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**Matching Grant Annual
Progress Report to
September 30, 2002**

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**MEDA's Matching Grant Program
Progress Report to 30 September 2002**

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MEDA Matching Grant Program

USAID AWARD No. HFP-A-O-00020-00

Annual Progress Report to 30 September 2002

INTRODUCTION

The following progress report on the MEDA Matching Grant (MG) Program, financed by USAID's PVC division, covers the period from 1 October 2001 through 30 September 2002. The matching grant project provides support to MEDA's Small Business Development Programs (micro-enterprise credit and agribusiness marketing programs) in Mozambique and Peru, and to MEDA's headquarters to assist in enhancing capacity at the headquarters levels as well as providing technical assistance and management oversight to field partners.

The report is structured to correspond to USAID's guidelines for the matching grant's first year annual report. The report will provide an overview of MEDA's activities (as an organization) in year 1 as set out in the Detailed Implementation Plan and examine accomplishments against objectives, constraints and lessons learned in Mozambique and Peru using the planning matrices as the basis.

1. OVERVIEW OF YEAR ONE & CHANGES SUBSEQUENT TO DETAILED IMPLEMENTATION PLAN (DIP)

1.1 Organizational Capacity Building

Headquarters

At Headquarters, MEDA seeks to be a leader in innovative economic development to serve the poor through the delivery of financial and non-financial services. Our International Operations strategy is to build knowledge, expertise, skills and resources to equip our field programs and partners to develop strong and sustainable businesses that will benefit and impact a greater number of the poor.

Objective #1: Improve the synergy between IED's four departments to develop integrated and more effective services to MEDA's field partners and clients

Departments' annual review and plan of operations (ARPO)

Highlights in each department's APRO

International Economic Division (IED). IED consist of 4 departments: International Operations, MEDA Consulting Group, MEDA Trade Co. and MEDA Investment Inc. These 4 departments are supported by the IED management group including the technical resource unit (TRU).

This year, the mandate of the International Economic Development Division was revised slightly to read as follows: *Throughout the world MEDA helps the poor earn sustainable livelihoods through the development of businesses.*

Through the development of sustainable business, MEDA offers increased income to the poor. However, MEDA must offer more- an economic development model that enlarges human choices in all aspects of life. The revised mandate more fully reflects the global nature of our work and the focus on creating sustainable livelihoods rather than simply increased income.

An important activity is the development of a newly developed historical database to allow the organization to look back and review trends and impact of the combined work of all the various IED departments in reaching the poor. MEDA managed contracts and investments worth \$30 million in FY02, which allowed MEDA to work with more than 50 partners in 27 countries and to serve over 200,000 beneficiary clients.

During the spring of this year and in an effort to expose the board to the international work of MEDA, a board meeting was arranged with various representatives from the US Agency for International Development (USAID). Meetings were arranged with staff from the PVC Matching Grant office, the office for Microenterprise development and office for agriculture.

Summary of Major Outputs:

- 5 marketing proposals developed and sold
- \$100,000 research and development fund financed
- \$100,000 donation to MEDA's stake in Sarona secured

International Operations. IOPs is helping the poor earn sustainable livelihoods through the development of businesses. The long term objective is to create institutional homes for existing microfinance programs managed by MEDA, develop staff and program capacity to management Business Development Services (BDS) programs and expand programs from current 7 countries to 9 over a five-year period.

Summary of Major Outputs:

Indicators	Year 1 Actual
# of countries	8
# of staff	141
Microfinance	
# of Active Clients	14,261
Size of Portfolio	\$4,075,280
Portfolio at risk	7.3%
# of loans	5,107
% of Women Clients	64%
# of Partners	6
Business Development	
Sales	\$2,553,277
Gross Profits	\$686,929
Net Profits	(\$7,165)
# of Producers	4,100
Research & Development	
# of programs researched	12
# of projects begun	6

MEDA Consulting Group: MCG's mandate is to help as many of the poor as possible to earn a sustainable livelihood by providing consulting and support services to both MEDA programs and to other organizations, and by researching and developing new technical assistance products.

Summary of Major outputs:

Indicators	Year 1 Actual
Gross Revenue	\$842,812
Net Revenue	\$477,217
Contribution to IED	\$71,603
Number of Consulting Days	1,559
Number of Partner Clients	22
Number of Countries	28
Multi year Contracts	6

MEDA Trade Company Inc: MTC functions as a legally separate entity under the control of MEDA. MTC helps the poor earn sustainable livelihoods by providing commercial trade services to businesses and development organizations; by researching and developing new trade opportunities; and by earning a profit for MEDA.

Summary of Major outputs:

Indicators	Year 1 Actual
Gross Revenue	\$236,267
Contribution to Overheads	\$41,593
Multi-year management contracts	1 (Ugandan nets)
FX Clients	1,559
ITS Clients	22
FX and ITS sales revenue vs. total revenues	28

MEDA Investment Inc. MII is a wholly owned subsidiary of MEDA, mandated to achieve MEDA's economic development mission through investment initiatives. MII helps the poor earn sustainable livelihoods by providing investment management services to MEDA and other organizations; researching and developing new development – investment initiatives; and earning a profit for MEDA.

Summary of Major outputs:

Indicators	Year 1 Actual
Provide investment management services	
# of asset management contracts	1
# of consulting/service contracts	2
\$ assets under management	\$4,543,428
\$ management/consulting revenue	\$181,820
Research and develop new development investment initiatives	
# of new initiatives worked on	1
# of successful initiatives	0
\$ R&D revenue	0
Earning a profit for MEDA	
\$ total revenue	\$181,820
\$ contribution	\$13,392

Number of Concept Papers and Proposals Developed for funding: The TRU has contributed significantly to the development of proposals this year. It supports the various departments in developing proposals to donors. This was an active year with 3 concept papers developed and 14 proposals submitted to various donors that spans 11 countries in total. During the first year of PVC funding, MCG won 3 multi year contracts in Vietnam, Jamaica and Central Asia, and IOPs initiated contracts to manage projects in Egypt, Uganda and Pakistan. This has indeed been an active and successful year for MEDA as it positions itself for newer and challenging opportunities in the next year.

Improved Organizational Structure defined for the International Economic Development Dept. In the latter part of Year 1, IED held strategy meetings to discuss some of the trends, capacity, customer profiles, and thoughts on how MEDA's various departments can better collaborate on projects along the lines of business of microfinance, agribusiness and investment development. Specific to agriculture and BDS, the meetings opened up important discussion regarding MEDA's role in the sector. What became evident in the meetings was that a lot of MEDA's work in agribusiness and BDS do not follow specific methodologies as defined by the market development approach but rather the result of individual initiative, corporate experiences and following some industry guidelines. MEDA's work has been based on our successes and failures as well as on lessons we may integrate from the BDS industry and from others. Much of the strategies are still being developed and will take a clear shape in FY 2004.

Objective #2: Strengthen HQ technical expertise in BDS, production-marketing linkages

Number of technical BDS/Agriculture advisors based in HQ. During the year, 2 technical BDS/Agricultural advisors were hired at headquarter level. At the start of the project year, Alejandro Escobar, a senior consultant with the consulting group was promoted to the position as regional director of Latin America where he would dedicate 50% of his time to IOPs and 50% as MCG senior consultant and manager of BDS department. Unfortunately in March of 2002, Mr. Escobar decided to leave MEDA to take on a position in the private sector.

2 BDS advisors were hired this year. Steve Rannekleiv joined MEDA HQ in April 2002. Mr. Rannekleiv was MEDA's country manager in Bolivia prior and managed 2 successful BDS interventions in Bolivia. He brings solid Latin American experience in marketing, agriculture and production assistance. Beginning in January of 2003, Mr. Rannekleiv will take on more management responsibility for programming in Latin America with oversight to the project in Peru. Kevin Abma is the new agribusiness advisor. He has over 20 years of experience in the private, governmental and the non-profit sectors. With proven expertise in the areas of rural development, rural finance, and crop systems, Mr. Abma brings skills in project design/management/evaluation, business planning, financial analysis and agricultural technology transfer.

In addition to the hire of the 2 BDS advisors, MTC hired a marketing associate, Linda Jones in December of 2001. Linda Jones' responsibilities at MEDA will be to assist our partners around the world to develop export markets. A process has been set in place whereby country managers and others can complete a *Request for Service* form (RFS - attached) regarding a specific product or service in order to receive an individualized *Market Research Report* (MRR). The MRR offers a preliminary assessment of the viability of the product or service in North America. Following the MRR, test marketing

may be conducted with further assistance from Linda. These two services have been funded through IED R & D funds. If market studies are positive and if other funding is available, a next step might involve an in-depth evaluation of an organization's export readiness, followed by remediation as necessary. An Export Readiness Methodology that includes both diagnostic and training tools is currently being planned to meet this need. Linda's contribution to MEDA will help to strengthen our marketing capacity.

Programs adopting new BDS Market Development Strategy and number of proposals developed for funding. IOPs has also been actively pushing the programs to design BDS programs in line with industry "best practices" and the market development approach of supporting BDS markets and being BDS facilitators rather than BDS providers. A training session was conducted at the country managers' meeting in February in Peru.

2 technical trips were made to Peru over the year to assist with the design of MEDA Peru's BDS programs and to develop concept papers. 4 concepts papers were developed for MEDA's intervention in four agribusiness industries: rice, snow peas, aquaculture and in the production of flowers. Of the four, two proposals were presented to various donors for funding.

Mozambique

MEDA Mozambique is striving towards institutionalization and sustainability. The goal is to transition the microfinance program into a locally owned and operated financial institution.

Objective #1: Improved strategic management practices through developing an institutional and governance structure

Change in institutional structure. During the year MEDA Mozambique has made an in-depth study of the various institutional structures available for a MFI to operate in Mozambique. Currently, there are 3 options available: 1) to register as a national NGO, as an association; 2) to registers as a credit cooperative and 3) to become a limited liability company. All of these structures require a minim of 10 founding members or shareholders. In the case of an Association and a Credit cooperative, each member has one equal vote each. In the case of a limited liability company, one shareholder can have a majority shareholding (as much as 99%) while the other 9 shareholders may hold equal or unequal shares for the remainder of the shareholding.

An association may register under the Decree 47/98 which allows the provision of credit but no deposit mobilization by the institution. Since deposit mobilization is a service both needed by the clients to access financial services otherwise not readily available, and the institution to source capital for on-lending, this structure is not ideal for the long term viability of a MFI.

The law on financial institutions, Law 15/99 makes provision for Credit Cooperatives to mobilize deposits and the provision of credit with certain provisions. Since MEDA Mozambique's project was not set up as a credit cooperative, it will not be in the client's or MEDA's best interest to change the institution to a credit cooperative at this stage.

A limited liability company (in Mozambique this is called a *Sociedade Anonima Responsabilidade Limitada*) – s.a.r.l.0 may apply for a license as a commercial bank. At present the Decree 47/98 does not allow for a commercial entity, which will include a limited liability company, to provide credit. However, there is a case pending for permission from the Central Bank, the Banco de Moçambique (BM), where an international NGO is transforming its program to a s.a.r.l. and has applied to the BM to continue operating as a credit provider under Decree 47/98, with the understanding that it may not capture deposits.

The minimum capital requirement for a commercial banking license is approximately US\$3 million. In March 2002, the BM has revised the minimum capital requirement for a commercial bank *dedicated to Microfinance* to be approximately US\$1 million. Under this license a MFI may capture deposits and provide all the financial services a commercial bank will normally provide.

The Mozambique Microfinance Facility, a project funded by the Canadian International Development Agency (CIDA) and implemented by MED and Development Partnerships, a Canadian company, has drafted legislation and prudential regulations for an alternative structure under the existing Law 15/99. This draft legislation is presently being studied by the BM and other consultants; with the view of presenting it to the establishment of Microbanks, with a minimum capital requirement of US\$500,000 and prudential norms that adheres to Microfinance Best Practice standards. This legislation is not expected to be passed before the end of 2003.

Taking the above factors into consideration, the best structure for a microfinance institution is to convert to a limited liability company so that it would be able to apply for a commercial banking or a Microbanking license to mobilize deposits and provide savings and credit services. The challenge however is the minimum capital requirements in both cases. After discussions between MEDA and its Mozambican partner, it has been decided to pursue the possibility of seeking a strategic partner amongst other MFIs in Mozambique who are in a similar position regarding the attainment of the minimum capital requirements with the view to merge the operations and investment of the MEDA Mozambique project with another so that it may achieve the minimum requirements to seek a commercial bank or Microbank license from the BM. Discussions with various potential partners will be shortly.

Governance structure installed. The MEDA Mozambique's operation is still a project of MEDA and as such is governed by the MEDA International Economic Development Division, through its International Operations Department.

Objective #2: Increased Organizational Learning through enhanced capacity to assess client demand and preferences

Client Retention Rate: The average client retention rate in FY02 has been 72.6%. While the target of 87% has not been achieved, the project staff is convinced that the retention rate will be improved over the next year. During the year it was found that many of the groups that were receiving loans were disbanded since the clients' preference is for individual loans. Unfortunately some of the group members chose not to take further loans, causing an increase in the drop-out rate.

Objective #3: Improved financial management capability and financial reporting features

Number of training sessions conducted: Through the year, attention has been given to the management of internal controls in the loan portfolio management as well as in accounting. The reconciliation of the Management Information System (MIS) to the accounting system as well as to the bank statements are current and updated monthly. All receipts and payments are duly documented and filed. All internal policies are adhered to. Late loan follow-up procedures have been upgraded. The Microfin business plan and financial modeling program was used for the Annual Review of Operations (ARPO) for MEDA.

Improvements made on MIS and accounting system: The Client Accounts System (CAS) was revised to enable the program to collect impact data as well as to record the growth in the equity of individual loan clients. Enhancements have also been made to the late loan report so that the follow-up process is more efficient.

Objective #4: Improved Human Resource Management

Number of Staff Trained: The finance and Administration manager attended training in Performance Management and the Program Manager attended a training course in the Mozambican Labour Law and Contract Management.

Staff Retention rates high: There were no resignations during the year. A credit officer was promoted to Credit Supervisor, another was transferred to the accounting department and 4 new credit officers were appointed.

Peru

MEDA Peru seeks to be a leader in the promotion of agribusiness development and will work to strengthen the capacity of private sector service providers to deliver appropriate and needed services to small and micro farmers in rice and fruits and vegetables produced using drip irrigation techniques.

Objective #1: Strengthen partner organizational capacity so as to deliver effective services to farmers

Operational policies and procedures implemented. The first year was spent working on the operational policies and procedures with partners that included signed contract agreements, defining the scope of the partnership, definition of the project flow through funds and its accountability, and working together with partners to develop the detailed planning matrices and workplan.

SWOP analysis. MEDA Peru carried out a basic institutional assessment of each partner that includes financial information, review of the partners' business plan and strategies for expansion and an analysis of their present strengths and weaknesses. Detailed SWOP analysis will be carried out by midpoint.

Market Research into new product development. With assistance from HQ, MEDA Peru carried out a market study to assess the potential to produce and export snow peas from Peru into the North American markets. The study showed a strong demand for

snow peas in selected months each year (January to March) and favorable prices for farmers. As a result, MEDA contacted potential buyers in US and Canada to source markets and established a long-term relationship with one buyer based in Toronto, Canada. Results from this market research also helped determine the product that farmers selected to participate in the drip irrigation project would produce.

Objectives #2: Strengthened partners' organizational capacity so as to deliver effective services to farmers

Number of Staff Managing project. The country manager, Sonia Dominguez was hired in October 2001. In April 2002, Diego Salgado was hired as the project manager and is responsible for ensuring the performance of project partners and maintaining relations with farmers. Oscar Perez serves as the monitoring specialist is in-charge of carrying out baseline assessments.

Financial accounting system in place. ACCPAC, the financial accounting software was installed in March 2002. The installation was followed by a visit from the finance manager from MEDA Headquarters to review the system set-up, the chart of accounts and financial reporting procedures.

Staff receive BDS training. In September 2002, the country manager attended a BDS conference, "State of the Art in BDS" hosted by Swiss Contact, an NGO actively involved in BDS work in Peru. The course provided best practices in the design and delivery of market development BDS practices. In addition, the TRU carried out 2 training sessions in monitoring/evaluation and market assessments. This was followed with the monitoring and evaluation specialist going into the field to prepare and carry out the baseline surveys to attain the indicators for the DIP.

Number of Concept Papers created by local field programs: MEDA HQ have been actively seeking and writing proposals on behalf of the Peru country office. With increase confidence of the new country manager, it is expected that much of the concept papers will be developed using local capacity and the decreasing dependence on HQ support to source and find new funding opportunities.

1.2 Technical Interventions

Headquarters

Objective #1: Strengthen monitoring, evaluation and reporting process of BDS program

Number of partners using monitoring sheets, number of BDS indicators developed, Frequency of data collected: The BDS monitoring sheets are currently being developed for the field partners in Peru. Determining the right BDS indicators to include as performance benchmark indicators is proving challenging. While there has been a lot of attention given to BDS in the last few years, the industry has not been successful in determining uniform indicators to be used for the industry such as the SEEP indicators developed for the microfinance industry. This is partly due to the diversity of programs from marketing to training to business centers. The spectrum of BDS activities makes it challenging to come up with impact measurement indicators. Together with MEDA Peru, the TRU has developed a draft copy of monitoring sheets.

Beginning in November of 2003, MEDA Peru will be testing the appropriateness of the indicators. The TRU hopes to finalize the monitoring sheets by the March of 2003 so as to be disseminated to all field offices with BDS programs. Currently, MEDA is testing a total of 12 indicators of which the hope is to narrow down the indicators to 8.

Objective #2: Develop social impact indicators to be incorporated into MEDA investments

Number of social investment indicators developed as performance benchmarks and Number of investments evaluated using criteria: MEDA investment has been working on reporting to private investors and to re-write new offering documents to ensure that they are up to legal standards. No targets have been achieved under this objective, as much of this development will occur in the second year of project funding.

Objective #3: Enhance expertise in the delivery of MIS for financial and impact tracking

Continuous improvements carried out on MIS system (Microfinance) and BDS MIS system developed and used by various partners: The MIS specialist within the TRU, Brad Martens, continues to provide MIS support to MEDA's credit program in Mozambique. In September, Mr. Marten made a monitoring trip to Kulane and created new reports for tracking impact indicators and client business growth. He reviewed the operations and systems and is working on an assessment for upgrading the CAS systems for when Kulane will move to a networked office. The new upgrade will include considerable reporting flexibility and will allow the user to define twenty fields that they wish to track for a client from loan to loan. All loans can now be easily exported to Excel for summarizing. It also has a simple interface that allows the user to create queries. In addition, Mr. Marten developed an MIS system for MEDA's rural finance program in Haiti and installation began in November of 2001. The system is currently being test and installation in all 3 branch offices began in the summer of 2002.

Financial tracking system developed for country programs: Mr. Marten also created a database to track human resource information and created a web-browser interface that allows users to enter their vacation and sick leave form anywhere in the world. In addition, he developed a database to hold all of MEDA's historical data and information on new partners, projects and programs. This database will become a valuable tool for tracking and reporting on the progress of MEDA's programs and short-term projects. An additional database used to track field offices's financial budget was created. Through the internet, MEDA's field programs can enter their proposed budgets and that can then be reviewed and modified at head office. This will allow the planning process to be interactive.

Mozambique

Objective #1: Increased ability to detect fraudulent practices through new processes

Policies and procedures manual revised: The financial and credit policies have been updated and the internal control policy is embedded in the financial policy. These policies are subject to revision on an annual basis.

Accounting staff are familiar with internal control procedure: The accounting staff are adequately managing the control of all receipt and payment vouchers, contracts, checks and cash. Cash flow management training is to be enhanced.

Objective #2: Improved business management capacity in clients

Improved growth equity rate for individual clients' businesses: Revisions have been made to the MIS system so that data is being captured to measure equity growth amongst individual loan clients. No clients have been trained in business development.

Objective #3: Improved staff capacity through training

During the reporting period, 4 new credit officers were recruited and trained. The targeted caseload per credit officer is 150 loans (individual and solidarity groups). No CO has achieved the optimal caseload to date, although 4 out of the 7 COs have achieved over 80% of the target optimal caseload. Increased emphasis was placed on individual lending due to client demand.

Peru

Objective #1: Strengthen the delivery of technical assistance and demand of marketing services to small holder farmers

Number of farmers reached (gender disaggregated), number of farmers accessing credit and number of markets accessed: The focus of Year 1 has been on the design of the MIS system to track farmer impact and to coordinate the delivery of technical assistance packages to rice farmers. The MIS system is still being developed and baseline data information will be entered in November of 2002. At the end of October 2002, project partners are working with a total of 52 farmers with 11% women participation. 47 farmers have access to credit services for their agricultural activities. Rice is mainly processed and sold in Lima while the production of snow peas is for the export markets in Canada.

Objective #2: Develop a market information and monitoring system to track farmer productivity and financial projects

Number of demonstrations of the system made to institutions, number of systems installed with partner organizations, number of clients tracked in system, and number of service providers and ag. Products monitored. The MIS system is currently still being developed and will be tested in the beginning of 2003. Many organizations and financial institutions have already seen the demonstrative module and are interested in purchasing the system. In 2003, MEDA Peru will initiate testing of the system using two different products (rice and cotton) in two different regions, Bagua and Tocache.

1.3 Partnerships

Headquarters

Objective #1: Improve delivery of technical assistance and field monitoring and evaluation capacity

Number of staff training on cross-cutting themes and participants incorporating training themes in project management. All country program managers have to identify training needs for project staff and request such training assistance from headquarters. 2 gender-training sessions were provided. In February 2002, the TRU gave a presentation of MEDA's gender strategy to country managers including an update on the activities of the gender committee, and the result of the gender survey carried out in all of MEDA's field programs. 14 staff attended the workshop. In May, 2002, the TRU provided gender training to Credit Officers in Mozambique. The workshop was divided into 2 sessions: an introduction to gender, its definition and application to microfinance and defining empowerment and the application of 2 case studies and exercises for the integration of gender in the workplace. 2 managers and 7 credit officers attended the training session.

In February 2002, a representative from the TRU also provided training to project staff in Peru on how to carry out a baseline study. A technical advisor from the TRU provided guidance to the baseline study carried out with rice farmers in San Marin and assisted with analyzing the results and data collected on the farmers.

Number of beneficiary impact studies completed. Baseline studies for Kulane (Mozambique) and for the programs in Peru for both the drip irrigation and rice projects are completed. In Mozambique, the baseline study was completed by an intern under the supervision of the credit operations manager. In Peru, baseline studies was carried out by a monitoring and evaluation specialist.

Objective #2: Increase monitoring and evaluation capacity in field programs

Defining use of new report structure: In February of 2002, the TRU presented a series of reporting guidelines for carrying out annual evaluations, mid-term reviews, annual review and plan of operations and country strategies. The first series is outlined in the annexes.

Number of BDS Monitoring reports received from field programs: A draft version of the monitoring sheets was developed for program partners in Peru. The Peru office is currently working with program partners to collect the data and indicators for the monitoring reports.

Mozambique

Objective #1: Explore innovative partnerships for new product development in insecticide treated nets to combat malaria

Market research completed and reasonable priced ITNs available in the market: Meetings were held with various suppliers of bed nets and insecticide manufacturers represented in Mozambique. A challenge faced by the suppliers are that there are no nets produced in Mozambique. Mozambique was a signatory of the Abuja Accord in 2001 for the "roll Bank Malaria Campaign" and have agreed to reduce import tariffs on the import of nets and insecticide. However, this reduction in tariffs has not yet been published in the Government Gazette and the imports of these commodities are subject to a 30% import duty. This coupled with a very strong social marketing project of PSI International who provide insecticide treated nets in the rural areas of Mozambique at

highly subsidized prices, has made it very challenging for suppliers to stock nets at a competitive price.

However, the market research conducted by the project as well as the net suppliers have indicated a good market in the Maputo area. One of the suppliers has invested in importing a substantial number of nets and has partnered with an insecticide manufacturer to supply the net and a treatment kit under his own brand name. The price is reasonable as long as the subsidized nets do not make their way into the city from the rural areas where it is being marketed by PSI. MEDA Mozambique has partnered with the supplier in an extensive publicity campaign in the media as well as during a recent international fair trade in Maputo. The interest in the exhibit was above expectations. MEDA Mozambique will supply additional credit to its clients, which will be made available in the form of a voucher that may be redeemed at an approved outlet for a insecticide treated bed net. It is expected that the sale of insecticide treated net through MEDA Mozambique's loan clients will escalate during the first months of the next year which coincides with the rain season in Mozambique.

Objective #2: To explore new partnerships to provide start-up credit to retrenched or formally state owned employees.

At least one organizational contact made: A draft agreement with the CARE project of the South Deep Mines of South Africa, a division of Placer Dome Mining, is in hand to supply start-up credit to retrenched mine workers. The mining company will train the potential clients in business skills and will analyze the presented business plans. MEDA Mozambique will provide a loan after agreement has been reached between the credit department and the CARE Project representatives that the business plan is feasible. The normal policy for loans of MEDA Mozambique requires a loan insurance of 15% to be paid. In the case of start-up loans the insurance will be 20% of which 17.5% will be paid by the Placer Mining Group and the client will deposit 2.5%. After the second cycle the loan will fall under the normal criteria of MEDA Mozambique with the insurance of 15% being paid by the client.

Objective #3: Building business management skills and technical capacity of micro entrepreneurs through building partnership with local training institutions.

At least one organizational contact made: The individual loan product has been offered by MEDA Mozambique since October 2000 and the past two years have been spent refining the product and training the credit staff in sound business and character analysis, which are both essential for making good un-collateralized loans. There are very few clients that are at the level where business management and technical assistance training will add significantly to their ability to improve their repayment rates and business. However, research has been done on private companies or other NGOs who specialize in Business Development Services have been done. There are very few institutions in Mozambique which offer affordable training to micro-and small entrepreneurs, but every effort will be made to establish contact with such groups in the new future.

Peru

Objective #1: Partnership with PHISAC to pilot and test a sustainable model to bring high-tech irrigation technology to small scale farming

MEDA and PHISAC have been working together to transfer drip irrigation technology to small farmers that would otherwise be difficult to obtain without the technical assistance and financing support from MEDA. In May, it was determined that the farmers will be working on the production of snow peas primarily because it is relatively easy to grow and that snow peas command a higher price in the international market.

Three systems of cultivating snow peas were tested. The first did not use hydroponics but rather a drip irrigation system. The other two methods used different hydroponics techniques in combination with drip irrigation. The three systems were developed in a greenhouse constructed with a mesh lining that would eliminate the possibility of plagues. The testing concluded that the first method was the most suitable for farmers as it was much cheaper a system to install. The region selected was approximately 2800 meters above sea level. At such an altitude, the risk of plague infecting the crop is minimal compared to the risk in coastal regions, thus not necessarily requiring using hydroponics nor greenhouse to grow snow peas.

Once the cultivation method was decided, July and August of 2002 was spent researching the location for implementing the project. Research was focused on the highlands, at altitudes around 2800 meters above sea level where there are favorable differences in temperature from December to May. The difference allows production to take place in the highlands during a time when coastal regions are not able to produce. During this time, there is a window of high market prices favorable for export. Canta was determined as the most favorable place for the production.

The next step involves the selection of farmers to initiate the project with. 4 farmers have been identified after a series of meetings in the community. The installation will begin in October 2002 and production of the first cycle of snow peas will be ready by February of 2003.

Objectives #2: Partnership with Agronegocios will strengthen MEDA's learning in applying a market development approach to the rice sector.

A number of market developments has resulted in important lessons learned for MEDA. In the year, the rice production industry in Peru has witnessed the following developments:

- Peru had an oversupply of rice and prices dropped significantly below its production cost
- Agronegocios, MEDA's partner for the rice project has developed many sales points around Peru to commercialize rice
- Agronegocios, is working with farmer associations, local institutions, NGOs and financial providers to develop solid productive chains that offers an integrated package of technical assistance, financial support and marketing channels for rice farmers
- MEDA is initiating a contract with Amazonian Chambers of Commerce to sell rice from San Martin region to parts of Brazil
- Rice prices have been extremely competitive and the logistic of getting rice to markets and communication in the region is proving challenging.

Due to these factors, the strategy is to enable Agronegocios to diversify into products beyond rice and that includes the commercialization of other products for the

Brazilian market. To better understand the logistic process, a group from Agronegocios has followed the natural route to Manaus (Brazil) following the river that connects the 2 countries. Working with other agricultural productions will enable Agronegocios to diversify its risk and make it more profitable.

The current year provided a number of insights in understanding the market development approach. Agronegocios is focusing less on technical assistance to farmers and more of strengthening the marketing channels and locating markets for rice through Peru and also in neighboring countries such as Brazil. Diversifying into different products will enable Agronegocios to mitigate the risk linked with working only with one agricultural product.

1.4 Achieving Sustainability

Headquarters

Objective #1: Support and strengthen a locally managed Microfinance Institution in Mozambique

Number of Management visits to Kulane and Monthly analysis of performance: The country manager for Mozambique presents monthly narrative and SEEP reports to the regional manager for Africa and to the Director of International Operations on the performance of Kulane and to report any deviances in program performance. The regional manager made 2 trips to Mozambique during the year.

Determine strategy to expand/merger and increase loan capital for lending: This is being addressed in the Mozambique section.

Objective #2: Support the development of BDS Market development programming

Number of BDS Concept papers developed and Number of BDS Proposals submitted: 7 concepts papers were developed for programs in Haiti, Tanzania, Mozambique, Peru, Nicaragua, and Pakistan. Of these, a further 5 proposals were submitted to various donors for funding. This resulted in 3 contracts won: 1. the Practitioner's Learning Program: BDS Market assessment, 2. project to fund insecticide treated bednets in Mozambique and 3. a contract from the Council of Manitoba for International Development for a recycling project in Haiti.

Objective #3: Contribute to industry-wide best practices for SME development

Number of conferences attended, number of workshops delivered and number of case studies developed: Representatives from MEDA attended a number of major conferences for microenterprise development that includes: SEEP Annual General Meetings in Washington, the Microenterprise Development meeting hosted by the Inter-American Development Bank in Santa Domingo, the Microcredit +5 Summit in New York and the BDS Seminar in Turin, Italy hosted by the International Labor Organization.

In addition, 3 of MEDA's staff presented papers at these various conferences. Ms. Lehman present a paper on internal controls and fraud prevention at the +5 Microcredit Summits and at the SEEP meetings, as well as a paper on the merger process for Confia in Santa Domingo. Ms. Julie Redfern, a consultant with MCG hosted a panel on

management of client delinquency at the Microcredit +5 Summits. She was also invited to present a paper on microfinance trends in a meeting arranged by the Canadian International Development Agency in Ottawa.

Case studies were developed for the merger experience of COFIA, a regulated commercial microfinance bank in Nicaragua.

Mozambique

Objective #1: Form a strong sustainable credit institution

Financial Sustainability: The financial sustainability for MEDA Mozambique as of 30 September 2002 is 58.2% (including computed cost of capital) against the target of 60%.

Active Clients: As of 30 September 2002, there were 1,138 active clients against the target of 1,303 clients (87% of target achieved).

Objective #2: Develop New Product Lines

Number of new products for alternative sectors: As described above, contacts have been made with providers of business development services, and this will be followed up in the next year.

Loan size increase: 96% increase in individual loan size.

Objective #3: Provide high quality loan products to an expanding client base

Linkages to ITN providers established and tested: A linkage with an ITN supplier has been established with Proserve Lda., who is marketing bed nets together with an insecticide treatment kit through a network of outlets in the main markets of Maputo. A marketing and publicity campaign was launched jointly in the local media and at the international trade fair with encouraging results. Marketing of the ITNs through the provision of vouchers on credit will commence in November 2002.

Market Research for rural credit initiated: No market research for rural credit has been initiated to date. The recruitment and training of new credit officers have been a priority to increase the outreach in the individual credit product. Rural credit product will be researched and pilot designed within the next fiscal year if deemed feasible.

Active Clients: 1,138 active clients against a target of 1,303

Retention rate: Retention rate of 72.6% against a target of 87%

Satellite Office: MEDA Mozambique maintains a satellite office in the Xikhelene Market.

Repayment Rate: The average repayment rate for the period was 91.6%.

Peru

Objective #1: Create sustainable linkages between small farmers and their access to markets through private sector agribusinesses

Percentage increase of farmer participation, Percentage increase in farmer income: Farmer participation in the rice project in San Martin and in the drip irrigation is actually below target at 56 farmers participating as of October 2002. This is because all of San Martin has been greatly affected by the drop in the price of rice and farmers are

abandoning rice production in search of more profitable cash crops to grow. The indicator for percentage increase in farmer income is not readily available at this time.

Number of farm hectares worked: Total number of farm hectares worked is 218 hectares.

Objective #2: Replication of best practices in new program delivery and partnership

Number of Case studies developed: MEDA Peru is documenting important lessons learned at each milestone with our partners, PHISAC and Agronegocios. These will contribute to the overall case study to be developed for the end of the project.

Number of Participation in workshops/conferences: One. The Peru Country Manager recently attended the State of the Art Best Practices in BDS seminar hosted by the SEEP Network in Lima.

Number of Partnership solicited: In the first year, MEDA Peru has been working with a potential partner to develop a concept paper on working with small-holder farmers to grow flowers for commercial export. The project will take place in Huacho with a company Flores de Callejon that exports flowers to European markets.

Number of Proposals developed for funding: 2 proposals were developed in the year. One to continue to expand on the work with Agronegocios and the other for the above mentioned project in flowers. The proposal for Agronegocios was submitted to the Inter American Development Bank. The project was shortlisted and made it into the top 10 proposals. Unfortunately, it did not make it to the final round eligible for funding.

HEADQUARTER PLANNING MATRIX WITH RESULTS: YR 1

Program Objectives	Major Planned Activities	Indicators	Baseline	Results to date
A. Organizational Development				
<p>Improve the synergy between IED's four departments to develop integrated and more effective services to MEDA's field partners and clients</p>	<ul style="list-style-type: none"> • Review of MEDA's current operational and organizational structure • External consultant to carry out formal organizational review • Department directors develop plans for increase synergy and cooperation between programs • Carry out strategic discussions about MEDA's current operations vs. future strategies 	<ul style="list-style-type: none"> • Departments' annual review and plan of operations (ARPO) • # of concept papers developed/proposals developed for funding • An improved organizational structure defined for the International Economic Development Dept. 	<p>Carried out annually</p> <p>As of Oct 1 2001, 0</p> <p>IED will being an organizational review and examine current challenges in org. structure and determine changes needed</p>	<p>Inter-department APROs completed. A summary of results is provided in the narrative section of the annual report.</p> <p>3 concept papers developed</p> <p>14 proposals submitted to various donors that spans 11 countries in total</p> <p>Working groups established to review IED's strategy in 3 lines of business: microfinance, production marketing linkages, investments. Strategy papers are currently being developed for the 3 lines of business</p> <p>MEDA is currently undergoing an organizational review by an external consultant that would lead to potential changes in the organizational structure of IED.</p>
<p>Strengthen HQ technical expertise in BDS, production-marketing linkages</p>	<ul style="list-style-type: none"> • Recruitment of technical advisors in Agriculture and BDS • Develop technical strategy in BDS, production-marketing linkages and microfinance • 	<ul style="list-style-type: none"> • # of technical BDS/Ag advisors based in HQ • Programs adopting new BDS Market Development Strategy • % of proposals that receive funding/total # of proposals developed 	<p>1</p> <p>0</p> <p>1</p>	<p>2 BDS Advisors were hired in the year each taking on managerial roles and assistances to Latin America and Africa</p> <p>1. Peru is currently redesigning program strategies to fit the market development approach.</p> <p>In Peru, 2 of the concept papers were submitted to various donors for funding: expanding access to rice marketing in Peru and technical assistance to small holder flower producers.</p>



Program Objectives	Major Planned Activities	Indicators	Baseline	Results to date
B. Technical Intervention				
Strengthen monitoring, evaluation and reporting process of BDS programs	<ul style="list-style-type: none"> Revise current monitoring and evaluation process for BDS Develop BDS performance measurement indicators Develop BDS monitoring sheets Train staff on the use of sheets Implement and carry out monthly monitoring of programs 	<ul style="list-style-type: none"> BDS Monitoring sheets developed and used by partners # of BDS indicators developed as performance benchmarks 	<p>0</p> <p>0</p>	<p>0 Monitoring sheets are currently being developed and tested with project partners in Peru.</p> <p>15 indicators have been identified of which the hope is that a final 5 indicators will be finalized.</p>
Develop social impact indicators to be incorporated into MEDA investments	<ul style="list-style-type: none"> Research and develop investment impact tools Apply investment impact tools to due diligence process Monitoring of impact indicators in investments 	<ul style="list-style-type: none"> # of social invest indicators developed as performance benchmarks # of investments evaluated using criteria 	<p>0</p> <p>0</p>	<p>0. MEDA investment has been working on reporting to private investors and to re-write new offering documents to ensure that they are up to legal standards. No targets have been achieved, as much of this development will occur in the second year of project funding.</p>
Enhance expertise in the delivery of MIS for financial and impact tracking	<ul style="list-style-type: none"> Identify system needs specific to BDS and Microfinance programs Identify HQ MIS reporting needs Carry out a system needs assessment for programs Develop and test appropriate systems Implement systems for HQ and partner programs Train staff on the application of software 	<ul style="list-style-type: none"> Continuous improvements carried out on MIS system BDS MIS system developed and used by various partners financial tracking system developed for country programs 	<p>Currently 2 MIS systems exist for MEDA's microfinance programs</p> <p>MIS system not developed for BDS</p> <p>Country programs are not currently submitting financial reports through web system</p>	<p>2 -CAS system installed in Mozambique and Tanzania.- EPA is currently being installed in Haiti. 1 review of CAS to include impact and increase in client business equity</p> <p>MIS system is still being developed. Testing of the system will begin in Peru with the rice project in Bagua</p> <p>All country programs have currently been asked to input data into the financial tracking system</p>
C. Partnership				



Program Objectives	Major Planned Activities	Indicators	Baseline	Results to date
Improve delivery of technical assistance and training to field programs	<ul style="list-style-type: none"> Identify training needs of field programs Prepare training in cross-cutting themes (gender, env. Impact) Facilitate training of technical staff Provide technical assistance as needed 	<ul style="list-style-type: none"> # of staff training on cross-cutting themes carried out # of participants incorporating training themes in project management # of beneficiary impact studies completed 	<p>0 (Moz) 0 (Peru)</p> <p>0* cross-cutting training refers to gender, environment and impact training</p> <p>All programs to define strategy to accomplish cross cutting objectives</p>	<p>1-Mozambique for gender training 1-Peru for impact assessment training 2 gender training sessions carried out in Peru and Mozambique 0 environmental training 1 impact assessment training completed in Peru The TRU carried out 1 monitoring visit to Partner organization in both Mozambique and Peru</p>
Increase monitoring and evaluation capacity in field programs	<ul style="list-style-type: none"> Review and revise current monitoring reporting systems Enforce monthly monitoring systems Carry out impact study of project beneficiaries Provide training on BDS performance measurement 	<ul style="list-style-type: none"> Define reporting structure # of BDS monitoring reports received from field total # of impact studies completed (BDS) 	<p>Current rpts provide basic data</p> <p>No monitoring reports submitted (qtrly)</p> <p>1</p>	<p>New reporting standard introduced in February at the country managers' meeting in Peru</p> <p>All microfinance programs submit monthly reporting reports</p> <p>no impact studies completed this year</p>
D. Sustainability				
Support and strengthen a locally managed Microfinance Institution in Mozambique	<ul style="list-style-type: none"> Provide monitoring and management oversight Develop a strategy for the future of the institution Provide technical support and supervision of performance Contribute lesson learns to other programs and to MCG 	<ul style="list-style-type: none"> # of management visits to Kulane determine strategy to expand/merger Provide monthly analysis of performance 	<p>1</p> <p>Not defined</p> <p>No analysis carried out</p>	<p>2 visit by the regional manager to Mozambique</p> <p>Strategy options set for review in the second year of project</p> <p>Quarterly performance is currently being carried out by the IOPs assistant</p>
Support the development of BDS Market development	<ul style="list-style-type: none"> Provide monitoring and management oversight Develop a global 	<ul style="list-style-type: none"> Monitoring of performance targets 	<p>Not performed</p>	<p>Under development at this time</p>

MOZAMBIQUE PLANNING MATRIX WITH RESULTS: YR 01

Activities	Objectives	Indicators	FY 02 target	Actual Results
A. Organizational Development				
<ul style="list-style-type: none"> ➤ Research structural options (investment society, merger) ➤ Decide on structure ➤ Define and implement steps to institutional transformation ➤ Define the composition of the governance structure ➤ Put in place governance structure ➤ Design and implement client exit surveys and customer satisfaction interviews ➤ Revise and design product as needed ➤ Training for senior staff in financial management and internal controls for MFIs ➤ Upgrade existing MIS and accounting systems as necessary 	<ul style="list-style-type: none"> ➤ Improved strategic management practices through developing an institutional and governance structure ➤ Increased organizational learning through enhanced capacity to assess client demand and preferences ➤ Improved financial management through stronger and better skilled staff 	<ul style="list-style-type: none"> ➤ Change in institutional structure implemented ➤ Governance structure installed ➤ Client retention rate ➤ # of sessions conducted ➤ Upgrades installed for Management Information System and Accounting System 	<ul style="list-style-type: none"> ➤ Have defined the structure ➤ Retention rate 87% ➤ Training completed in internal control management and cash flow analysis 	<ul style="list-style-type: none"> ➤ The preferred structure will be that of a limited liability company or a merger with another MFI to be in a position to apply for a license under Law 15/99 as a Microbank or a Commercial Bank dedicated to Microfinance ➤ Retention rate 72.6% for the year ➤ Ongoing on-the-job training provided to the Management team on Internal Control and Cash Flow Management
<ul style="list-style-type: none"> ➤ Training in staff performance management to be provided to the senior management team ➤ Support by MEDA to the project manager in the area of human resource management 	<ul style="list-style-type: none"> ➤ Improved Human Resources Management 	<ul style="list-style-type: none"> ➤ # of sessions conducted ➤ Staff retention rates high 	<ul style="list-style-type: none"> ➤ Financial Manager trained 	<ul style="list-style-type: none"> ➤ Financial Manager trained in Performance Management Process ➤ Program Manager attended training on the Mozambican labour law and labour contract management
B. Technical Interventions				
<ul style="list-style-type: none"> ➤ Receive training in internal control practices ➤ Implement or revise policies ➤ Implement policies ➤ Recruit an internal auditor 	<ul style="list-style-type: none"> ➤ Increased ability to detect fraudulent practices through new processes 	<ul style="list-style-type: none"> ➤ Policies and procedures manual revised ➤ Accounting staff familiar with internal control procedures 	<ul style="list-style-type: none"> ➤ Internal control policy available 	<ul style="list-style-type: none"> ➤ Finance policy updated to include internal control policy for loan portfolio and cash management.

Activities	Objectives	Indicators	FY 02 target	Actual Results
<ul style="list-style-type: none"> ➤ Survey and compile a list of the training courses offered locally ➤ Explore linkages and facilitate access for clients ➤ Collect data from individual clients on equity growth business 	<ul style="list-style-type: none"> ➤ Improved business management capacity in clients 	<ul style="list-style-type: none"> ➤ Improved growth in equity rate for individual clients businesses ➤ Improved repayment rate for repeat clients 	<ul style="list-style-type: none"> ➤ Equity growth measured and data captured ➤ # of clients in BDS 	<ul style="list-style-type: none"> ➤ Data being captured to measure equity growth for clients' loans ➤ No clients trained in BDS to date
<ul style="list-style-type: none"> ➤ Training and technical assistance for new and existing staff as they take on increased levels of responsibility ➤ Credit management training will be required for the Credit Supervisor 	<ul style="list-style-type: none"> ➤ Improved staff capacity through training 	<ul style="list-style-type: none"> ➤ # of staff trained ➤ New credit officers would achieve target case load within 6 months ➤ Credit Supervisor able to analyze portfolio indicators and act upon trends 	<ul style="list-style-type: none"> ➤ Credit officers employed for longer than 6 months carry optimal targeted case loads 	<ul style="list-style-type: none"> ➤ 4 new credit officers recruited and trained ➤ Credit Officers did not meet the optimal case load targets, but 4 of the 7 COs achieved at least 80% of the optimal target
C. Partnerships				
<ul style="list-style-type: none"> ➤ Carry out market research ➤ Encourage clients to increase amount of loans and purchase ITNs on credit ➤ Clients receive vouchers to be exchanged for ITNs at authorized shops ➤ Credit officers promote the sale of nets 	<ul style="list-style-type: none"> ➤ Explore innovative partnerships for new product development in mosquitoes treated nets 	<ul style="list-style-type: none"> ➤ Market research completed ➤ Reasonably priced ITNs available in the market ➤ # of clients purchasing nets ➤ # of vouchers exchanged ➤ # of sales/credit officer 		<ul style="list-style-type: none"> ➤ At least one partner identified ➤ Started with publicity campaign for ITNs ➤ Nets are available in the market at reasonable cost ➤ ITNs will be made available on credit to loan clients through a scheme of vouchers that can be redeemed at retailers
<ul style="list-style-type: none"> ➤ Explore opportunities to link with programs providing alternative employment opportunities to retrenched employees of major companies 	<ul style="list-style-type: none"> ➤ To explore new partnerships to provide start-up credit to retrenched or formally state owned employees 	<ul style="list-style-type: none"> ➤ # of organizations consulted and presentation made ➤ Start-up credit provided to 10 test case clients 	<ul style="list-style-type: none"> ➤ At least one organizational contact made 	<ul style="list-style-type: none"> ➤ Contact and negotiations started with the CARE project of South Deep Mining of the Placer Dome Mining Company in South Africa to provide loans to retrenched mine-workers
<ul style="list-style-type: none"> ➤ Carry out study on demand by clients for advanced business management training ➤ Linking clients with local business training institutions and courses ➤ Credit policies adjusted to ensure that clients undergo advanced business 	<ul style="list-style-type: none"> ➤ Building business management skills and technical capacity of microentrepreneurs through building partnerships with local training institutions 	<ul style="list-style-type: none"> ➤ # of clients receiving training in improved business management skills ➤ Growth in equity on clients balance sheet ➤ Improved repayment 	<ul style="list-style-type: none"> ➤ At least one organizational contact made 	<ul style="list-style-type: none"> ➤ Research has been done on institutions which can offer affordable training to clients on Business Management skills. To be contacted soon.



Activities	Objectives	Indicators	FY 02 target	Actual Results
management training before accessing loans beyond a certain limit		rates for higher end loans		
D. Achieving Sustainability				
<ul style="list-style-type: none"> ➤ Sound portfolio management ➤ Implement new governance structure 	<ul style="list-style-type: none"> ➤ Strong, sustainable credit institution 	<ul style="list-style-type: none"> ➤ Financial sustainable ratio ➤ # of active clients ➤ Status of institutional structure 	<ul style="list-style-type: none"> ➤ Financial Sustainability 60% ➤ 1,303 active clients 	<ul style="list-style-type: none"> ➤ Financial sustainability 58.2% ➤ 1,138 active clients
<ul style="list-style-type: none"> ➤ Provide loans, follow-up, linkages to training 	<ul style="list-style-type: none"> ➤ Sustained/improved income sources for clients 	<ul style="list-style-type: none"> ➤ Equity level increase ➤ Average loan size increase 	<ul style="list-style-type: none"> ➤ Equity level increase 2% ➤ Loan size increase 10% 	<ul style="list-style-type: none"> ➤ Equity level increase 59% ➤ Average initial loan size increase 96% over previous year
<ul style="list-style-type: none"> ➤ Product research ➤ Product development and testing, specifically in rural areas ➤ Provide linkages for business development training to clients 	<ul style="list-style-type: none"> ➤ Encourage portfolio expansion through new and expanded product lines and improved business practices by client, to meet market demands 	<ul style="list-style-type: none"> ➤ # of new products for alternative sectors ➤ Increase in average loan size 	<ul style="list-style-type: none"> ➤ Linkages to business development training ➤ 66% increase in loan size 	<ul style="list-style-type: none"> ➤ Contact, but no linkages yet made ➤ 96% increase in average initial loan size
<ul style="list-style-type: none"> ➤ Product research ➤ Product development and testing, specifically in rural areas ➤ Research linkages with Insecticide Treated Nets (ITN) ➤ Conduct market research for innovative value-added products ➤ Design / revise / test products according to research ➤ Place new products on the market 	<ul style="list-style-type: none"> ➤ Provided high quality loan products to an expanding client base 	<ul style="list-style-type: none"> ➤ # of loan products ➤ # of clients ➤ Retention rate ➤ # of satellite offices ➤ Repayment rate 	<ul style="list-style-type: none"> ➤ Linkages to ITN providers established and tested ➤ Market research for rural credit initiated ➤ 1,303 active clients ➤ 87% retention rate ➤ 1 satellite office ➤ 94% repayment rate 	<ul style="list-style-type: none"> ➤ Link established with PROSERV, Lda – ITN supplier ➤ No market research for rural credit done to date ➤ 1,138 active clients ➤ 72.6% retention rate ➤ Xikhelene market office ➤ Repayment rate 91.6%

PERU PLANNING MATRIX WITH RESULTS: YR 01

Program Objectives	Major Planned Activities	Indicators	Baseline	Results to date
A. Organizational Development				
<ul style="list-style-type: none"> Strengthen partners organizational capacity so as to deliver effective services to farmers 	<ul style="list-style-type: none"> Work with partners to develop operational policies and procedures Develop project workplan Carry out due diligence/SWOP analysis Research new product development Assist to develop governance structure 	<ul style="list-style-type: none"> Operational policies and procedures implemented SWOP analysis Market Research into new products 	<ul style="list-style-type: none"> Not in place Basic assessment of partner No Current market Research undertaken 	<ul style="list-style-type: none"> signed contract agreements, operational policies currently under developed. SWOP analysis were developed for both partners Market Research for snow peas completed. Farmers are going into the production of Snow Peas.
<ul style="list-style-type: none"> Develop capacity of MEDA Peru to manage BDS programs following industry best practices 	<ul style="list-style-type: none"> Orientation and training of Country Manager in project management Define organizational needs, HR policies and procedures Increase capacity in financial system Increase technical expertise in agriculture, marketing and agribusiness and BDS Project staff to receive training Carry out baseline study Define monitoring and evaluation tools 	<ul style="list-style-type: none"> # of staff managing project Financial accounting system in place Staff receive BDS training # of concept papers created by local field program 	<ul style="list-style-type: none"> 1 Basic reports in excel. Begin installation of Software Staff have limited knowledge of BDS 0 	<ul style="list-style-type: none"> 2-Both the country manager and the project manager were hired this year BDS training provided at the Country Manager's meeting and the country manager attended the BDS seminar hosted by SEEP. 2 training sessions were provided in monitoring and evaluation To date, no concept paper has been developed by field program staff in Peru.
B. Technical Interventions				
<ul style="list-style-type: none"> Strengthen the delivery of technical assistance and demand of marketing services to small holder farmers 	<ul style="list-style-type: none"> Provide technical assistance in rice cultivation to farmers Assist in the implementation of a market information and inventory database for 	<ul style="list-style-type: none"> # of farmers reached % females # of farmers accessing credit 	<ul style="list-style-type: none"> 30 3% 0 	<ul style="list-style-type: none"> 52 active farmers participating in project 11% women participation 47 farmers have access to credit services for their



Program Objectives	Major Planned Activities	Indicators	Baseline	Results to date
Develop a market information and monitoring system to track farmer productivity and financial projections	<ul style="list-style-type: none"> • inventory database for farmers • Carry out training in market research methodology • Train partners on accessing market information for quality, price of rice in the local and international market • Assist in the design of a client tracking system • Provide technical advise on implementing system • Assist in the pilot test phase • Install system with partner programs • Application of data for marketing research, client monitoring • Generate reports and analysis • Market system to interested parties 	<ul style="list-style-type: none"> • # of markets accessed • # of demonstrations made to partners • # of systems installed • # of staff trained in system • # of clients tracked in system • # of service providers monitored • # of ag. products monitored 	<p>1 market in Lima</p> <p>MIS system is currently being developed. As a result, all indicators begin with 0</p> <p>0</p> <p>0</p> <p>0</p>	<p>credit services for their agricultural activities</p> <ul style="list-style-type: none"> • 2 markets accessed. Rice is mainly processed in sold in the markets in Lima while the production of snow peas is for export markets. • The MIS system is currently still bring developed and will be tested in the beginning of 2003. Many organizations and financial institutions have already seen the demonstrative module and are interested in purchasing the system. In 2003, MEDA Peru will initiate testing of the system using two different products, rice and cotton in 2 different regions.
C. Partnership				
Partnership with PHISAC to pilot and test a sustainable model to bring high-tech irrigation technology to small-scale farming	<ul style="list-style-type: none"> • Develop and test irrigation systems for small holder farmers • Implement irrigation systems • Identify products for production • Provide initial set-up training • Carry out technical assistance to farmers • Monitor quality and productivity of crops 	<ul style="list-style-type: none"> • # of irrigation systems implemented • # of ag. products identified for production • % increase in productivity 	<p>2</p> <p>Currently snow peas</p> <p>No crops currently produced</p>	<ul style="list-style-type: none"> • 3 irrigation systems were tested. • Farmer are only producing snow peas at this point • This indicator is not available. The first cycle of snow peas will be harvested in February of 2003.
Partnership with Agronegocios will strengthen MEDA's learning in applying market development	<ul style="list-style-type: none"> • Inject MEDA investment into partnership 	<ul style="list-style-type: none"> • % increase in working capital of company 	<p>Initial working capital investment of \$50,000 from MEDA</p>	<ul style="list-style-type: none"> • Total available equity is \$32,992 representing a decrease of 65%.



Program Objectives	Major Planned Activities	Indicators	Baseline	Results to date
approach	<ul style="list-style-type: none"> • Link farmers with service providers, MFI and markets • Seek local and international buyers of rice • Improve the quality of rice for sale • Strengthen operations of company • Participate in the board and governance structure of company 	<ul style="list-style-type: none"> • # of farmers accessing services from Agronegocios • # of metric tons of rice sold through Agronegocios 	<p>30</p> <p>1,513 tons</p>	<p>decrease of 65%.</p> <ul style="list-style-type: none"> • As of September 2002, 47 farmers were accessing services from Agronegocios. • That indicator measuring metrics tons of rice sold has been rather hard to capture. MEDA Peru is following up with Agronegocios to capture that indicator. This would require that a staff person be present at the rice processing mill to monitor the indicator.
D. Achieving Sustainability				
Create sustainable linkages between small farmers and their access to markets through private sector agribusinesses	<ul style="list-style-type: none"> • Develop and test sustainable models for technical assistance • Ensure proper monitoring and responses to variations • Strengthen partnership capacity • Ensure adequate follow-up and technical support to farmers • Participate in board structure • Plan for exit strategy 	<ul style="list-style-type: none"> • % increase in farmer participation • % increase in farmer income • # of beneficiaries • # of farm hectares worked 	<p>Baseline = 93</p> <p>Base calculated on s105/month 150 beneficiaries 90 hectares</p>	<ul style="list-style-type: none"> • 56 farmers participating in project. This is a decrease from expected target by 60% • The target measuring increase in farmer income and beneficiaries have been difficult to obtain by project partners. This will be worked upon further beginning in November 2003. • 218 hectares
Replication of best practices in new program delivery and partnership	<ul style="list-style-type: none"> • Document lessons learned • Research and keep abreast on industry best practices, case studies • Engage in sharing lessons with other MEDA programs • Seek out new partnership and potential project ideas • Develop proposals and programming 	<ul style="list-style-type: none"> • # of case studies developed • # participation in workshops/conference • # of partnerships solicited • # of concept papers/proposals 	<p>0</p> <p>0</p> <p>0</p> <p>0</p>	<ul style="list-style-type: none"> • Working progress • 1 seminar attended • 2 opportunity to share lessons learned • 1 partnership solicited • 1 concept paper developed • 2 proposals developed • 0 new program to date

2. Constraints, Unexpected Benefits, and Lessons Learned

Headquarters

Constraints

During the year, there had been significant changes to the staffing at headquarters that had led to a slowdown of activities. In February, Alejandro Escobar was promoted as the regional manager for Latin America to oversee MEDA's field programs throughout Nicaragua, Peru and Bolivia. Unfortunately in April, Mr. Escobar left MEDA to join a private sector company. In May and June respectively, Kevin Abma and Steve Rannelkleiv joined MEDA as consultants. Both Kevin and Steve will help to build MEDA's experience in production marketing linkages and in the field of Business Development Services. Given the hire of two new consultants, it is expected that they will need some months to orientate themselves in the new positions and to build up their respective expertise and experience.

Unexpected Benefits

In June of 2002, Allan Sauder, vice-president of MEDA's International Economic Development Division was newly appointed as the president and CEO of MEDA. His new position will take effect as of November 2002.

Mozambique

Constraints

During the implementation of the program, it has been noticed that some clients are experiencing difficulties in repayment of loans and the failure of businesses because they take loans from more than one institution. This is a major challenge, not only for *Kulane* but also for the other MFIs operating in the area. This trend is only noticed when clients fail to repay and the assets have been pledged are to be confiscated. The other MFI is then also wanting to confiscate the same assets. The lack of a credit bureaus for MFIs in which client information can be exchanged may alleviate the problem.

At the meetings of the Informal Working Group, this issue has been raised and the Mozambican Microfinance Facility Project (MMF) has undertaken to investigate the feasibility of a credit bureau dedicated to Microfinance Institutions.

Lessons Learned

A high dropout rate is evident, mainly due to groups closing, because members experience a lack of solidarity after the third cycle loans. This is usually the time when most group members opt for individual loans. A client satisfaction survey will be conducted to understand the reasons for client drop-out from the individual loan products.

Peru

Constraints

Agronegocios

A significant challenge within the rice industry in Peru is the over production of rice that has resulted in drastically reducing the price of rice in the market. In addition, the government introduced a new policy this year on implementing a tax on all transactions

in the sale of rice. This is the first such tax in the country and it resulted in problems for many rice intermediaries that have bought rice informally with no records, invoices. The formalization of the rice market has greatly affected many rice intermediaries include Agronegocios. As a result, Agronegocios incurred huge losses in sales and in overpaying farmers for the purchase of rice. In addition, the Peruvian government in an effort to finance the agriculture sector has created very conflicting financial policies to support farmers. Three years ago, the Peruvian government initiated an agriculture guarantee fund called RFA (Riesgo Financiero Agricola) to assist farmers that experienced losses in their production and are unable to pay back their debt to financial institutions. While not the intention of the RFA, many farmers choose not to pay their debt to financial institutions and simply apply for RFA. This has resulted in many financial institutions pulling back from Agriculture lending altogether. Without agriculture credit, the quality of production has decreased tremendously that has also resulted in drop in the price and demand for these products.

Productos Hydroponicos

As expected in the first project year, MEDA had a huge learning curve in terms of understanding how to work with drip irrigation technology and apply it to smaller plots of land and worker with micro farmers. In addition, the agribusiness industry is a complex industry that includes unique export requirements for perishable products, a good understanding of commodities prices in the local and international markets and a solid knowledge of logistical and packaging cost.

Lessons Learned

An important lesson learned on the field is the need to assist our partner organizations in strategic planning and organizational management. In the instance of Agronegocios, working only with rice has brought considerable risk and not knowing how to response to the volatile environment has resulted in huge losses incurred. For MEDA Peru, an important lesson learned is the need to diversify into different agricultural products beyond rice. In addition to strategic planning and management issues, organizing farmers into clusters is equally important. Such clusters take the form of a "productive chain" that involves linking farmers with access to input suppliers of fertilizers, chemicals and seeds as well as to financial institutions. Each participant in the chain works to ensure quality production that increases the price and demand for the agricultural product, and to ultimately make it profitable for each participant. The productive chain strategy will be developed in Year 2 of the PVC.

3. Budget and Expenditure

Financial Narrative Report for the Period Ending September 30, 2002

Peru Program Expenditures – Peru program expenditures ran \$32,000 under budget for the first year of the program. The main variance was due to two hires anticipated under the program not being made. One of those hires has now been made.

Mozambique Program Expenditures – Program expenditures in Mozambique ran under budget for the year. We expect that as the program continues to expand the full amount of budgeted funding from USAID will be required over the life of the program.

Mozambique Services Expenditures – Services expenditures for the Mozambique program ran under budget for the year as the planned consultancies were not undertaken. We anticipate those funds to be utilized in the second year of the project.

Headquarters Program Expenditures - Headquarter salaries were under budget for the year as two of the anticipated hires under the program were not made until late in the year. We expect the salaries costs to catch up to budget over the next two years of the program.

Headquarters Procurement Expenditures – Headquarters procurement costs were under budget for the year as no consultancies were under taken and the audit fees have not yet been billed.

Total budget – overall the USAID funds for the project are well under budget, having expended only 63% of the funds allocated for the first year of the program. We anticipate that expenditures will increase in the next two years and that the full amount of funding for the program will be required. MEDA's contribution to the project ran 19% over budget for the first year of the program.

USAID Matching Grant

Program Report
All amounts in USD

Submitted by: Mennonite Economic Development Associates
Award No.: HFP-A-00-00020-00 - Credit and Small Business Development Programs

	Oct - Dec 01		Jan - Mar 02		Apr - Jun 02		Jul - Sep 02		YEAR 1		BUDGET YEAR 1		ACTUAL LOP		BUDGET LOP	
	AID	PVO	AID	PVO	AID	PVO	AID	PVO	AID	PVO	AID	PVO	AID	PVO	AID	PVO
DIRECT COSTS																
Country: Peru																
Salaries and benefits	2,896	5,357	2,161	5,255	1,318	5,492	7,196	5,226	13,571	21,330	101,000		13,571	21,330	207,000	113,000
Operations	10,484		4,497		7,080	3,767	8,541	28	30,602	3,795	38,000		30,602	3,795	80,000	34,000
Investment in Partner Organizations				41,457	64,000	50,000	-746		63,254	91,457		80,000	63,254	91,457		195,000
Subtotal - Peru Program	13,380	5,357	6,658	46,712	72,398	59,259	14,991	5,254	107,427	116,582	139,000	80,000	107,427	116,582	287,000	342,000
Training - Peru	750								750	0	4,000		750	0	12,000	
Supplies		1,480		3,226		22,166		691	0	27,563		8,000	0	27,563		8,000
Services	5,614		15,882		6,951		1,778		30,225	0	37,500	5,000	30,225	0	112,500	10,000
Subtotal - Peru Procurement	5,614	1,480	15,882	3,226	6,951	22,166	1,778	691	30,225	27,563	37,500	13,000	30,225	27,563	112,500	18,000
Total Peru	19,744	6,837	22,540	49,938	79,349	81,425	16,769	5,945	138,402	144,145	180,500	93,000	138,402	144,145	411,500	360,000
Country: Mozambique																
Salaries and benefits	11,450	11,450		21,081		32,118	14,552	14,552	26,002	79,201	45,500	45,500	26,002	79,201	45,500	273,500
Operations	4,973	8,596		10,883		10,650	3,195	5,831	8,168	35,960	20,000	20,000	8,168	35,960	20,000	100,000
New Product Development			1,328		11,316		1,914		14,558	0	10,000		14,558	0	18,000	3,000
Loan Fund						7,850			0	7,850		50,000	0	7,850		375,000
Subtotal - Mozambique Program	16,423	20,046	1,328	31,964	11,316	50,618	19,661	20,383	48,728	123,011	75,500	115,500	48,728	123,011	83,500	751,500
Training - Mozambique	246		96		2,729		120		3,191	0	4,000		3,191	0	12,000	
Supplies				607					0	607		7,000	0	607		21,000
Services	1,363		-1,321				16		58	0	19,000		58	0	57,000	
Subtotal - Mozambique Procurement	1,363	0	-1,321	607	0	0	16	0	58	607	19,000	7,000	58	607	57,000	21,000
Total Mozambique	18,032	20,046	103	32,571	14,045	50,618	19,797	20,383	51,977	123,618	98,500	122,500	51,977	123,618	152,500	772,500
Headquarters																
Salaries and benefits	17,307		26,850		23,207	4,100	23,303		90,667	4,100	136,076		90,667	4,100	428,979	
International Travel		1,305		3,023		12,373		2,919	0	19,620	2,986	24,514	0	19,620	2,986	83,708
BDS Seminar and Workshop	0		0		0		0		0	0	0		0	0	26,200	
Seminars/Conferences	3,005		0		0		0		3,005	0	5,000		3,005	0	15,763	
Communications	738		545		754		467		2,504	0	5,108		2,504	0	16,103	
Office costs	3,941		3,336		2,633		3,614		13,524	0	15,602		13,524	0	49,185	
Other costs	436		185		64		1,229		1,914	0	4,500		1,914	0	14,186	
Subtotal - Headquarters Program	25,427	1,305	30,916	3,023	26,658	16,473	28,613	2,919	111,614	23,720	169,272	24,514	111,614	23,720	553,402	83,708
Supplies		3,472		0		2,628		1,897	0	7,997		11,400	0	7,997		16,200
Services					740				740	0	18,500		740	0	55,500	
Audit									0	0	12,000		0	0	37,830	
Evaluation									0	0			0	0	20,300	
Subtotal - Headquarters Procurement	0	3,472	0	0	740	2,628	0	1,897	740	7,997	30,500	11,400	740	7,997	113,630	16,200
Total Headquarters	25,427	4,777	30,916	3,023	27,398	19,101	28,613	4,816	112,354	31,717	199,772	35,914	112,354	31,717	667,032	99,908
Total	63,203	31,660	53,559	85,532	120,792	151,144	65,179	31,144	302,733	299,480	478,772	251,414	302,733	299,480	1,231,032	1,232,408
Total Program	55,230	26,708	38,902	81,699	110,372	126,350	63,265	28,556	267,769	263,313	383,772	220,014	267,769	263,313	923,902	1,177,208
Total Training	996	0	96	0	2,729	0	120	0	3,941	0	8,000	0	3,941	0	24,000	0
Total Procurement	6,977	4,952	14,561	3,833	7,691	24,794	1,794	2,588	31,023	36,167	87,000	31,400	31,023	36,167	283,130	55,200
Total	63,203	31,660	53,559	85,532	120,792	151,144	65,179	31,144	302,733	299,480	478,772	251,414	302,733	299,480	1,231,032	1,232,408
Program Income Included in PVO Match		15,654		17,329		20,306		22,383		75,672		105,500		75,672		507,500

No. of months reported: 12

Mozambique FY 02

CREDIT PROGRAM FINANCIAL MONITORING FORMAT

File: J6432

		YTD	Targets	% Achieve Standard	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	69,232	69,135	77.7%	5,168	5,877	4,992	5,308	5,512	4,941	5,923	5,527	5,880	6,618	7,083	6,607	15,837	15,759	17,330	20,306		
	Financial costs	4,876	16,318	29.9%	1,693	162	2,108	915	0	0	0	0	0	0	0	0	0	3,961	915	0	0	
	Provision	3,972	4,126	96.3%	235	4	49	141	354	1,184	-32	209	610	-255	826	648	288	1,678	787	1,219		
	Gross financial margin	60,384	68,690	87.9%	3,240	5,511	2,837	4,250	5,158	3,758	5,955	5,318	5,269	6,871	6,257	5,959	11,586	13,166	16,543	19,087	0	
	Operating costs	119,960	151,259	79.3%	10,723	6,197	8,263	7,904	9,082	11,935	10,258	9,054	7,248	11,395	9,344	16,538	27,203	28,922	26,558	37,277	0	
	Net operating income	-59,576	-82,569	72.2%	-7,483	-2,888	-5,446	-3,654	-3,024	-8,178	-4,301	-3,738	-1,979	-4,524	-3,087	-10,579	-15,615	-15,758	-10,015	-18,190	0	
	Other income (non-grant)	45	0	0.0%	6	0	0	0	3	0	0	0	0	0	0	34	0					
Net income	-59,531	-82,569	72.1%	-7,475	-2,888	-5,446	-3,654	-3,921	-8,178	-4,301	-3,738	-1,979	-4,524	-3,053	-10,579	-15,615	-15,758	-10,015	-18,190	0		
Balance Sheet	Cash	54,224	24,702	55.8%	55,742	73,182	69,136	55,710	58,468	48,167	60,045	70,335	57,921	44,824	50,308	54,224	69,136	48,167	57,921	54,224		
	Loans outstanding -avg	74,992	97,218	58.5%	66,210	84,419	64,203	65,881	88,047	69,673	68,602	68,637	69,800	71,808	73,409	74,992	64,203	69,673	69,800	74,992		
	Loans outstanding - net	92,409	128,222	70.9%	66,210	62,828	63,772	70,914	76,712	77,800	62,175	68,888	79,100	89,657	69,440	92,409	63,772	77,800	79,100	92,409		
	Loans outstanding -gross	95,450	130,267	298.8%	67,864	64,274	65,451	72,424	78,538	80,800	65,118	72,024	61,719	92,213	92,624	95,450	65,451	80,800	61,719	95,450		
	Long term assets (net)	2,998	31,945	1.5%	4,937	4,858	4,414	4,143	3,846	3,637	3,418	3,817	3,603	3,394	3,201	2,998	4,414	3,837	3,603	2,998		
	Total assets	154,401	196,943	%	134,132	143,133	138,778	133,110	144,718	135,112	130,096	147,043	143,490	137,548	150,110	154,401	138,778	135,112	143,490	154,401		
	Avg total assets	140,972	165,537	85.2%	134,132	138,632	136,681	137,288	138,774	138,164	137,011	138,265	138,848	138,716	139,752	140,972	136,681	138,164	138,848	140,972		
	Liabilities	113,798	132,400	85.9%	97,625	111,472	113,767	114,335	113,634	115,590	115,927	116,485	117,850	119,963	122,475	113,798	113,767	115,590	117,850	113,798		
	Net worth (Equity)	40,604	64,542	62.9%	36,507	31,660	25,011	18,775	30,684	19,521	14,188	30,558	25,840	17,585	27,635	40,604	25,011	19,521	25,840	40,604		
	Average Net worth	26,548	50,525	52.5%	36,507	34,084	31,059	27,968	28,567	27,060	25,218	25,866	25,858	25,031	25,268	26,548	31,059	27,060	25,858	26,548		
FINANCIAL SUSTAINABILITY RATIOS	Operating self-sufficiency	56%	57%	97.4%	47%	69%	60%	66%	58%	38%	58%	60%	75%	59%	70%	38%	58%	52%	63%	53%	%	
	Financial self-sufficiency	54%	52%	103.5%	41%	68%	48%	59%	58%	38%	58%	60%	75%	59%	70%	38%	50%	50%	63%	53%	%	
	Adjusted return on ops	54%	52%	103.5%	41%	68%	48%	59%	58%	38%	58%	60%	75%	59%	70%	38%	50%	50%	63%	53%	%	
EARNINGS RATIO	Return on assets	-42%	-50%	64.7%	>=2%	-8%	-2%	-4%	-3%	-3%	-6%	-3%	-1%	-3%	-2%	-8%	-11%	-11%	-7%	-13%	%	
	Return on equity	-224%	-163%	137.2%	>=15%	-20%	-8%	-16%	-13%	-14%	-30%	-17%	-14%	-8%	-16%	-12%	-40%	-50%	-58%	-39%	-69%	%
	Yield on portfolio	92.3%	91.7%	100.7%		7.8%	8.8%	7.8%	6.1%	8.1%	7.1%	8.6%	6.1%	8.4%	9.2%	9.6%	8.8%	25%	23%	25%	27%	%
OTHER RATIO	Capital adequacy	348%	254%	137.2%		181%	184%	205%	253%	289%	268%	247%	268%	306%	359%	354%	348%	205%	288%	306%	348%	%
	Cash holdings/total assets	35%	13%	280.0%		42%	51%	50%	42%	40%	36%	46%	48%	40%	33%	34%	35%	50%	36%	40%	35%	%
Portfolio Report	Payments in arrears	6,863	4,299		4,267	4,155	4,883	4,548	4,862	7,332	7,333	7,387	6,806	6,148	5,584	6,863	4,883	7,332	6,806	6,863		
	Balance of loans in arrears	12,749	13,027	97.9%	12,888	12,113	8,872	7,112	7,918	16,330	13,290	12,455	10,703	11,710	9,749	12,749	8,872	16,330	10,703	12,749		
	Write-offs	1,390	3,392	41.0%	0	0	0	0	0	0	0	0	610	0	0	780	0	0	610	780		
Reserves (Bal Sheet)	3,041	2,044	148.8%	1,854	1,647	1,679	1,510	1,825	3,000	2,943	3,136	2,619	2,358	3,184	3,041	1,679	3,000	2,619	3,041			
PORTFOLIO QUALITY RATIOS	Portfolio in arrears	7.2%	10.0%		6.3%	6.5%	7.5%	6.3%	6.0%	9.1%	11.3%	10.2%	8.1%	6.7%	6.0%	7.2%	7%	9%	6%	7%	%	
	Portfolio at risk (>1 day)	13.4%	10.0%	33.6%	<5%	19.0%	18.8%	13.8%	9.8%	10.1%	22.7%	20.4%	17.3%	13.1%	12.7%	13.4%	14%	23%	13%	13%	%	
	Loan loss ratio	1.9%	3.5%	53.1%	<2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0%	0%	1%	1%	%	
	Reserve ratio	3.2%	1.6%	203.1%		2.4%	2.6%	2.6%	2.1%	2.3%	3.7%	4.5%	4.4%	3.2%	2.6%	3.4%	3%	4%	3%	3%	%	
Portfolio Report	Number of loans disb	1,258	1,374	91.6%	85	67	76	109	113	91	47	93	138	147	143	149	328	313	278	439		
	Value of loans disb	379,983	490,403	77.5%	37,871	24,337	28,372	36,247	34,894	27,668	15,893	33,533	38,747	38,537	32,109	35,758	88,580	98,827	86,172	106,404		
	Active clients	1,120	2,072	54.1%	1,212	1,152	1,214	1,183	1,198	1,203	1,175	980	1,092	999	1,051	1,120	1,214	1,203	1,092	1,120		
	Active loans	606	700	99.4%	304	310	328	368	417	448	450	454	494	543	617	696	328	448	494	696		
	Percentage of women client	62%	65%	96%		63%	63%	62%	63%	64%	64%	65%	66%	66%	65%	62%	1	1	1	1		
	Number credit officers	8	13	57.7%	5	5	5	5	5	5	5	5	5	8	8	8	5	5	6	8		
OPERATING EFFICIENCY RATIOS	Cost per unit lent	0.32	0.31	2.4%	0.05-0.10	0.28	0.34	0.31	0.22	0.26	0.43	0.65	0.27	0.20	0.30	0.28	0.46	0	0	0	0	%
	Cost per loan	95	110	-13.4%	126	122	109	73	80	131	218	97	53	78	85	111	119	92	96	85		
	Operational efficiency	160%	156%	102.8%	15%-25%	19%	13%	13%	12%	13%	17%	15%	13%	10%	16%	13%	22%	42%	38%	50%	%	
	Average loan size	108	139	77.6%	218	208	198	179	183	156	152	151	141	132	119	108	196	158	141	108		
	Active loans per c.o.	93	54	172.3%	68	62	68	74	83	80	90	91	66	72	82	93	68	90	66	93		
Portfolio per c.o.	12,727	10,021	127.0%	15,081	12,855	13,090	14,485	15,708	16,160	13,024	14,405	10,666	12,295	12,350	12,727	13,090	16,160	10,666	12,727			
Exchange Rate		22979		21804	21854	22071	22453	23034	23149	23340	23489	23577	23654	23629	23715							
Inflation		0															0	0	0	0		

ANNEX 1

No. of months reported 3

Mozambique FY 03

CREDIT PROGRAM FINANCIAL MONITORING FORMAT

File: 36432

	YTD	Targets	% Achiev	Stand	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	Apr	May	June	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Projections
Income Statement	22,385	85,343	26.2%		7,955	7,147	7,283	0	0	0	0	0	0	0	0	0	22,385	0	0	0	0
Financial income	22,385	85,343	26.2%		7,955	7,147	7,283	0	0	0	0	0	0	0	0	0	22,385	0	0	0	0
Financial costs	0	15,624	0.0%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Provision	2,224	3,951	56.3%		198	982	1,045	0	0	0	0	0	0	0	0	0	2,224	0	0	0	0
Gross financial margin	20,161	65,768	30.7%		7,758	6,165	6,239	0	0	0	0	0	0	0	0	0	20,161	0	0	0	0
Operating costs	31,311	144,825	21.6%		9,322	10,873	11,116	0	0	0	0	0	0	0	0	0	31,311	0	0	0	0
Net operating income	-11,149	-79,056	14.1%		-1,564	-4,708	-4,877	0	0	0	0	0	0	0	0	0	-11,149	0	0	0	0
Other income (non-grant)	0	0	0.0%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income	-11,149	-79,056	14.1%		-1,564	-4,708	-4,877	0	0	0	0	0	0	0	0	0	-11,149	0	0	0	0
Balance Sheet	43,351	23,651	40.6%		54,472	41,063	43,351	0	0	0	0	0	0	0	0	0	43,351	0	0	0	0
Cash	43,351	23,651	40.6%		54,472	41,063	43,351	0	0	0	0	0	0	0	0	0	43,351	0	0	0	0
Loans outstanding - avg	106,155	106,770	86.5%		90,771	101,274	106,155	0	0	0	0	0	0	0	0	0	106,155	0	0	0	0
Loans outstanding - net	106,155	122,768	42.2%		90,771	101,274	106,155	0	0	0	0	0	0	0	0	0	106,155	0	0	0	0
Loans outstanding - gross	111,389	251,472	364.2%		94,006	105,474	111,389	0	0	0	0	0	0	0	0	0	111,389	0	0	0	0
Long term assets (net)	1,867	30,586	1.0%		2,822	1,993	1,867	0	0	0	0	0	0	0	0	0	1,867	0	0	0	0
Total assets	155,085	188,565	%		153,570	149,169	155,085	0	0	0	0	0	0	0	0	0	155,085	0	0	0	0
Avg total assets	155,085	171,067	90.7%		153,570	149,169	155,085	0	0	0	0	0	0	0	0	0	155,085	0	0	0	0
Liabilities	118,346	126,788	93.4%		115,320	116,943	118,346	0	0	0	0	0	0	0	0	0	118,346	0	0	0	0
Net worth (Equity)	36,739	61,797	59.5%		38,249	32,227	36,739	0	0	0	0	0	0	0	0	0	36,739	0	0	0	0
Average Net worth	36,739	50,023	73.4%		38,249	32,227	36,739	0	0	0	0	0	0	0	0	0	36,739	0	0	0	0
FINANCIAL SUSTAINABILITY RATIOS	67%	57%	116.4%		84%	60%	60%	0%	0%	0%	0%	0%	0%	0%	0%	0%	67%	0%	0%	0%	0%
Operating self-sufficiency	67%	57%	116.4%		84%	60%	60%	0%	0%	0%	0%	0%	0%	0%	0%	0%	67%	0%	0%	0%	0%
Financial self-sufficiency	67%	52%	128.6%		84%	60%	60%	0%	0%	0%	0%	0%	0%	0%	0%	0%	67%	0%	0%	0%	0%
Adjusted return on ops	67%	52%	128.6%		84%	60%	60%	0%	0%	0%	0%	0%	0%	0%	0%	0%	67%	0%	0%	0%	0%
PERFORMANCE RATIOS	-7%	-46%	15.6%	>=2%	-1%	-3%	-3%	%	%	%	%	%	%	%	%	%	-7%	%	%	%	%
Return on assets	-7%	-46%	15.6%	>=2%	-1%	-3%	-3%	%	%	%	%	%	%	%	%	%	-7%	%	%	%	%
Return on equity	-30%	-158%	19.2%	=15	-4%	-15%	-13%	%	%	%	%	%	%	%	%	%	-30%	%	%	%	%
Yield on portfolio	21.1%	79.9%	26.4%		8.8%	7.1%	6.9%	%	%	%	%	%	%	%	%	%	21%	%	%	%	%
Capital adequacy	289%	245%	117.7%		237%	314%	289%	%	%	%	%	%	%	%	%	%	289%	%	%	%	%
Cash holdings/total assets	28%	13%	222.9%		35%	28%	28%	%	%	%	%	%	%	%	%	%	28%	%	%	%	%
Portfolio Report	9,092	4,116			6,231	8,179	9,092	0	0	0	0	0	0	0	0	0	9,092	0	0	0	0
Payments in arrears	9,092	4,116			6,231	8,179	9,092	0	0	0	0	0	0	0	0	0	9,092	0	0	0	0
Balance of loans in arrears	15,502	12,473	124.3%		9,372	13,844	15,502	0	0	0	0	0	0	0	0	0	15,502	0	0	0	0
Write-offs	0	3,248	0.0%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserves (Bal. Sheet)	5,235	1,957	267.5%		3,235	4,200	5,235	0	0	0	0	0	0	0	0	0	5,235	0	0	0	0
PORTFOLIO QUALITY RATIOS	8.2%	10.0%			6.8%	7.8%	8.2%	%	%	%	%	%	%	%	%	%	8%	%	%	%	%
Portfolio in arrears	8.2%	10.0%			6.8%	7.8%	8.2%	%	%	%	%	%	%	%	%	%	8%	%	%	%	%
Portfolio at risk (>1 day)	13.9%	5.0%	180.6%	<5%	10.0%	13.1%	13.9%	%	%	%	%	%	%	%	%	%	14%	%	%	%	%
Loan loss ratio	0.0%	3.0%	0.0%	<2%	0.0%	0.0%	0.0%	%	%	%	%	%	%	%	%	%	0%	%	%	%	%
Reserve ratio	4.7%	0.8%	603.9%		3.4%	4.0%	4.7%	%	%	%	%	%	%	%	%	%	5%	%	%	%	%
Portfolio Report	465	1,374	33.8%		144	176	145	0	0	0	0	0	0	0	0	0	465	0	0	0	0
Number of loans disb	465	1,374	33.8%		144	176	145	0	0	0	0	0	0	0	0	0	465	0	0	0	0
Value of loans disb	121,797	469,542	25.9%		35,783	44,968	41,045	0	0	0	0	0	0	0	0	0	121,797	0	0	0	0
Active clients	1,138	2,072	54.9%		1,171	1,172	1,138	0	0	0	0	0	0	0	0	0	1,138	0	0	0	0
Active loans (P3)	805	700	115.0%		745	799	805	0	0	0	0	0	0	0	0	0	805	0	0	0	0
Percentage of women client	0%	65%	0%		67%	68%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0	0	0	0	0
Number credit officers	8	13	57.7%		8	8	8	0	0	0	0	0	0	0	0	0	8	0	0	0	0
OPERATING EFFICIENCY RATIOS	0.26	0.31	-18.7%	05-0.	0.26	0.24	0.27	\$	\$	\$	\$	\$	\$	\$	\$	\$	0	\$	\$	\$	\$
Cost per unit lent	0.26	0.31	-18.7%	05-0.	0.26	0.24	0.27	\$	\$	\$	\$	\$	\$	\$	\$	\$	0	\$	\$	\$	\$
Cost per loan	67	105	-36.1%		65	62	77	\$	\$	\$	\$	\$	\$	\$	\$	\$	67	\$	\$	\$	\$
Operational efficiency	29%	136%	21.7%	%-25	10%	11%	10%	%	%	%	%	%	%	%	%	%	29%	%	%	%	%
Average loan size	132	153	86.5%		122	127	132	0	0	0	0	0	0	0	0	0	132	0	0	0	0
Active loans per c.o.	107	54	199.3%		99	107	107	0	0	0	0	0	0	0	0	0	107	0	0	0	0
Portfolio per c.o.	14,852	19,344	76.8%		12,534	14,063	14,852	0	0	0	0	0	0	0	0	0	14,852	0	0	0	0
Exchange Rate		24000			23747	23869	23925	1	1	1	1	1	1	1	1	1					
Inflation	0	0															0	0	0	0	0

Good Health is Good Business

Introducing Insecticide Treated Mosquito Nets into the Kulane ka Ntwananu (Strength in Solidarity) (Kulane) Micro Finance Program in Mozambique.

Planning Document

Draft: October 29, 2001

1.0 Introduction:

Malaria is a significant cause of illness and loss of productivity among small business owners in Mozambique. Insecticide Treated Mosquito Nets (ITNs) have the ability to protect small business owners and their families against Malaria. This trial program will utilize the selling abilities of the Kulane Credit Officers to promote and market ITNs to the Kulane credit facility's clients. It will also draw on MEDAs existing network of ITN related companies that comprise the ITN Business Association founded and currently managed by MEDA in other parts of Africa.

2.0 Rational for Activity:

The World Health Organization has challenged the development community to protect African children and their families from death through Malaria by distributing over 100 million insecticide treated bednets (ITNs) over the next five years. ITNs have proven to be one of the most cost effective health interventions available to protect communities at risk from Malaria. Insecticide Treated Bednets save lives. This has been proven in numerous trials throughout Africa and in countries with widespread net distribution such as Thailand.

Malaria is economically devastating as well. At the national level, endemic countries must use scarce hard currency on drugs, nets and insecticides. It is estimated that Malaria slows economic growth in African countries by 1.3% per year. Compounded over 35 years, it is estimated that African GDPs are now 35% lower than they would be without the strain of malaria. In 1997, Malaria cost Africa countries south of the Sahara more than US\$2 billion.

At the household level, a malaria-stricken family spends an average of over one quarter of its income on malaria treatment. Lost wages add to the burden as a bout of Malaria may incapacitate a wage earner for 5 to 20 days. Malaria-afflicted families on average can only harvest 40 percent of the crops harvested by healthy families.

3.0 Project Summary: Malaria and Small Business Development

Small business owners in Low Income Countries are vulnerable individuals. They are exposed to numerous risks, some of which they can control and others which are entirely random. Sometimes these entrepreneurs are at the mercy of unpredictable events such as floods, draught, political upheaval, economic chaos and social unrest. But perhaps the most damaging occurrence for the small business owner is sickness. It is estimated that half of all work time lost is because of Malaria.

But Malaria can be effectively controlled. Studies have proven that Insecticide Treated Bednets (ITNs) offer very effective protection against Malaria. Tests throughout

communities in Africa consistently report from 25% to 40% fewer deaths among young children when ITNs are used widely and properly. The fact that ITNs prevent Malaria has led the World Health Organization (WHO) to promote greater use of ITNs in its "Roll Back Malaria" worldwide campaign.

The economic benefits of greater ITN use are clearly evident. The children in families that use ITNs will have less Malaria and will miss less school. Malaria treatment will cost a family approximately \$3.00 for each episode. Given that each child will likely suffer from 6 episodes per year, we can be confident that the savings of using an ITN will greatly exceed the purchase price of about US \$8 to US \$10. The other clear economic advantage of ITNs is a reduction of lost workdays. Small business owners can ill-afford to be absent from work because the business suffers as customers become alienated.

MEDA believes that credit programs may be in a unique position to provide a valuable service to their clients simply by offering an ITN (or two or three) with every loan approved. The cost of the ITN would be added to the loan and paid for over the loan repayment period. The client and the client's family would clearly benefit from improved health, lower incidence of malaria and fewer unproductive days. The credit institution would benefit as businesses become more productive and default rates decline.

Credit officers could be provided with a strong incentive to promote the benefits of ITNs among clients by adding a selling commission to the cost of the net. This commission could be as much as \$.75 or \$1.00 per net and would provide a financial benefit to the credit officer. In Mozambique, it is estimated that the entire cost of each ITN, including commissions, would be \$7 to \$9.

Even without a share of the selling price, the credit institution itself will benefit from the ITN program. Certainly healthy clients would be better able to repay loans. Further, as clients spend less on health care they would be better able to pay loans on time. The institution would also benefit as loan officers earn higher wages from the commissions of this associated activity.

4.0 Objectives:

Our project will use a two pronged, market-based approach to achieve its objective of increased ITN usage among the borrowers of the Kulane micro finance program in Mozambique.

First, we will establish a program for Loan Officers to sell ITNs as a regular part of their Loan disbursement process. Loan officers will be trained to promote the advantages of ITNs to potential clients and encouraged to sell ITNs as an addition to the loan package being negotiated with the client. We will meet this objective as follows:

1. Train loan officers to understand the benefits of ITN usage and to be able to explain these advantages to potential clients
2. Develop a system of distribution. This could include providing vouchers with the loan that would be good for an ITN at an approved distributor or the finance institution itself may have a stock of ITNs for sale.
3. Establish a program of incentives for the loan officer that they would benefit

from each ITN sold.

Second, we will mobilize net and chemical manufactures and distributors to initiate or increase distribution of ITNs in Mozambique. Simply put, we will assist the private sector to supply ITN materials in greater quantities and at better prices. We will meet this objective as follows:

1. Establish a fund to assist ITN manufactures and distributors to pay to advertise, create awareness and build ITN markets in Mozambique
2. Encourage net manufactures and distributors to invest in local and widespread distribution networks in Mozambique.
3. Utilize the already established ITN business association that MEDA founded and currently manages. This association is comprised of the leading African and International businesses involved in the manufacture of nets and insecticide.

5.0 Information on the ITN Business Association:

Over the past three years, MEDA has brought together the leading African and International manufacturers of mosquito nets and insecticide into an ITN business association. The association now has 8 members all of which have paid an initiation fee. All members are aware of the objectives of the association and the criteria for participation in any program developed in any given country. These criteria include objectives for sustainability, environmental protection, advertising standards, involvement of women in advertising and a focus on children under five. MEDA serves as the coordinator and focal point for all the members of the association. MEDA attempts to secure donor funding from various sources that is then matched or exceeded with the private sector investment so that the members can expand markets throughout Africa. All members understand and are committed to the association programs although each member is free to choose involvement in any given country depending on their own strategic expansion plans.

The significant investment required to form this association has already been provided by, MEDA, the Canadian International Development Agency, the International Development Research Centre (IDRC) and the association members themselves. Our private sector partners are prepared to share in the cost of developing distribution systems throughout Africa. They will fund all or some of the costs of ITN market research, product importation and inventory, marketing and advertising, distribution and administration.

6.0 Cost Effectiveness of this program.

This project will build on an innovative method for public / private sector partnerships that is currently being tested in Uganda. We are developing a model that will attract private sector resources to achieve social objectives. We believe that the most cost effective and best strategy to assure greater distribution and lower prices for ITNs is one that helps businesses to promote their products and compete fairly with each other. This project will expand that concept to promote ITNs to small business owners. We will measure the increase in sales between this sector and attempt to measure the effect it has on productivity and days lost to illness. We will work to develop a strong market for ITNs in Mozambique, especially among micro finance clients. The cost of this program compares very favorable with other such social marketing programs in Africa and yet is

more sustainable.

Other methods of distributing nets are unsustainable. When the donor money runs out, there will be no lasting market and no private company to invest in ongoing distribution. By including private companies from the start, this project will encourage ongoing investment and a commitment to the local market long after the project ends. It is unlikely that the association members will ignore markets they work to build and that they have invested in.

7.0 Project Action Plan

Date	Activity	Deliverable
November 26 – 29, 2001	Project Manager and Mozambique Team leader meet in Kenya to attend ITN workshop there.	Meeting Attendance
December 1 to 10	<p>Project planning meetings in Maputo. Discussion items include:</p> <ul style="list-style-type: none"> • Review of Kenya meetings – lessons learned for Kulane project • Review of Uganda program achievements and project documents – decide on amendments that need to be addressed for Mozambique • Develop task list • Create and discuss policy manual for ITN Business Association members regarding program in Mozambique. Must ensure that policy manual reflects objectives of Mozambique program. • Develop ITN sales training option for loan officers. • Discuss sales incentives for loan officers. • Distribution – vouchers vs. physical stock? • Coordination with ITN business association members to ensure stock is available when promotion starts. • Reporting and administration between MEDA Waterloo and Mozambique. • Rules and logistics for re-imburement of expenses paid by ITN Business Association members. • Review objectives and procedure for baseline study to be undertaken among Kulane clients. <p>Other Meetings: Meet with the local representatives of the association member companies (if available), Ministry of Health (current status if ITN programs), Trade Ministry re: import figures, media outlets to determine appropriate costs for all of the various media options such as TV, Radio, Newspaper, Billboards, Roadshows and Posters, other donors re: potential additional matching funds, USAID for briefing.</p>	

December 10 to January 3	<ul style="list-style-type: none"> • Baseline study designed by Project Manager and Team leader. Study conducted among 50 Kulane clients by Team Leader or designate. • Team Leader or designate collects background information on Malaria burden, other ITN programs in the country etc. • Project Manager will update the project guide for the member businesses. Guide will assist member companies in the design and preparation of their media plans, provide information on local markets and provide assistance, as required, to help the members to develop an overall marketing approach. 	<p>Study prepared and conducted</p> <p>Information on file.</p> <p>Project guide produced for association members</p>
December 1 – March 30	<ul style="list-style-type: none"> • Project Manager solicits additional donors for matching fund. (looking for minimum \$50,000 to \$125,000) • Team Leader facilitates training for credit officers to sell ITNs to clients • Sales begin according to policies developed. 	
March 30 To December 31, 2002	<ul style="list-style-type: none"> • Project Manager mobilizes and encourages ITN Association members to begin promotion and distribution of ITNs pursuant to the matching program resources. • Ongoing sales according to established procedures. • Team leader or delegate manages ongoing program, • Receives proposals for media campaigns from member companies. • Team Leader monitors promotional activities of ITN association members to ensure value relative to industry standards previously determined. • Team Leader monitors media messages to ensure that they are technically accurate and represent the benefits of ITNs in a fair and direct manner. • Team Leader makes payments for media services purchased. • Team Leader monitors the sales figures of the member companies so that we can determine the effect of the messages on sales of ITNs outside of the Kulane program. 	
January 2003 to December 2003	<ul style="list-style-type: none"> • Ongoing sales by Kulane credit officers. • Ongoing promotion and distribution by member companies. • Sales information gathered and reported as required. <p>Final wrap-up and analysis visit by project manager.</p>	<p>Sales of ITNs</p> <p>Reports</p> <p>Travel</p>

MEDA GUIDELINES #1:

**SUMMARY OF THE
REPORTING/EVALUATION/PLANNING
CYCLE**

MENNONITE ECONOMIC DEVELOPMENT ASSOCIATES-
TECHNICAL RESOURCE UNIT

1 INTRODUCTION

Over the years, there has been significant changes made to the Reporting/Evaluation/Planning cycle for the CM units. The changes reflect the increasing demand from Donors for more quality content that focuses not only on program performance but also on long term results, social impact and client-centered objectives. This guide will aid each MEDA Country office in understanding the purpose behind each report and what is expected at each reporting cycle level. A review of MEDA's reporting cycle will demonstrate that the intention is not to increase the level of work of the CM but to streamline the responsibility and create some uniformity in the reporting standards.

2 SUMMARY OF REPORTS

The following provides a table of the reporting requirements for CMUs.

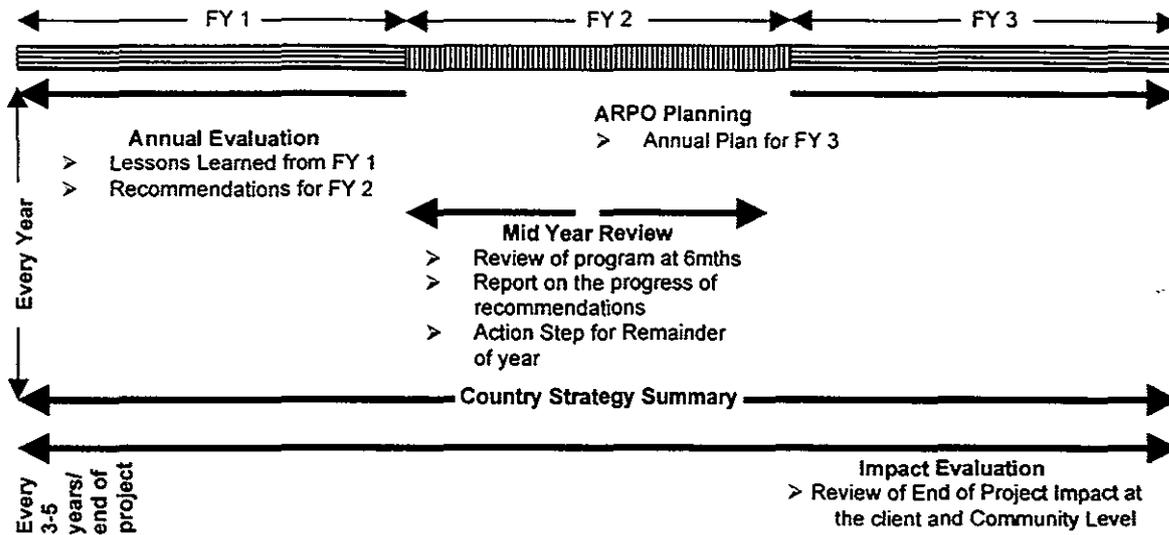
Type of Report	Responsibility	Due Date
Country Strategy	Country Manager	Annually Reviewed, August 30
Annual Evaluation/ Impact Evaluation	Project Directors Country Manager	Annual Evaluation, August 30 Impact Evaluation, August 30 **The Impact evaluation replaces the annuals and has to be completed every 3 years or at the end of project cycle.
Mid Year Review	Project Directors Country Managers	February 28
ARPO Plan	Project Directors Financial Managers Country Managers	CM Meeting, February 28
Quarterly Narrative	Project Directors Financial Managers Country Managers	October 15 January 15 April 15
Monthly Financials	Project Directors Financial Managers Country Managers	15 th of the month following activity
Donor Reports	Project Directors Country Managers	According to Contract

3 TECHNICAL SERIES

- Guidelines #1: Summary of the Reporting/Evaluation/Planning Cycle (*attached*)
- Guidelines #2: Country Strategy Summary (*available*)
- Guidelines #3: Mid-Year Review (*available*)
- Guidelines #4: Annual Evaluation (*available*)
- Guidelines #5: Impact Evaluation (*forthcoming*)
- Guidelines #6: ARPO (*forthcoming*)
- Guidelines #7: Monthly/Quarterly Reports (*forthcoming*)
- Guidelines #8: Implementing a Gender Strategy (*forthcoming*)
- Guidelines #9: Implementing an Environment Strategy (*forthcoming*)

4 PHILOSOPHY OF REPORTING CYCLE

The reporting cycle is intended to bring clarity to the roles and responsibilities of various levels within the CMU. For a three year project, attached is the rationale behind the reporting cycle:



First and foremost is the **MEDA Country Strategy**. All of MEDA's work in a country should flow out of, and contribute to, the country strategy. Thus, the central spotlight of all work (project, programs, and business) should focus on how that particular work contributes to the goals of the CMU in that country. It is the responsibility of the **CM** to develop, review, alter, and update the Country Strategy. (See *Guidelines for the Country Strategy Summary #2*)

A review of the **country strategy summary** should accompany the annual evaluation and mid year review. In the case of the annual evaluation and the mid year review, the CM should evaluate each project/program/business (according to the indicators established) to determine if and how that project/program/business is contributing to the goals of the CMU. From that analysis recommendations are made and action plans set up to ensure that the goals are being achieved. If and when the CM, during this analysis, finds that there are other areas that MEDA could address, then further projects should be tested and conceptualized to meet those gaps.

Each project/program/business must also have a set of performance indicators and a planning/reporting cycle that will assist in the management of that particular project/program/business. This is the responsibility of the **Project Director**, not the CM. The CM's role is to hire project directors (as soon as fiscally possible) that have the skills necessary to manage, report to donors, monitor progress and meet targets for that project. The CM should manage the Project Director(s) and be part of the larger issues of whether the project/program/business is contributing to the CMU's goals.

The **annual evaluations** and the **mid year review** are designed to analyze both the project/program/businesses to determine if they are performing according to targets (role of project directors) and then if the various projects under the CMU are meeting the goals of the country strategy (role of CM). The **impact evaluation** replaces the annual evaluations at the end of the project cycle and/or every 3 years. (See *Individual Guidelines for Mid Year Review, Annual Evaluation # 3 and 4. Impact Evaluation #5 forthcoming*)

Gender and Environment Objectives have to be defined in your Country Strategy. In addition each project/program/business needs to develop **gender and environment strategies** that promotes and incorporates gender and environment issues in the design of the project. Gender and environment indicators should be provided for ongoing monitoring over the project cycle. (*Guides for Developing Gender and Environment Strategies forthcoming*)

The TRU will be developing gender and environment strategy guidelines to assist CMs and field staff in developing effective program strategies that consider gender and environment implications, and indicators for the monitoring and evaluation of both issues. Training will be provided to country offices upon request.

Based on this analysis, recommendations both within the project/program/business can be put into place, as well as new projects/programs/business designed to address areas in the goals that are either not yet met, or not being addressed sufficiently. These issues can be raised in your **ARPO** annual planning strategies. (*See ARPO Guidelines #6*)

Quarterly narratives should briefly describe performance variances towards targets. It is important to document the factors that lead to performance being above or below targets. This will allow MEDA to draw lessons and design programs that can predict and mitigate some of the swings in performances. **Monthly** financial reports, SEEP reports for MFIs and Monitoring reports fro BDS should be submitted to HQ for monthly analysis. (*Quarterly and Monthly Guidelines #7 forthcoming*)

This reporting system is designed to contribute towards organization and coordination, allowing CMs to continually maintain a focus on the largest strategic issues in their countries, manage staff effectively, grow programs appropriately, report to donors, in order to meet the needs of the poor in your countries.

Cherie Tan

From: Cherie Tan
Sent: Wednesday, September 19, 2001 3:45 PM
To: Brad Martens; Country Managers; Ed Epp; Gerhard Pries; Gideon Prins (E-mail); Henry Fast; Jeanette Van Wyk; Jennifer Helmuth; Jerry Quigley; Joyce Lehman; Julie Redfern; Kim Pityn; Krista Ranacher; Martin Voll (E-mail); Neil Janzen; Pam Fehr; Richard Tuck (E-mail); Ruth Dueck Mbeba; Serge LeVert-Chiasson (E-mail); Wendy Dischke
Subject: Re: September issue of CONNEXION

CONNEXION brought to you from the TRU

1. Spotlight on TRU
2. Trend-spotting: *Microenterprise Best Practices Project*
3. Field to Field: *Summary of PVC Evaluation*
4. Take a shot!: *The Kellogg Foundation*
5. Under Review: *Environmental Sourcebook for MFIs*

1. SPOTLIGHT ON TRU

Why another newsletter?

Connexion is a regular digest sent out to you connecting field offices with what's happening in various IOP's projects and with other IED departments. This newsletter does not attempt to replicate information provided from MEDAGreen or the IED monthly reports. Rather, it connects you to the newest technical trends, features useful resources and websites links, and highlights alternative funding opportunities.

Connexion will be sent out monthly for the first three months (trial period). In order to further develop and improve on the content and usability of the newsletter, please provide any feedback, tips and good resources that you have on how to facilitate a better forum for disseminating this information to you, and what interests you most. *Connexion* is intended not only for Country Managers and IED staff but also for various country level staff. Please let me know if I can include anyone else to this email list.

To guide you along the first issue of *Connexion*, I will include a brief overview of what you will expect in the different sections.

For future editions, this section is where I get my spotlight and talk about some of the upcoming activities of TRU.

Have fun reading and please send an email to me with your first impressions, comments and forward email addresses of staff that I can also include in this newsletter.

2. TREND-SPOTTING

This section will feature websites that provide useful resources and information on the latest topics in the industry of microfinance and BDS. The aim is to spot new trends as they develop and look for ways to incorporate improvements and innovations to our existing and new programs. These sites offer resources that could be new information to some and a re-introduction to others. Do let me know if you are aware of other interesting websites and trends that I can share in the newsletter.

Microenterprise Best Practices Project: <http://www.mip.org>

The MBP Project is expanding the knowledge base of microenterprise practices in developing countries through research and publications. This website provides an extensive list of current research and publications on a wide array of topics that are relevant to MEDA's microfinance programs. Topics range from BDS and Rural Finance to Commercialization of Microfinance and New Products for Microfinance.

There is an interesting paper on New Product Development for Microfinance: <http://www.mip.org/pdfs/mbp/newprod1.pdf> I know that as some of our programs are looking at developing new loan products, these articles can provide a systematic approach to follow in researching, designing, testing and launching of a new or modified product. This topic along with the presentation of four field tests will be presented in an upcoming conference in Washington in September.

3. FIELD TO FIELD

Sharing information between fields is not an easy task. Instead of sending 20+page review documents, this section will provide a summary of some of the evaluations and case studies available on MEDA projects. Discussions in this section will include topics such as: program effectiveness, field visits and training reports, donor expectations, product development, gender and impact initiatives, environmental-focus program design, etc.

PVC Evaluation

In the last week of August, both Ed and Allan attended an evaluation meeting with USAID in Washington. Part of the

discussion focused on the Lessons Learned from the PVC program. The PVC program which ends in September 2001, was a three year, \$1.5 million USAID funded grant for Microenterprise program development in Haiti and Mozambique and capacity development in Headquarters. During the meeting with USAID, we highlighted three learning experiences from this grant:

- *Client-Focused Program Delivery: Improving Program Design via Evaluation Process*

The focus on the evaluation process has put client-focused strategies at the forefront of MEDA's program implementation. MEDA recognizes that the needs of the client must determine the products and delivery methodologies. Conscious efforts have been made to incorporate appropriate training with credit and to develop innovative loan products geared to the clients' production cycle. Two new innovations were discussed: incorporating literacy with rural credit (Haiti) and a workshop on fraud prevention and internal control (MCG).

- *Linkage between Private Sector Capital Formation and Development*

Sarona is still learning what it takes to be a sustainable investment fund serving risky markets. In the process of developing the Sarona structure, investment criteria, operational policies and marketing channels, MEDA has learned a great deal about development finance.

- *The Synergy of MCG and TRU: Taking Lessons in and Bringing Lessons out*

The TRU assists in developing and testing methodologies in MEDA field programs and documenting the lessons learned in "best practices" training modules. These products and services are then used by MCG in their external consulting assignments. The feedback and new lessons learned from MCG's experiences are then circulated back to MEDA's projects. This synergy that exists is a constructive effort to strengthen MEDA's capacity in technical areas in microfinance and to disseminate this knowledge to other organizations.

Attached is a synopsis of the evaluation completed by Larry Hendricks, an external evaluator. MEDA's responses to Larry's comments are also included. A copy of the PVC case study is also available. Please send me an email if you would like to read the document.



PVC-Evaluation
Synopsis.doc

4. TAKE A SHOT!

Every month, I will feature a website that details alternative funding opportunities. It is the hope that we will try and expand our opportunity searches to look beyond the scope of traditional sources of funding in USAID and CIDA and find potential opportunities for funding in private donors/foundations. The TRU is available to assist you with these proposals if you are interested in tapping into these alternative funding sources.

KELLOGG FOUNDATION <http://www.wkkf.org>

The Kellogg Foundation is one of the largest private U.S. donors and actively funds development projects in most MEDA locations: Bolivia, Haiti, Mozambique, Nicaragua, and Peru with projects ranging in sizes from \$50,000US to \$2 million.

Kellogg Foundation Programming in Latin America and the Caribbean <http://www.wkkf.org/LAC/English/Default.htm>
Programming is organized around 2 major strategies:

- Promote regional development by supporting comprehensive clusters of projects that demonstrate ways to break the cycle of poverty in selected micro-regions. The foundation seeks well articulated projects that pursue integrated and multifaceted responses to locally defined problems. Strategies that promote the development, participation, and leadership of local youth are central to every proposal.
- Develop and apply knowledge and best practices through approaches that foster sustainable systemic change. The Foundation supports projects which offer innovative approaches in Leadership Development, Institution Building and Information Technology.

Kellogg Foundation Africa Program http://www.wkkf.org/index_about_ie.html

Funding exists for projects involved in the following activities:

- Integrated Rural Development-Strengthening capacity of communities
- Leadership Regional Network-Strengthening capacity of leadership
- Initiative for Development and Equity in African Agriculture-Organizational and institutional transformation and development
- Integrated Impact services

Application Process <http://www.wkkf.org/Grants/Process.asp>

5. UNDER REVIEW

Part of the monitoring and evaluation process requires that fields monitor and collect gender, impact and environment indicators. The intention of this section is to provide the background in understanding the relevance of the processes and

how we can better implement these strategies. I will try and provide an overview of some of the latest resources available to you. Occasionally, I will also review books and articles that can provide new insights and resources for field programs.

Environmental Sourcebook for Microfinance Institutions, CIDA

The Sourcebook is designed to help MFIs improve the environmental performance of their lending activities. It serves as a resource tool for MFIs to develop management techniques and programming options based on environmental motivations. While the authors of the book do not expect every suggestion to be acted upon, it describes a flexible, multifaceted application of environmental management tools and techniques that anticipates different levels of commitment and allows each MFI to determine its own approach.

The book concludes that MFIs have the potential to influence the environmental impact of their lending activities both at the project and programming level. The objectives at the programming level are:

- To understand and control aggregate environmental impact of different types of micro-enterprise
- Better understand and control the collective environmental impact a group of micro-enterprises can have on a locality
- Develop effective mechanisms for providing micro-entrepreneurs with useful information and general guidance on how to improve the environmental performance of their enterprises.

This link provides more information on Microfinance and the environment <http://gdr.org/icm/environ/environ.html>
Let me know if you would like to me order a copy of the Sourcebook for you.

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Cherie Tan

From: Cherie Tan
Sent: Friday, February 22, 2002 7:31 PM
To: Cherie Tan (E-mail)
Cc: Alejandro Escobar; Allan Sauder; Brad Martens; Ed Epp; Fiona Jewitt (E-mail); Gerald Morrison; Gerhard Pries; Gideon Prins (E-mail); Greg Foster; Henry Fast; Jean Claude Cerin; Jeanette Van Wyk; Jennifer Helmuth; Jerry Quigley; Joyce Lehman; Julie Redfern; Kim Pityn; Krista Ranacher; Linda Jones; Martin Voll (E-mail); Neil Janzen; Octavio Cortes; Pam Fehr; Richard Tuck (E-mail); Ruth Dueck Mbeba; Scott Beech; Serge LeVert-Chiasson (E-mail); Sonia Dominguez; Steve Rannekleiv; Trudi Schwartz; VbL; Wendy Dischke
Subject: CONNEXION

CONNEXION brought to you from the TRU

1. Spotlight: *Business Development Services*
2. Trend-spotting: *Why does BDS make me uneasy? Reflections from Allan*
3. Field to Field: *Peru-Project Supporting the Promotion of Agribusiness Development*
4. Take a shot: *MEDA's New Marketing Associate*
5. Under Review: *Existing Online Resources on BDS*

1. SPOTLIGHT: BUSINESS DEVELOPMENT SERVICES

The focus of this edition is **Business Development Services**. Rather than give you all the theoretical and technical definitions that can be found in many of the websites, this issue will focus on what BDS means to MEDA and highlight a BDS initiative that we are working on in Peru and some of the resources that are available to you.

2. TREND-SPOTTING

Why does BDS make me uneasy? Reflections from Allan Sauder

At a time when it seems the whole development world is abuzz with talk of BDS, why do I feel a need to expunge some doubts about it?.....now that I've got your interest, read on...



Why does BDS make
me uneasy.do...

3. FIELD TO FIELD

In December, MEDA Peru submitted a proposal to the Inter-American Development Bank for a project supporting the Promotion of Agribusiness Development. Out of 140 applications, MEDA Peru was one of 30 applicants selected to present a full proposal in the second round of the competition. The project describes an innovative way of linking various services to serve the needs of rice farmers in Tarapoto, Peru. Read the attached document for more information on the project.



Project Description.doc

4. TAKE A SHOT!

MEDA's New Marketing Associate

As many of you already know, MEDA has hired a Marketing Associate, **Linda Jones**. Linda comes from the private sector with many years of business development and marketing experience, primarily in North America. One of her responsibilities at MEDA will be to assist our partners around the world to develop export markets. A process has been set in place whereby country managers and others can complete a *Request for Service* form (RFS - attached) regarding a specific product or service in order to receive an individualized *Market Research Report* (MRR). The MRR offers a preliminary assessment of the viability of the product or service in North America. Following the MRR, test marketing may be conducted with further assistance from Linda. These two

services have been funded through IED R & D funds. If market studies are positive and if other funding is available, a next step might involve an in-depth evaluation of an organization's export readiness, followed by remediation as necessary. An Export Readiness Methodology that includes both diagnostic and training tools is currently being planned to meet this need.



Request for Service
Form.doc

5. UNDER REVIEW

Resources:

General BDS Websites

www.seepnetwork.org/bdsguide.html The **SEEP BDS website** includes a general introduction to BDS principles and practices, donor guidelines, and information on different types of BDS interventions. Each type of BDS intervention include definitions, explanations, and relevant links.

<http://lnweb18.worldbank.org/essd/essd.nsf/a235c63e6d2292758525686600709883/5b93038e4b73a7628525686a0065b13d?OpenDocument> **The World Bank Guide to Developing Agricultural Markets and Agro-Enterprises** is an excellent site for written resources on markets and agribusiness. This guide brings together the work of experts from around the world on these emerging perspectives and approaches in order to assist development practitioners to better understand key issues and enhance their ability to initiate, plan, and monitor supportive activities and analytical work.

<http://www.mip.org/pubs/mbp-def.htm> **The Microenterprise Best Practices Project** offers access to useful research and resources on a variety of BDS projects.

BDS Applications:

www.pinoyfarmers.com This is a project of the Philippines Department of Agriculture and Winrock International. It offers interesting and useful ideas of how to improve market information and resources for smallholder farmers.

<http://www.approtec.org/> **ApproTEC** is a non-profit organization that develops and markets new technologies in Africa. These low-cost technologies are bought by local entrepreneurs, and used to establish highly profitable new small businesses.

<http://www.grassrootsfreemarket.org/> **Grassroots Free Market** offers some interesting examples of alternative BDS interventions

<http://www.marketag.com/>. **Marketag** provides direct, on-line information such as post-harvest and production guidelines, trade statistics, and market surveys. It also has an extensive "links" section with connections to all types of organizations and topics worldwide.

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MEDA 50th Anniversary

Special Projects Fund

Fifty years ago, a small group of Christian entrepreneurs took a risk for the poor and a new organization was born—Mennonite Economic Development Associates (MEDA).

They showed their entrepreneurial spirit when they loaned money to needy Mennonite refugees in Paraguay so they could create businesses and jobs. It was a completely new way of helping poor people, and demanded a lot of the group. Each member put up \$5,000—over \$30,000 in today's money—to create a loan fund. Few in North America believed they would ever get their money back; how could poor people ever repay a loan? But the refugees did repay their loan, after using the money to create industries and jobs that made their community secure and economically viable.

The success of their effort led to the creation of MEDA, which has replicated their groundbreaking idea throughout the developing world. Since 1953 hundreds of thousands of poor people have found work and a way to support their families through MEDA's microfinance and business training programs, while hundreds more in North America have found employment through MEDA's ASSETS business training program, which was founded in 1993.

As we look ahead to the next 50 years, we invite you to share in the entrepreneurial spirit of MEDA's founders by making a contribution to MEDA's 50th Anniversary Special Projects Fund. We would like to raise a total of \$250,000 U.S./\$394,000 Cdn this year--\$50,000 U.S./ \$79,000 Cdn for five new programs that can help launch us into new directions, countries and communities. Your gift will enable us to explore new ways to help poor people around the world through our unique business-oriented approach to development. Like that visionary group who took a risk for poor people and founded MEDA 50 years ago, you can help lay the foundation for MEDA's next 50 years of "connecting faith and work in a needy world."

To support MEDA's 50th Anniversary Special Projects Fund, either choose a specific project from this brochure or make an undesignated donation that can be applied to any of the projects. Send your check to (Canada): 302-280 Smith St., Winnipeg, Man. R3C 1K2; (U.S.): 1821 Oregon Pike, Suite 201, Lancaster, PA 17601. You can also donate online at www.meda.org or by calling 1-800-665-7026. All donations to the 50th Anniversary Special Projects Fund are tax receiptable.

MEDA is an association of Christians who want to "connect their faith and work in a needy world." For more information, call us at 1-800-665-7026 or send an e-mail to meda@meda.org

African Microfinance Development Program

Introduction

Africa is the only continent where poverty is on the rise. Over 40% of Sub-Saharan Africa's 659 million people live below the international poverty line of US\$1 a day. Africa's share of world trade has plummeted, accounting for less than 2%. More than 140 million young people in Africa are illiterate, and Africa is the only region where the number of children out of school is rising. Life expectancy in Africa is the lowest in the world, and continues to decrease with HIV/AIDS incidence rates of more than 25 percent in some countries. More than 200 million Africans have no access to health services, and more than 250 million lack access to safe drinking water. One African in five is affected by armed conflict and the number of civilian casualties of war is higher than anywhere else in the world.

MEDA has worked in Africa since the 1970s, often alongside church groups, but often with limited results. In 1994 we embarked on a program of microfinance development in Tanzania – giving poor micro-entrepreneurs access to capital that they never had before. Almost immediately we were hit with a major fraud that took several years to recover from – perpetrated not by the micro-entrepreneurs, but by the managers hired to run the fund. At the same time, we were expanding our programming to Zimbabwe and Mozambique. Again, we encountered challenges with fraud and weak management capacity. At times it was tempting to join the bandwagon and throw up our hands saying nothing can be done, Africa needs to look after itself.

However, slowly but certainly we are seeing the dawn of a new day. Our program in Tanzania reached profitability last year and achieved full institutional autonomy when it recently merged with the Tanzania National Microfinance Bank. In Mozambique, MEDA was awarded a contract with the Canadian and Mozambican governments to expand our work with a number of local microfinance partners. Today we are training five partners, setting up a microfinance capital fund, and the Government of Mozambique has just adopted draft legislation that will allow microfinance programs to grow within a well-structured legal and regulatory framework – legislation that was proposed by MEDA and our partner, DevPar Financial Consulting Ltd.

On a broader scale, we are also seeing new hope in Africa. The New Partnership for Africa's Development (NEPAD) is a remarkable new plan developed by some of Africa's most progressive leaders and emphasizes Africa's own key role in eradicating poverty, bolstering sustainable growth and development, and actively participating in the world economy and body politic. The G8 Leaders agreed that this African initiative was the beginning of a new partnership between Africa and the developed world based on mutual responsibility and respect, and agreed to support African Leaders in their development efforts. At the G8 meeting in Kananaskis, Alberta, the G8 adopted an Africa Action Plan which outlines key areas of support that will be provided to the NEPAD initiative. The G8 Africa Action Plan speaks of "*Supporting African initiatives aimed at fostering efficient and sustainable regional financial markets and domestic savings and financing structures, including micro-credit schemes – while giving particular attention to seeing that credit and business support services meet the needs of poor women and men*".

The Canadian government pledged CDN \$500 million of support for this initiative, but to date the Canada Fund for Africa has not made a specific allocation to microfinance development. MEDA has joined with four other microfinance organizations (Développement international Desjardins, Opportunity International, Société de coopération pour le développement international, and World Vision) to create a coalition of practitioners to develop microfinance programming in Africa. **Together, under MEDA's leadership, we are urging the Canadian government (CIDA) to designate at least CDN \$75 million of this support for Community Finance Development and Micro Enterprise Development (CFD/MED) programs in Africa.**

Project Description

MEDA and our partner organizations have proven that CF/MED is instrumental in poverty alleviation in the developing world, enabling clients to provide basic education and proper nutrition for their children, promoting gender equality and the empowerment of women, improving access to health care, affording opportunities to combat HIV/AIDS, malaria and other diseases, and providing linkages to environmentally friendly practices. In all of these ways, Micro Enterprise Development and Community Finance Development programs provide practical, effective means of achieving the Millennium Development Goals adopted by the United Nations.

Our African partners are also strongly committed to a global partnership for development – with a commitment to good governance and poverty reduction. Together, MEDA and its partner organizations have worked with 47 African microfinance programs to serve over 1,100,000 clients, 70% of whom are women, mostly in rural areas. With \$75 million, we believe we can expand this outreach to serve over 200,000 new clients in Africa. More importantly, we will build networks and partnerships among these African institutions that will carry on this work into the future, reaching many more poor families.

The five coalition partner organizations represent a broad spectrum of members and supporters. We have strong African leadership among our 47 partners. Together with these leaders, we will design a coordinated approach to Micro Enterprise and Community Finance Development in Africa. Moreover, the five coalition partners are together committed to provide a CDN \$10 million matching investment over five years to complement the \$75 million requested from CIDA. We are committed to work together with CIDA to develop an innovative consortium approach to MED/CFD in Africa.

Micro Enterprise & Community Finance Development vis-à-vis NEPAD

We strongly believe that CFD and MED (micro finance and micro business development services) rank among the most powerful development tools in achieving a number of NEPAD's goals:

- **Poverty reduction:** MED/CFD empowers poor people; predominately women, to *themselves* provide for their families' basic needs – housing, education, health care, and nutrition. Through business growth and savings, poor entrepreneurs are able to break the cycle of poverty and have hope for the future.
- **Economic development:** MED/CFD programs have a ripple effect in the local economy, often in rural areas. MED/CFD clients stimulate the local economy through their increased purchasing power and employment of others.
- **Private sector development:** MED/CFD programs help to develop micro businesses, the majority of which are part of the informal sector. Through credit and business training, micro businesses are able to expand production, increase sales, diversify product or service offerings, and offer improved market access for rural producers.
- **Sustainable development:** Micro Finance Institutions foster sustainable business development and *themselves* become sustainable service providers for long-term MED.
- **Capacity building:** MED/CFD programs are implemented by national organizations – providing employment and training for indigenous staff.
- **Health:** more MED/CFD programs are providing health education to clients and/or links to products such as insecticide-treated mosquito netting, to help prevent the spread of HIV/AIDS and malaria.
- **Environment:** MED/CFD programs are frequently integrated with institutions that promote environmentally sound agricultural and processing practices, and often provide the capital required for community-based water management systems.
- **Public-private partnerships:** Micro Finance Institutions attract public and private investors and get the investment into the hands of the poor.
- **Promoting participatory decision-making:** The quality of democratic life is closely linked to the capacity of low-income communities to own and control their institutions and enterprises.

Key Project Elements

Some of the partners in this coalition have more than 30 years of experience in Africa and have many strong partnerships upon which to build for the future. We have learned from our rich experience in the past and we have a professional cadre of staff – both African and Canadian – upon whom we can draw to build capacity in those fields.

With a \$75 million allocation from CIDA and \$10 million raised internally, our organizations will work together with the leaders of our African partners to leverage our worldwide experience and proven methodologies toward the sustainable development of Africa. We believe that our organizations have been successful in Africa because we draw on three distinctive strengths:

- **Economic governance:** We offer solid expertise in three key aspects of economic governance:
 - Legal/regulatory assistance to develop conducive environments where MED/CFD partners can be sustainable and thrive;
 - Good human resource management practices that foster fair and ethical management and afford opportunities for promotion of female leadership; and
 - Internal control systems and good management information systems to prevent fraud and create accountability.
- **Community investment:** Our long history of promoting networks of community-based finance organizations finds strong receptivity in Africa. Community investment leverages local savings and international investment and puts control in the hands of local leadership. More work remains in developing international networks, disseminating appropriate CFD technology, and scaling-up successful rural credit models.
- **Integration:** Many of our organizations successfully integrate financial services with agricultural marketing, water management, HIV/AIDS awareness, health technologies such as insecticide treated mosquito netting, and environmentally friendly practices. We believe that a holistic approach is needed in Africa.

How You Can Help

1. If you have experience and interest in designing and negotiating large-scale public-private development programs, volunteer to assist in the design of this program.
2. Assist with lobbying your (Canadian) members of parliament to support this effort.
3. Donate to MEDA's designated fund for African Microfinance Development. Funding received for this project will contribute directly to the expansion of MEDA's microfinance programs in Mozambique and Tanzania (CDN \$700,000 required over three years) and to research and development of one new program in Africa (CDN \$300,000). The primary needs are for additional loan fund capital and for leadership development. It is anticipated that MEDA's share of the coalition's matching fund (\$10 million) will not exceed the \$1 million listed above. MEDA is also providing leadership to the coalition as Chair and Secretariat.

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Linking Small with Big – Agribusiness in Latin America

Introduction:

Of the 104 million people living in Nicaragua, Bolivia, Peru, and Haiti, 67 million live in poverty. Approximately 60% of those live in rural areas and rely on agriculture or related agribusiness to survive. With the infrastructure of many Latin American countries underdeveloped, a diversity of eco-systems, large mountain ranges, inhospitable jungles, and inhabitable highlands and deserts, poverty in rural areas is growing. The World Bank states, "There is now abundant evidence that agriculture is a critical engine for economic growth". An independent study showed that a 1% growth in agriculture GDP leads to 1.6% increase in incomes of the bottom quintile of the population. The World Bank report goes on to state, "Support to agricultural needs to be both increased and made more effective".

The shrinking of the global marketplace, with reduced trade barriers, is both a threat and an opportunity for the small farmer in Latin America. With the reduction of local barriers, and the anticipation of "Free Trade of the Americas", there is an increase in competition for local markets. Products produced outside the region are now entering local markets, putting price and quality pressure on local production. However, this can also present an opportunity for small farmers from developing nations to access international markets through exports of their own.

Two significant barriers for local small farmers must be overcome to take advantage of this opportunity for global markets. One barrier is technology. Farmers in the highlands of Peru, for example, have to compete with highly industrialized farms in the United States and Canada. Differences in production technology, availability of quality seed, efficiency through systems for planting and harvesting, and access to processing facilities make it difficult for the small farmer in Latin America to compete in the international markets.

A second barrier is access to the market. The last five years has seen a consolidation in the marketplace for food products. In Latin America this has been demonstrated in the exponential growth of the larger supermarkets. Supermarkets in Latin America now account for 60% of food retail. (This compares with 20% in 1990.) These larger wholesale purchasers not only demand high and consistent quantities, but also consistency in size, quality, and standards for agricultural products. Smallholder producers in Latin America average two hectares of land each. Each farmer has their own agricultural systems and varying technology, producing a wide variety of quality of products. Their products compete with farms of industrial size in North America and Europe. Rather than deal with many producers, wholesalers find it easier to deal with fewer, larger producers.

Investment in agriculture and rural areas in Latin America can bring a positive impact on the rural poor who make up over 60% of the population. Markets, if barriers are overcome, can be an opportunity for the rural poor in Latin America. Clearly, for small farmers, access to these markets demand creative solutions these barriers.

MEDA's Approach:

Since 1953 MEDA has been deeply involved in agribusiness, from dairy herds in Paraguay to cocoa production in Haiti to animal traction in Tanzania. This past year MEDA's level of contracts/investments in the Agribusiness sector reached \$6.6 million in 13 countries.

MEDA believes that the market should drive development. Technology brought to production in the agricultural sector should be market driven – allowing farmers to overcome barriers in order to access new and potentially lucrative markets. MEDA links the small with the big – using technology and creative solutions to link the small farmer with little production and the large market through marketing companies.

In Haiti MEDA linked small cocoa producers through the creation of new style cooperatives to Hershey's Chocolate. In Bolivia, through a marketing company set up by MEDA and partly owned by a bean producer's association MEDA was able to link small bean producers and markets in Europe and Japan. MEDA, through a technical assistance package to farmers, was able to bring the quality and quantity of beans to meet market demand. In Nicaragua through the creation of a marketing company MEDA was able to link remote bean producers to markets in Managua, El Salvador, and Mexico. In Peru, through a larger marketing company and testing of irrigation technology, MEDA is linking small vegetable producers to higher end markets in Lima and rice producers in the jungles to markets around the world.

MEDA has also seen the importance of an investment component to agribusiness development. A quarter of Sarona's current portfolio is in agribusiness. In Peru, Nicaragua, and Bolivia MEDA made available, at commercial terms, investment capital to agricultural processing and marketing companies whose clients and impact included the rural poor. In Paraguay MEDA co-invested in a starch processing plant, whose primary purpose was to provide a market for locally grown manioc by small producers.

To serve the larger markets, MEDA has had to introduce new technologies. Market prices have demanded efficiency and production quantities and quality that forced producers to seek quality seed. Seed production and availability has been a key to MEDA's work in Bolivia, Peru, and Nicaragua. Quality standards in international markets demand better environmental and production practices to be implemented. Processing of agricultural products need better mechanization to become more efficient. Technology has been important in helping farmers meet the quality and quantity standards that larger markets require.

Future MEDA Agribusiness work in Latin America:

During the past year MEDA organized a forum of experts in Chicago to explore the topic: "Global Agribusiness and Smallholder Farmers." Invited were representatives of multinational agribusiness, researchers, NGO's, and donors. The forum explored the developments faced by the poor in this sector, which include a growing concentration in the food industry; greater complexity and specialization: standards for quality and processing; marginalization of non-competitive small farmers; need for strategic alliances with multinational marketing chains. This forum has given MEDA an opportunity to continue to find ways to link the small with the big.

In the next years MEDA will continue to seek partnerships with larger businesses that market products. Utilizing technology, MEDA will try to help these companies "reach down" to access production from small farmers. To facilitate this, MEDA is testing an information system in Peru which links crop planting, input needs and timing, harvesting information, credit and market forecasts. The purpose of this is to allow 1,500 small farmers to be linked in a way that overcomes the hesitation of large companies to deal with many small producers. This system can be adapted to other crops, other inputs, and used throughout MEDA's agricultural work. This system can also be sold to other companies and organizations trying to bring smallholder

production to the larger markets. MEDA will finalize the testing and implementation of this system, and then work to adapt it to other crops and countries.

In Bolivia MEDA will be testing irrigation technology, creating businesses out of the digging of wells and selling water to farmers. This will allow farmers to have access to water for new market driven crops, and allow for sustainable methods for water supply. In Peru, MEDA is working with an existing company that utilizes hydroponics technology to determine low cost technology for small farmers to take advantage of large markets. This technology will be tested with farmers to determine the best usage, along with business plans and credit for implementation.

MEDA has within its membership and contacts, people who have experience in agribusiness. MEDA has already been in contact with MEDA members in hydroponics, agricultural marketing, and horticulture seeking their advice, contacts, and experience in furthering programs linking small producers with the global markets. MEDA will continue to use members as available, creating new partnerships and linkages in the process.

In the Agribusiness sector MEDA will be exploring linkages between:

- ✓ Export companies for tomato processed products and small producers in Haiti.
- ✓ Export companies for cut flowers and small producers in the highlands of Peru that produce "babies breath" and other labor-intensive horticultural products.
- ✓ International markets and smallholder sesame seed producers in Nicaragua.
- ✓ International niche markets and specialized varieties of beans that can be grown at high altitudes in Bolivia benefiting small, marginalized communities.
- ✓ International markets for processed and unprocessed fruit (mangoes) and owners of small orchards in Peru.
- ✓ Local and international markets and high quality leafy vegetables that can be grown by farmers in Peru with small amounts of land.
- ✓ Partnerships with multinational seed producers and marketing companies and small producers in Latin America.

How You Can Help

1. If you have experience, interest, or contacts in agribusiness, agricultural marketing, irrigation technology, or specific product processing MEDA would like to involve you in planning, evaluating, and advising on programs for the future.
2. Donate to MEDA's designated fund for Agribusiness in Latin America. Funding received for this project will contribute directly to the expansion of MEDA's agricultural development programs in Peru, Nicaragua, Bolivia, and Haiti (USD \$1 Million required over three years) This is a needed match for USD \$1.25 million already sourced for Agribusiness development in Latin America by USAID and CIDA. The primary usage of the funds will be to develop, test, and use technology that overcomes barriers for small farmers to link with large markets, addressing rural poverty in these countries.

Investing in the Rural Poor is Good Business

Introduction:

Despite the advancement in technology and an increase in agricultural productivity throughout the world, one of the most frustrating moral contradictions of our time is the persistence of poverty, specifically rural poverty. An estimated 1.2 billion people in this world live on less than \$1 US per day and of this, approximately 75% reside in rural areas.

Most of the rural poor are small producers that cultivate small plots of land in low-fertility regions. Their poverty is not only a condition of low income and lack of assets. It is also a condition of vulnerability, exclusion and powerlessness. Their survival depends on subsistence crops, and sometimes on livestock. They have no or limited access to productive resources that would allow them to generate adequate income through their own agricultural production.

For the smallholder farmer, uncertainty and risk are facts of life; often well beyond their control. Poor weather conditions threaten the productivity of crops and livestock, and thus the basis of family survival. A drop in prices for major export crops such as coffee, cocoa and beans ripples throughout a society and poor producers have no insurance and no government assistance to fall back on. Adult illiteracy is overwhelmingly higher in rural communities. Emigration towards urban areas remains the principal way to statistically alleviate rural poverty, although this simply transports poverty from the rural areas to the cities.

Yet the rural poor contribute greatly to the economic growth of their countries. Their enterprises and households collectively account for much of the land, water and labor engaged in agricultural production.

Investing in the Rural Poor

One only needs to walk to the town center where commercial transactions are exchanged to bear witness to the vibrancy of rural markets. At the marketplace, you will find all the goods and services needed for daily consumption. Women vendors lay out locally produced fruits and vegetables, dried grains and beans, while butchers hang out a daily variety of meats to be sold. Further down the road, an assortment of sundries, clothing and toiletries are neatly displayed in the stalls of micro-entrepreneurs. Outside of the marketplaces, livestock are auctioned off, trucks unload produce and goods delivered from the urban cities and farmers from the community bring their harvest to be sold to wholesalers.

At MEDA, we believe that investing in the asset base of smallholder producers is good business. It ensures that they are not left behind in a rapidly changing world spurred by the effects of globalization. Because the reasons for rural poverty are complex, proposed solutions need to be multifaceted and adapted to the local context. This ensures a greater social return on our investments— impacting the lives of the rural poor, expanding choices and creating a favorable environment to overcome poverty.

We recognize that rural development is hardly possible without investment in the working capital of rural businesses. For any business or activity to succeed, one needs

capital to buy seeds, fertilize the soil and harvest the crop and/or one needs to go to the wholesalers to buy commodities and sell it in the market places. MEDA not only provides the necessary credit for the poor; we also offer an opportunity for the poor to save and to put their savings toward their future growth and security.

MEDA's Rural Finance Experience

MEDA's rural finance experience dates back to the earliest beginnings of our history. With a loan from MEDA, farmers in the Paraguayan Chaco were able to start a dairy farm. This loan resulted in increased milk production, sustained jobs, and over the longer term, improved Paraguay's stock of dairy cattle.

Recent experiences include rural finance programs in Haiti and Nicaragua. Credit in the rural areas of Haiti is either unavailable or extremely expensive to obtain. Most families in the communities where we work live on subsistence agriculture; their activity is dependent on weather conditions and the tools and techniques used are rudimentary. MEDA's Community Banking program is helping thousands of families escape the vicious poverty cycle in Haiti. With loans as low as \$50, men and women set up small businesses, enabling them to earn a steady wage to provide for their families. Each community bank has an average of 30 members, the majority of which are women. Community banks borrow a lump sum from MEDA and distribute smaller increments to each member. Members are required to save weekly. Peer pressure among members ensures a very high loan repayment rate. If one member defaults, the other members must cover the deficit to obtain future loans. Training is provided alongside the loan to teach bank members skills that improve their businesses and personal lives. The community bank approach is not only building assets of the individual members, but is serving families and strengthening community solidarity. To date, the program has a total of 267 community banks in 22 communities. They serve 6,081 rural clients, 60% of whom are women, and have provided literacy training to 2,950 members.

In 1998, the CHISPA Foundation in Nicaragua initiated a rural credit fund to serve very poor farmers in rural communities that do not have access to financial services, and helped to develop channels to market their agricultural products. CHISPA's rural fund works in partnership with existing agricultural projects to strengthen farmer associations, provide technical assistance and training in cultivation and harvesting techniques, and to assist farmer associations to access new markets for selling their production in the cities. Access to credit has been identified as an important but missing component that can contribute to increased income for farmers. Farmers need increased working capital to purchase quality seeds, fertilizers, pesticides and be able to rent appropriate machinery during the cultivation and harvesting cycles. CHISPA's rural lending is adapted to fit the agricultural seasons. CHISPA is currently providing loans to 741 smallholder farmers in four communities.

MEDA has also been extensively involved in strengthening rural cooperatives in Bolivia, Tanzania, and Haiti. The cooperative movement has been an important avenue for smallholder farmers to access new markets and collectively negotiate higher prices for their products. Our involvement with cooperatives includes extending savings and credit to coop members. This has enabled smallholder farmers to access seed capital that resulted in increased productivity and greater volume in sales. Over the years, MEDA has been providing technical assistance to strengthen the capacity and competitiveness of cooperatives throughout Asia, Africa, Latin America and the Caribbean. Strengthening cooperative offers yet another strategy for rural poverty alleviation.

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FUTURE CHALLENGE

Improving the livelihoods of the poorest of the poor, especially in remote rural areas, remains the most significant challenge for development organizations worldwide. Donors are interested in supporting microfinance institutions that serve rural areas and are developing strategies to mitigate risk associated with agricultural lending. Microfinance will increasingly be called upon/forced to fill gaps in rural finance and in particular agricultural lending.

MEDA has always placed a high priority on agricultural development and the MEDA programs in Tanzania, Bolivia, Haiti, Nicaragua and now Peru are exploring new ways to support rural financial services and agriculture. We are developing rural financial services that include:

- √ Access to capital for smallholder farmers to increase agricultural productivity and competitiveness;
- √ Credit to support new non-farm activities, diversifying economic activities in the household and supporting the development small commerce activities amongst women in the rural areas;
- √ Synergy between credit and non-financial services such as training, marketing and product research;
- √ Increased knowledge of coping strategies to address the high risk associated with agricultural production
- √ Scaled-up programs to reach many more rural poor throughout the world.

HOW YOU CAN HELP

1. Donate to MEDA's designated fund for Rural Finance. Funding received for this project will contribute directly to the expansion of MEDA's existing rural finance programs in Haiti and Nicaragua and to the research and development of new programs in Africa. Over the next three years, MEDA requires matching fund of just over \$1 million to develop these programs.
2. If you have experience and interest in providing your technical expertise to our programs in the area of board development and participation, auditing, or fund-raising, please let us know.

50th Anniversary Special Projects Fund

Fifty years ago, a small group of Christian entrepreneurs took a risk for the poor and a new organization was born—Mennonite Economic Development Associates (MEDA).

They showed their entrepreneurial spirit when they loaned money to needy Mennonite refugees in Paraguay. It was a completely new way of helping poor people, and demanded a lot of the group. Each member put up \$5,000—over \$30,000 in today's money—to create a loan fund. Few in North America believed they would ever get their money back; how could poor people ever repay a loan? But the refugees did repay, after using the money to create industries and jobs that made their community economically viable.

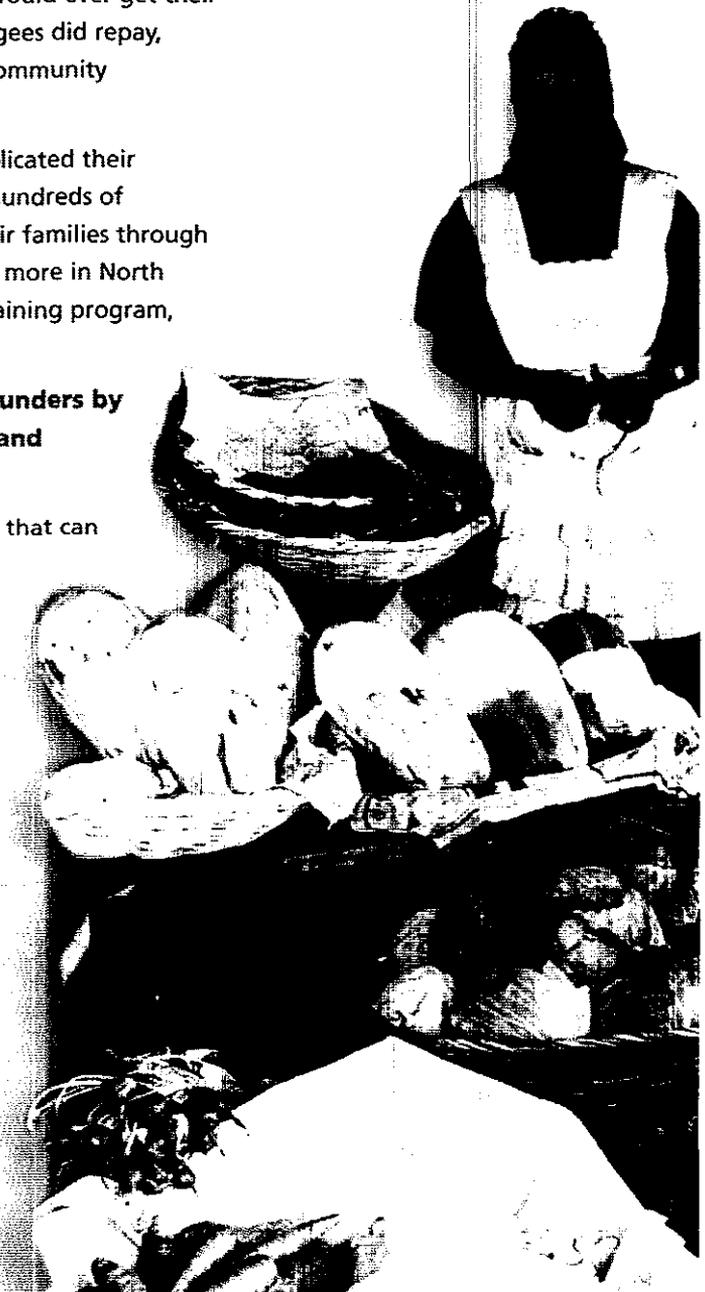
The success of their effort led to the creation of MEDA, which has replicated their groundbreaking idea throughout the developing world. Since 1953 hundreds of thousands of poor people have found work and a way to support their families through MEDA's microfinance and business training programs, while hundreds more in North America have found employment through MEDA's ASSETS business training program, which was founded in 1993.

We invite you to emulate the entrepreneurial spirit of MEDA's founders by making a special contribution to help us explore new directions and programs during this, MEDA's 50th anniversary.

We would like to raise a total of \$250,000 this year for new programs that can help launch us into new directions, countries and communities. Like the visionary founding group who took a risk for poor people 50 years ago, you can help lay the foundation for MEDA's next 50 years of "connecting faith and work in a needy world" through your special gift today.

You can support MEDA's 50th Anniversary Special Projects Fund by choosing a specific project from this brochure, or by making an undesignated donation that can be applied to any of the projects. Send your donation to (Canada): 302-280 Smith St., Winnipeg, MB R3C 1K2; (U.S.): 1821 Oregon Pike, Suite 201, Lancaster, PA 17601. You can also donate online at www.meda.org or by calling 1-800-665-7026. All donations to the 50th Anniversary Special Projects Fund are tax receiptable.

MEDA is an association of Christians in business and the professions who want to "connect their faith and work in a needy world."
 For more information, call us at 1-800-665-7026 or send an e-mail to meda@meda.org





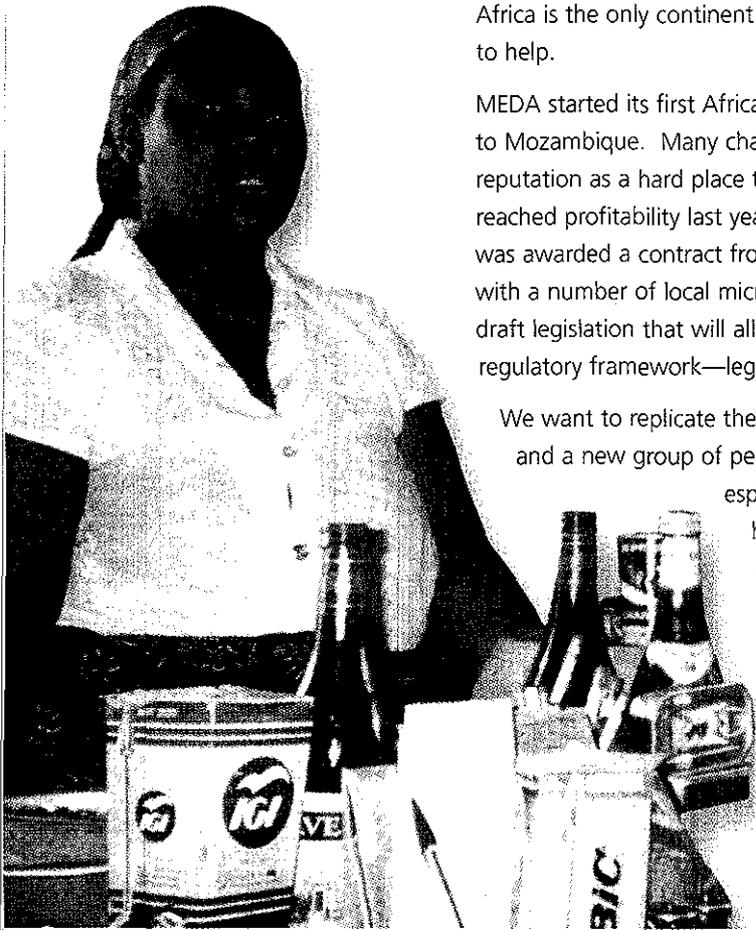
AFRICA MICROFINANCE DEVELOPMENT PROGRAM

Africa is the only continent where poverty is on the rise. It is also the continent that is the hardest to help.

MEDA started its first African microfinance program in Tanzania in 1994, and soon after expanded to Mozambique. Many challenges were encountered along the way, as Africa lived up to its reputation as a hard place to help. But we have slowly seen progress; the Tanzania program reached profitability last year and achieved full institutional independence. In Mozambique, MEDA was awarded a contract from the Canadian and Mozambican governments to expand our work with a number of local microfinance partners, and the Government of Mozambique is reviewing draft legislation that will allow microfinance programs to grow within a well-structured legal and regulatory framework—legislation that was proposed by MEDA and our partners.

We want to replicate these successes in another African country—to take a risk on a new place and a new group of people. As in Tanzania and Mozambique, we will work to reduce poverty, especially among women, and help families meet their basic needs for housing, food, education and health care. We will contribute to the economic development of whole communities, as clients increase their purchasing power and hire new employees. And we will stimulate the private sector, as businesses are created and strengthened.

The total amount needed for this project is \$192,000 per year for three years. During this, our 50th anniversary, we are looking for \$50,000 to help us get this program started. **You can help by donating to MEDA's 50th Anniversary Special Projects Fund: African Microfinance Development.** Funding received for this project will contribute directly to starting a new program in a new African country. **Mark your donation Africa, 50th #1.**



FINDING NEW WAYS TO SERVE THE POOR

Successful companies invest time and money in research and development (R & D). Why? Because R & D produces new products, new approaches and new ideas that help these companies anticipate and overcome problems. Ditto for MEDA; we invest in R & D because the poor people we serve require new approaches to overcome poverty in an ever-changing world.

Some of the problems that we see coming over the horizon as we anticipate our next 50 years include: the environment; health; access to new technologies; and good governance—corruption threatens the ability of many countries to attract investment and development dollars.

These issues require new thinking and strategies. But the fact of the matter is that it's hard to find funding to test new approaches to serve the poor—most larger donors are very risk averse, and only want to give to projects that are thoroughly tested and proven and where the outcomes are fairly predictable. That's where you can come in; we need people who have the same entrepreneurial spirit as our founders—people who are willing to invest in R & D so we can meet the new challenges of helping the poor. Later, when we have proved the merit and feasibility of these ideas, we can attract funding from larger donors to turn them into ongoing programs.

The total amount needed for this project is \$166,000 per year for three years. During this, our 50th anniversary, we are looking for \$50,000 to help us get this program started.

You can help MEDA get this project started by donating to MEDA's R & D fund. Funding received for this project will contribute directly to testing new ideas.

Mark your donation R & D, 50th #2.



INVESTING IN DEVELOPING ECONOMIES



If you give people fish, they will eat for a day; but if you teach them to fish, they will eat for a lifetime. Many of us are familiar with that old saying. However, the problem is this: What if these newly trained fishers can't get a loan to buy a boat so they can utilize their training and pursue their new vocation? That, in a nutshell, is one of the biggest obstacles facing poor people in the developing world today.

For many years, North Americans and others have provided fish when poor people were hungry, and training so they could catch their own food. But investment is almost impossible to obtain when you are poor—local banks won't lend to you—and there are very few development organizations that provide loans so these newly-trained fishers can buy boats, build packing plants and create seafood restaurants. That's where MEDA comes in; through programs like the Sarona Global Investment Fund, we provide poor people with access to investment capital so they can become self-sufficient by developing healthy businesses. Now MEDA is looking for donations so we can create several new investment initiatives, in addition to Sarona. Each of these initiatives has the potential to move from \$10 to \$50 million of North American capital to the developing world and invest it in businesses that help the poor. Money donated to MEDA during our 50th anniversary will be used to examine potential projects, create the legal structures and assemble the investment capital and launch the new initiatives.

Poor people don't want our pity or our charity. They would rather have our faith in their abilities to help themselves. But getting the investment they need is hard—few dollars make their way to the developing world. This project will wisely invest money in those economies that need it most.

The total amount needed for this project is \$150,000 per year for three years. During this, our 50th anniversary, we are looking for \$50,000 to help us get this program started. **You can help by donating to MEDA's 50th Anniversary Special Projects Fund: Investing in Developing Economies. Mark your donation Investment, 50th #3.**



HELPING FARMERS IN SOUTH AND CENTRAL AMERICA



About 60 percent of poor people in Nicaragua, Bolivia, Peru and Haiti rely on agriculture or a related agribusiness to survive. If these people are to escape poverty, they need help to access new markets and take advantage of reduced trade barriers and growing free trade in South and Central America. Before they can do this, however, they need to overcome two significant obstacles. The first is lack of technology; farmers in the highlands of Peru, for example, have to compete with highly industrialized farms in the U.S. and Canada. Even though they are closer to consumers in their own country, food from abroad is often cheaper, despite shipping costs, due to lower costs of production in North America.

The second obstacle is lack of access to the market. The last five years has seen a consolidation in the marketplace for food products in Latin America, due to the growth of large supermarkets, which now account for 60% of retail food sales. These large retailers not only demand large and consistent quantities, but also consistency in size and quality. It is hard for poor farmers to sell their produce to these supermarket chains—they lack the technology to satisfy their demands. Plus, rather than deal with many producers, the chains find it easier to deal with fewer, larger producers.



MEDA wants to help poor Latin American farmers access new and potentially lucrative markets and acquire new technology. In this special anniversary project, we will test a new program in Peru that will allow 1,500 small farmers to work together to improve the quality of their produce and market it to large companies. Lessons learned through this project will be applied to other countries in South and Central America. The total amount needed for this new effort is \$333,000 per year for three years. During this, our 50th anniversary, we are looking for \$50,000 to help us get this program started.

You can help by donating to MEDA's 50th Anniversary Special Projects Fund: Latin America Agribusiness. Mark your donation Agribusiness, 50th #4.



HELPING LOW INCOME PEOPLE IN NORTH AMERICA THROUGH ASSETS

The late Earl Hess, founder of Lancaster Laboratories in Lancaster, Pennsylvania, once described ASSETS as the most effective program to spur small business development that he had seen in his long career of business leadership and community involvement.

Spurring small business development is the goal of ASSETS, which stands for A Service for Self-Employment Training and Support. Through ASSETS, low income entrepreneurs receive practical business training, mentoring and access to affordable credit; as a result, they are able to put feet on their dreams and receive the tools they need to succeed in life. MEDA believes that individuals who increase their skills through an ASSETS program will succeed in business, create jobs and be examples to their communities and families. Since its founding in 1993, more than 1,000 entrepreneurs have graduated from ASSETS training in nine locations, starting or reinforcing 560 businesses and creating more than 300 full time jobs.

MEDA's success through ASSETS has been noticed by many other people and agencies, who also want to encourage and support the entrepreneurial energy of low income people in their communities. ASSETS wants to respond to their requests for assistance by establishing an innovation fund to allow it to expand into ten new communities in the U.S. and Canada over the next three years. To do this, MEDA will need \$223,000 a year over three years, with half of that coming from MEDA supporters. During this, our 50th anniversary, we are looking for \$50,000 to help us get this innovation fund launched. **You can help by donating to MEDA's 50th Anniversary Special Projects Fund: ASSETS. Mark your donation ASSETS, 50th #5.**



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