time, a decision will be made concerning the CODEP portfolio. The options are as follows:

- Contribution of the portfolio from CODEP to the new institution
- Purchase of the portfolio by the new institution
- Discontinue portfolio management
- No change with current arrangement

Issue #4: Funding and Collaboration Sources

In this process of strategic and operational planning, the amount of financing needed to support the plan becomes clear at the end of the process. All possibilities for beneficial collaborations will be explored.

Issue #5: Management Information System

Management is committed to using the Caylx software system for the loan portfolio. Since this system is still under development, the rate of implementation cannot be fully controlled. There was a consensus that more than one person should be trained in the system.

Strategic Planning Workshop
Community Banking Program – MEDA Haiti
21 – 23, 25 September, 2000

List of Participants

1. Pierre Boucicaut Coordinator, Economic Development
2. Myrlenia L. Mayala Economic Development, South Region
3. Cherie Tan MIS Specialist
4. Georges JF Yves FEDEREC: Agroforestry Coordinator
5. Valery B. Laguerre Economic Development, West Region
6. Jean Claude Cerin MEDA-Haiti Country Manager
7. Lydie Dubuisson FEDEREC: Training and Monitoring
8. Henry Moreau FEDEREC: Infrastructure Coordinator
9. Augustin Dickens Economic Development, Grand 'Anse
Region
10. Odette Austil MEDA-Haiti Office Manager
11. Schiller Rosarion FEDEREC: Director
12. Noel Emmanuel Economic Development, North Region
RBDP Coordinator
13. Lionel Jean-Baptiste MEDA-Haiti Financial Manager
14. Diminy Antoine Credit Officer, North Region
15. Louis-Henry P. Mars OLA: Business Manager

Strategic Planning Workshop Evaluation Summary

Port-au-Prince, Haiti

21-23, 25 September, 2000

Please circle the appropriate number. Thank you for your feedback!

	Poor	Average	Good
1. Overall impression of the workshop	1	2	3 – 13
2. Met stated objective	1	2 – 2	3 – 11
3. Pace of the session	1	2	3 – 13
4. Your understanding of the presented concepts and tools <i>before</i> the session	1 – 1	2 – 8	3 – 4
Your understanding of the presented concepts and tools <i>after</i> the session	1	2 – 1	3 – 12
	Never	Sometimes	Always
5. Facilitators were prepared and organized	1	2	3 – 13
6. Facilitators were interested and enthusiastic	1	2	3 – 13
7. Facilitators were sensitive to participants' needs	1	2 – 1	3 – 12
8. One piece of information/knowledge from the workshop is ...			
<ul style="list-style-type: none"> • I learned to 1) Be a very good strategic planner; 2) Always take into consideration the external factors; 3) Always find a way to prevent the institution from sinking • I can understand clearly the difference between activities and products. I also have some good definitions and explanations on several items and I can try to work seriously on strategic planning • I was very happy to participate at a seminar like this. By this session I was able to understand the concept of strategic planning, apply the concept of strategic planning to microfinance institutions and to community banking, know how planning activities is very important when you start a program, and how business planning is very important for funding • I have sharpened my knowledge in the strategic planning process. I want to conduct the same kind of session for other groups in Haiti • For the first time I really understood the concept of a "mission". I really felt a part of the institution. • I learned about the strategies for expanding RBDP and what is the action plan for the coming year, and I now have a much clearer idea about the steps to know where RBDP will be in 5 years. • I received lots of information. • The presentation was methodical and concise. I can now give a training on strategic planning without difficulties. • It was arranged in a sequential manner • I am now able to help other institutions to build their strategic and operational planning. I now have a better comprehension of the general vision of the program. • I learned how to apply strategic planning concepts to concrete cases and the different steps to follow to write up a strategy. 			

9. Additional comments/suggestions:

- That was a wonderful and tremendous session. I wish that it could be longer so that I could learn more interesting things. Thank you very very much.
- I think it was a very good session. I will be very glad to have a final document on this strategic planning workshop including all our ideas that we have shared around the table for four days.
- We need sessions like this very often and all things were clear. We learned so many things that will help us to become better.
- This training needs more time; maybe 1 or 2 days more would be good. Next time probably more professional translation should be hired in order not to depend on persons' willingness to translate or not.
- It has been a great session. Maybe at a next program or project with new staff we could have a similar session. It is really a benefit to the staff. Thank you. ☺
- I hope there will be follow-up from the Technical Resource Unit on the recommendations made as well as to continue to provide the advice and assistance necessary, particularly in the area of training materials and reporting.
- The session was very good but too short
- I was content and satisfied with the time we had received in the session. I would like to return for more learning.
- The training was impeccable. I took seminars in strategic planning in the past but this was the best. I would like to receive a copy of the objectives found during the session, objectives we will have to work with to solve the identified problems.
- It is important to repeat this session to confirm the knowledge acquired in this session. We can also use the related documents as a reference.
- The session was very practical and adaptable, especially the management of community banks.
- The methodology used was correct. The work of the teams and the discussions were enriching.
- It was an excellent method of transferring knowledge, a very good combination of brainstorming, group work, and building ideas to arrive at a strategy. Joyce is a natural communicator. 1000+ Thanks!

MEDA Haiti - Business Planning Session September 26-30, 2000

	September 26	September 27	September 28	September 29
8:30-10:45	Overview of Microfin and requirements – compare to strategic plan	Finish Products Page	Finish Institutional Capacity Page	Ensure all data requirements on all pages are complete
10:45-11:15	BREAK	BREAK	BREAK	BREAK
11:15-12:45	Model Setup Page	Start Program Page	Admin Page	Troubleshooting and Analysis
12:45-2:00	LUNCH	LUNCH	LUNCH	LUNCH
2:00-3:15	Continue Model Setup	Start Institutional Capacity Page	Financial Sources and Financial Flows Pages	Troubleshooting and Analysis
3:15-3:30	BREAK	BREAK	BREAK	BREAK
3:30-5:30	Products Page	Finish Program Page	Financial Sources and Financial Flows	Sensitivity Analysis

MEDA Haiti – RBDP Microfin Action List

PAGE	ITEM	COMPLETED BY	RESPONSIBLE
All	Review overall projections for errors	Immediately	Pam
MODEL SETUP			
	Select a name for your new consolidated program	By the time you have a Director	Team
	Balance your historical statements	Immediately	Pam
PRODUCTS			
	Rename your loan products		Team
Commerce	Change commerce loan amounts, payment frequency, and terms to reflect redesign of loan products.	October 00	Team
	Ensure fees are at 3% for all loans	July 01	Team
	Ensure interest rate is at 30% for all loans	December 00	Team
	Review commerce's real effective interest rate		Team
Production	Change commerce loan amounts, payment frequency, and terms to reflect redesign of loan products.	October 00	Team
	Ensure fees are at 4% for all loans	July 01	Team
	Ensure interest rate is at 30% for all loans	December 00	Team
	Review commerce's real effective interest rate		Team
Collective Investment	Change/ review loan amounts, payment frequency, and terms to reflect redesign of loan products.	July 01	Team
	Ensure all fees are at 3% (January) and 5% (July)	January 01/ July 01	Team
	Ensure interest rate is at 30% for all loans	December 00	Team
	Review commerce's real effective interest rate		Team
Individual Investment	Design and introduce individual investment loan product, train loan officers and banks to prepare for lending	July 01	Team
All	Decide whether to link loans to inflation.	Immediately	Jean Claude
INST. CAPACITY			
	Start writing loans off annually		Lionel
	Change provision for 31-60 days from 10% to 20%	Immediately	Lionel
	Adjust salaries for inflation plus 2% annually	May/June 02	Jean Claude
PROGRAM			
	Review total active loan # projections for each product to ensure they are realistic	Immediately	Ed/ Jean Claude
	Make sure that you maintain a 95-97% retention rate for all products (except collective investment) because this is what we projected. If retention is lower, be sure to change rates in Microfin.	Every day for the next 5 years!	Team
	Update compulsory savings balances in Microfin to actual numbers (current numbers are estimates)	Immediately	Cherie
	Verify that current portfolio at risk rates are correct for all products. Reduce portfolio at risk to 10% (July 01) and then to 8% (July 03) for all products.	Immediately July 01 July 03	Cherie Team Team
	Review Microfin's suggestions for loan officer hiring.	January 02	Jean Claude
	Hire an accountant.	July 01 start date	Jean Claude

MEDA Haiti – RBDP Microfin Action List

	Hire/ promote someone to Program Director (no date put in Microfin – enter estimate if possible)	??	Jean Claude
	Implement changes to credit officer salary levels.	Immediately	??
	Review asset acquisitions and follow recommendations (if they make sense!). This means buying 26 motorcycles in November/December!!	November /December 00	Schiller/ Jean Claude
	Decide whether lodging provided to field staff will be noted as an asset or expense (rooms rented etc.)	Immediately	Schiller
Also see institutional capacity page to make changes to this item.	Decide whether the program will continue to “lease” fixed assets like trucks, computers, generator etc. from MEDA Haiti (and be charged depreciation), or whether the program will buy some assets from MEDA Haiti.	The sooner the better!	Pierre / Jean Claude
ADMINISTRATION			
	Review admin page and let Pam know if there were any “admin. level fixed assets” listed by name (I am not sure if the export process was totally successful).	Immediately	Pierre
	If you plan to hire more admin staff, or if your current staff increase their time allocation to the program, include the changes on this page.	Immediately/ future	Pierre/ Jean Claude
FINANCIAL SOURCES			
	Note that you have included monetization, MEDA core funding, and a new proposal source all as <i>unrestricted</i> grants. Ensure that MEDA (Ed) is ok with core funding being unrestricted.	Immediately	Ed/ Jean Claude
	You have added a new partner in equity investments.		
	Note that you have included Sarona, FONKOZE and a new proposal source as loans restricted for portfolio.		
	You have decided on 25% liquidity margins for operations and portfolio. This means that you will always have enough cash on hand to cover one weeks operational expenses, and one weeks loan disbursements.		
	Sarona interest rate moves from 8% to 15% on December 01. Confirm this rate and change if necessary.	November 01	Jean Claude
	Market rate cost of funds is set at 25%. Be sure to update this as it changes.	No specific time	Pierre
FINANCIAL FLOWS			
	There are a number of months where your cash flow requirements are not met.		Jean Claude/ team
	All unidentified loans will be taken at 20% in the model. Change this if necessary.	No specific time	Pierre
	You have included MEDA Core Funding in each year of the projections as an unrestricted grant, providing the same amount each year (no increase). Confirm with Ed.	As soon as possible, may have to be yearly.	Jean Claude/ Ed

MEDA Haiti – RBDP Microfin Action List

	Your Proposal Source unrestricted grant begins at a level of 3,125,000 GDS in April 02. You have projected to receive the same amount quarterly through year 3, year 4, and three quarters in year 5. This is a grant of 1.5 million US over 3 years. Is this realistic?	Check reality of #'s immediately. Start proposal searching and writing in January 01.	Jean Claude / Ed/ TRU?
	Your new equity investment partner kicks in for US\$500,000 in June 02.	Start searching for a partner in November 01	Jean Claude
	As a restricted grant for operations, the Haiti Fund is renewed each year, providing 375,000 GDS per year. Confirm this with them.	As soon as possible.	Jean Claude
	FONKOZE provides a line of credit from October 00 to June 01 totalling 3,750,000 GDS. Payments of 937,500 GDS are made quarterly in year 3 to clear the line.	Confirm source as soon as possible.	Jean Claude
	Starting January 01, Haiti Fund provides 250,000 GDS quarterly as a restricted grant for portfolio.	Confirm source as soon as possible.	Jean Claude
	The Haiti Fund is slotted for a "restricted grant" for "other assets" (fixed asset financing is not included in operations in Microfin). They contribute 250,000GDS in November 00.	Confirm contribution by October 00.	Jean Claude
	We have input that short term investments are earning 14%. Is this correct?	Immediately	Pierre

FY98 FY99 Year 1
 FY00 Year 2
 FY01 Year 3
 FY02 Year 4
 FY03 Year 5
 FY04

Summary Output Report

Balance Sheet

WARNING: Initial Balances on the BALANCE SHEET page are not in balance. Therefo

ASSETS

Cash in Bank and Near Cash	0	747,065	1,048,422	2,433,283	199,711	1,801,063	5,332,311
Net Portfolio Outstanding	0	1,752,207	10,299,051	31,037,197	53,481,107	75,779,375	91,372,669
Short-term Inv. & other curr ass	0	0	6,488,676	6,442,313	0	0	5,266,403
Net Fixed Assets	0	0	4,127,874	3,855,588	4,321,815	4,295,889	4,092,532
Long-term Invest. & other LT assets	0	0	0	0	0	0	0
TOTAL ASSETS	0	2,499,272	21,964,022	43,768,381	58,002,633	81,876,327	106,063,915

LIABILITIES

Savings deposits	0	0	0	0	0	0	0
Concessional Loans	0	375,000	4,125,000	7,875,000	4,125,000	4,125,000	4,125,000
Commercial Loans	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	0
TOTAL LIABILITIES	0	375,000	4,125,000	7,875,000	4,125,000	4,125,000	4,125,000

EQUITY

Accum. Donated equity, prev. period	0	2,252,395	2,654,071	23,909,279	32,939,488	47,939,488	62,939,488
Donated equity, current period	2,252,395	401,676	21,255,208	9,030,208	15,000,000	15,000,000	11,875,000
Shareholder equity (less div pmt)	0	0	0	12,500,000	12,500,000	12,500,000	12,500,000
Accumulated net surplus	173,110	(39,102)	(5,579,560)	(9,055,409)	(6,071,157)	2,802,536	15,115,124
TOTAL EQUITY	2,425,505	2,614,969	18,329,719	36,384,078	54,368,330	78,242,024	102,429,612

TOTAL LIABILITIES AND EQUITY	2,425,505	2,989,969	22,454,719	44,259,078	58,493,330	82,367,024	106,554,612
Balance sheet verification (2,425,505)	(2,425,505)	(490,697)	(490,697)	(490,697)	(490,697)	(490,697)	(490,697)

Income Statement

Total Financial Income	0	360,382	2,303,452	8,413,488	18,049,490	26,501,784	34,231,967
Total Financial Costs	0	0	278,438	912,500	900,000	618,750	618,750
Gross Financial Margin	0	360,382	2,025,014	7,500,988	17,149,490	25,883,034	33,613,217
Provision for loan losses	0	1,299	620,331	1,352,464	1,750,783	1,621,007	2,211,843
Net Financial Margin	0	359,083	1,404,683	6,148,524	15,398,707	24,262,028	31,401,373
Program Operating Exp	0	568,684	4,968,796	7,359,976	9,680,396	12,224,037	15,424,384
Administrative Operating Exp	0	2,611	1,976,345	2,264,398	2,734,060	3,164,297	3,664,401
Amount of taxes paid	0	0	0	0	0	0	0
Net income from operations (after t	0	(212,212)	(5,540,458)	(3,475,849)	2,984,252	8,873,693	12,312,588
Grant Income	0	401,676	21,255,208	9,030,208	15,000,000	15,000,000	11,875,000
Excess of Income over Expenses	0	189,464	15,714,750	5,554,359	17,984,252	23,873,693	24,187,588
Adjustments to Operating Margin			1,025,855	2,610,335	6,376,457	9,164,757	12,729,903

Cashflow Projections

Cash flow from Operations (a)		(4,383,172)	(1,140,078)	6,054,960	12,130,122	16,550,287	
Total Other Sources (b)		15,668,588	50,674,531	106,234,280	156,267,583	204,563,120	
Total Other Uses (c)		32,239,268	69,679,801	129,522,812	181,796,353	229,457,160	
Net change in equity (d)		0	12,500,000	0	0	0	
Plus grant income (e)		21,255,208	9,030,208	15,000,000	15,000,000	11,875,000	
Ending Balance		1,048,422	2,433,283	199,711	1,801,063	5,332,311	

Financing Sources

NOTE: Sources labeled "not identified" are those programmed by the "default financing" option c

New Unrestricted Grants -- Identified	1,925,000	4,250,000	13,625,000	13,625,000	10,500,000	
New Unrestricted Grants -- Not Identd	0	0	0	0	0	
New restricted grants for operations	5,330,208	3,780,208	375,000	375,000	375,000	
New restricted grants for portfolio	11,500,000	1,000,000	1,000,000	1,000,000	1,000,000	
New restricted grants for other asset	2,500,000	0	0	0	0	
Unrestricted loans -- Identified	0	0	0	0	0	
Unrestricted loans -- Not Identified	0	0	0	0	0	
Restricted loans for PORTFOLIO	4,125,000	7,875,000	4,125,000	4,125,000	4,125,000	
Restricted loans for OTHER ASSETS	0	0	0	0	0	
Equity Investments (Unrestricted)	0	12,500,000	12,500,000	12,500,000	12,500,000	

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	FY98	FY99	Year 1 FY00	Year 2 FY01	Year 3 FY02	Year 4 FY03	Year 5 FY04
Ratio Analysis							
Portfolio Quality							
Loan Loss Reserve Ratio	#N/A	-0.9%	4.4%	3.6%	3.6%	2.9%	2.9%
Loan Write-off Ratio	#N/A	2.0%	4.3%	3.4%	2.1%	2.1%	2.0%
Profitability							
Adjusted Return on Performing Assets	#N/A	-40.6%	-78.5%	-27.1%	-7.4%	-0.4%	-0.5%
Solvency							
Equity Multiplier	0.00	1.00	1.20	1.20	1.07	1.05	1.04
Efficiency & Productivity							
Operating Cost Ratio	#N/A	61.7%	134.5%	49.3%	29.8%	23.1%	22.1%
Borrowers per Credit Officer	#N/A	402	204	297	293	289	299
Overhead percentage	#N/A	0.5%	28.5%	23.5%	22.0%	20.6%	19.2%
Credit Officers as % of total staff	#N/A	37.5%	59.5%	65.9%	71.9%	75.4%	78.3%
Growth and Outreach							
Total Loan Portfolio	0	1,850,832	10,770,423	32,211,979	55,474,116	78,021,837	94,076,544
Overall growth in portfolio	#N/A	#N/A	492%	199%	72%	41%	21%
Number of active loans	0	905	5,311	8,915	11,445	13,293	15,825
Overall growth in borrowers	#N/A	#N/A	422%	68%	28%	16%	19%
Client dropout rate			4%	4%	5%	5%	5%
Total Voluntary Savings Deposits	0	0	0	0	0	0	0
Number of voluntary depositors			0	0	0	0	0

**Financial Statements
 in Constant Currency**

Note: This financial information is stated in terms of constant FY00 Gourdes

Inflation rate, FY98

Balance Sheet

ASSETS

Cash in Bank and Near Cash	0	747,065	931,930	1,922,594	137,214	1,076,040	2,770,237
Net Portfolio Outstanding	0	1,752,207	9,154,712	24,523,217	36,744,937	45,274,148	47,469,838
Short-term Inv. & other curr ass	0	0	5,767,712	5,090,223	0	0	2,735,996
Net Fixed Assets	0	0	3,669,221	3,046,390	2,969,363	2,566,565	2,126,148
Long-term Invest. & other LT assets	0	0	0	0	0	0	0
TOTAL ASSETS	0	2,499,272	19,523,575	34,582,425	39,851,514	48,916,753	55,102,219

LIABILITIES

Savings deposits	0	0	0	0	0	0	0
Concessional Loans	0	375,000	3,666,667	6,222,222	2,834,138	2,464,468	2,143,016
Commercial Loans	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	0
TOTAL LIABILITIES	0	375,000	3,666,667	6,222,222	2,834,138	2,464,468	2,143,016

EQUITY

Accum. Donated equity, prev. period	0	2,252,395	2,359,174	18,891,282	22,631,532	28,641,296	32,698,260
Donated equity, current period	0	401,676	18,893,519	7,134,979	10,305,958	8,961,703	6,169,288
Shareholder equity (less div pmt)	0	0	0	9,876,543	8,588,298	7,468,086	6,493,987
Accumulated net surplus	0	(39,102)	(4,959,609)	(7,154,891)	(4,171,273)	1,674,366	7,852,594
TOTAL EQUITY	0	2,614,969	16,293,084	28,747,914	37,354,516	46,745,450	53,214,129

TOTAL LIABILITIES AND EQUITY

0	2,989,969	19,959,751	34,970,136	40,188,654	49,209,919	55,357,145
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Income Statement

Total Financial Income	0	360,382	2,047,513	6,647,694	12,401,153	15,833,408	17,784,157
Total Financial Costs	0	0	247,500	720,988	618,357	369,670	321,452
Gross Financial Margin	0	360,382	1,800,013	5,926,706	11,782,795	15,463,737	17,462,705
Provision for loan losses	0	1,299	551,405	1,068,613	1,202,900	968,465	1,149,095
Net Financial Margin	0	359,083	1,248,607	4,858,093	10,579,895	14,495,272	16,313,610
Program Operating Exp	0	568,684	4,416,708	5,815,289	6,651,050	7,303,212	8,013,260
Administrative Operating Exp	0	2,611	1,756,751	1,789,154	1,878,474	1,890,499	1,903,726
Amount of taxes paid	0	0	0	0	0	0	0
Net income from operations (after t	0	(212,212)	(4,924,852)	(2,746,350)	2,050,372	5,301,560	6,396,624
Grant Income	0	401,676	18,893,519	7,134,979	10,305,958	8,961,703	6,169,288

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	FY98	FY99	Year 1 FY00	Year 2 FY01	Year 3 FY02	Year 4 FY03	Year 5 FY04
Excess of Income over Expenses	0	189,464	13,968,667	4,388,629	12,356,330	14,263,263	12,565,912
Adjustments to Operating Margin	0	0	911,871	2,062,487	4,381,033	5,475,455	6,613,427

**Financial Statements
 in External Currency**

Projected exchange rate OTE: Enter the exchange rate stated as units of local currency to purchase one unit of foreign

	FY98	FY99	Year 1 FY00	Year 2 FY01	Year 3 FY02	Year 4 FY03	Year 5 FY04
From indexing info on Model Setup	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Override rates							
Rates used in calculations	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Name of external currency							

Balance Sheet OTE: All figures are expressed in

ASSETS

Cash in Bank and Near Cash	0	0	0	0	0	0
Net Portfolio Outstanding	0	0	0	0	0	0
Short-term Inv. & other curr ass	0	0	0	0	0	0
Net Fixed Assets	0	0	0	0	0	0
Long-term Invest. & other LT assets	0	0	0	0	0	0
TOTAL ASSETS	0	0	0	0	0	0

LIABILITIES

Savings deposits	0	0	0	0	0	0
Concessional Loans	0	0	0	0	0	0
Commercial Loans	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0
TOTAL LIABILITIES	0	0	0	0	0	0

EQUITY

Accum. Donated equity, prev. period	0	0	0	0	0	0
Donated equity, current period	0	0	0	0	0	0
Shareholder equity (less div pmt)	0	0	0	0	0	0
Accumulated net surplus	0	0	0	0	0	0
TOTAL EQUITY	0	0	0	0	0	0

TOTAL LIABILITIES AND EQUITY	0	0	0	0	0	0
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Income Statement

Total Financial Income	0	0	0	0	0	0
Total Financial Costs	0	0	0	0	0	0
Gross Financial Margin	0	0	0	0	0	0
Provision for loan losses	0	0	0	0	0	0
Net Financial Margin	0	0	0	0	0	0
Program Operating Exp	0	0	0	0	0	0
Administrative Operating Exp	0	0	0	0	0	0
Amount of taxes paid	0	0	0	0	0	0
Net income from operations (after taxes)	0	0	0	0	0	0
Grant Income	0	0	0	0	0	0
Excess of Income over Expenses	0	0	0	0	0	0
Adjustments to Operating Margin	0	0	0	0	0	0

END OF INFORMATION FOR IIS PAGE