

**Matching Grant Annual
Progress Report to
September 30, 2003**



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MEDA's Matching Grant Program
Progress Report to September 30, 2003

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Credit and Small Business Development Programs MEDA Matching Grant Program

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

Executive Summary

MEDA has now completed two years of the three-year Matching Grant Program administered by USAID. With this grant, MEDA has attempted to improve the development of our institutional capacity in the Business Development Services (BDS), agribusiness and Micro Finance (MF) sectors so as to improve program delivery at the field level and to expand our overall institutional capacity for design, management, and evaluation of BDS and MF programs.

To this end, MEDA is moving quickly to develop internationally recognized capacity among its headquarters BDS and MF staff through technical training and industry cooperation. MEDA has also recently completed an intensive strategic planning exercise that resulted in a restructured organization committed to delivering excellent services from the newly created Production and Marketing Linkages¹ and MF product lines.

In Mozambique, MEDA has expanded its programming focus from one locally owned and operated financial institution called Kulane ka Ntwanano to explore more comprehensive issues such as merging with Fundo de Credito Comunitaria, a program of World Relief (or other institutions) and strategies for industry wide cooperation in Mozambique.

The purpose of the PVC project in Peru is to strengthen MEDA's capacity to design and manage BDS projects that strengthen the agricultural production sector, as this is a key sector in Peru for alleviating poverty. Apart from building the managerial and technical skills of the local MEDA office, the project sought to improve the services provided to small agricultural producers by working with specific, individual companies that provided services to these farmers. For nearly all of the major indicators, MEDA has met or exceeded targets set for project mid point.

In both Mozambique and Peru, some important shifts have occurred in MEDA's strategy for achieving program targets. As MEDA has studied, analyzed and incorporated lessons learned and our local experience, we have adjusted targets to achieve maximum effect.

Administratively, MEDA has made adjustments to reflect the new product line focus. In addition to the new organizational structure, personnel shifts have been made to strengthen our delivery capability. These shifts were announced in a letter to USAID and are discussed later in this report.

The slow pace of spending that characterized the first year of the grant has accelerated in connection with increased programming and we expect that this level of activity will continue through the third year of the grant. Program expenditures for year two were within 4% of budgeted amounts.

¹ Production and Marketing Linkages (PML) is the name for the department through which MEDA's BDS work is carried out.

This project has had significant impact on MEDAs growth as an organization over the past two years. Through it we have become more competent and professional as an organization and we have developed innovative and strong programming in Mozambique and Peru.

1. BACKGROUND TO GRANT AND PROJECT CONTEXT

Throughout its fifty years of work in international economic development, MEDA has striven to be a leader in the creation and execution of strategies and programs that serve the poor in a sustainable manner. MEDA achieves this goal by:

- delivering or supporting the development of financial and non-financial services to micro and small enterprises;
- building in-house expertise based on both practical experience and knowledge of industry best practices;
- designing and testing innovative products and methodologies;
- working with local partners, leveraging their familiarity with the complexities of the context while advancing local capacity;
- sharing lessons learned with other theorists and practitioners through active participation in professional organizations such as the SEEP Network² and consultations for other institutions.

In short, MEDA works hard to be on the leading-edge, takes chances, and dedicates itself to improving the livelihoods of the poorest of the economically active. Beneficiaries encompass smallholder farmers, traders and small-scale manufacturers among others – with a significant proportion of our clients women and youth. We work in some of the world’s most challenging environments including countries that are post-conflict, politically unstable, subject to repeated natural disasters and exhibiting the lowest GDP, HDI and GDI.³ In all cases, we are committed to the development of economically viable alternatives for long-term sustainable progress.

The USAID Matching Grant to MEDA’s “Credit and Small Business Development Programs”⁴ has contributed significantly to our ongoing development during the past two years. Based on a range of assessments and baseline data outlined in our original Matching Grant Detailed Implementation Plan, we have concentrated resources on capacity building at the headquarters level, the development of the agribusiness sector in Peru, and the localization/institutionalization of microfinance activities in Mozambique.

Project Context for Peru – Original Proposal⁵

This component of the program works directly at addressing Peru’s problems of poverty, lack of employment, unsustainable use of natural resources and illicit coca cultivation. The proposed project aims to develop sustainable mechanisms for production and marketing of agricultural products by working with farmer associations and private enterprises, and following MEDA’s sustainable economic development approach.

The project works within two main Strategic Objectives of USAID in Peru: (1) to reduce the illicit production of coca in target areas, and (2) to increase the incomes of the poor. The project will do so by expanding access to markets for palm hearts and hydroponics products such as strawberries and tomatoes; by improving the productivity of farmers in the Puerto Bermudez and

² Small Enterprise and Education Promotion Network.

³ Gross domestic product, human development index and gender development index.

⁴ in 2001 Matching Grants Program Award HFP-A-0-0-00020-00 “Credit and Small Business Development Program”, September 30, 2001

⁵ Original proposal submitted for the 2001 Matching Grant Program by MEDA.

Huacho regions; and by strengthening the marketing and technical assistances in these rural areas.

Major constraints:

- Lack of national and international marketing mechanisms for small producers' agricultural products
- Insufficient technical capacity and resources for the application of technology by small scale farmers
- Poor production quality that does not meet international market standards

A key component of the project will include ensuring appropriate use of natural resources. Applying hydroponics technologies will enable highly efficient use of water in the coastal region of Peru. Promoting the production of *pijuayo* Palm Hearts, which with appropriate management, will result in efficient use of land and soil, with little need for further land clearing in the Peruvian tropics.

Project Context for Mozambique - Original Proposal⁶

MEDA Mozambique is striving towards institutionalization and sustainability. The goal is to build a locally owned and operated financial institution. The Matching Grant Program will provide employee training, program expansion, provision of new products, market development, and BDS and savings provision for clients. MEDA will introduce new products to better address the health and repayment problems. All our proposed goals and expansions are important to long-term viability.

Major constraints for MEDA Mozambique are as follows:

- Staff and management capacity
- Risk of fraudulent actions
- Devaluation of Meticaís
- Limited Product offerings
- Institutional structure

Objectives Achieved and Remaining: The MEDA Mozambique office has put in much work and a good effort at addressing the targets and problems as outlined in the submission of the 1998 Matching Grant Proposal. Some of the targets have been met, while other targets are well under way to being met.

The training goals of the previous matching grant program have been met. Credit officers benefited from training conducted by headquarters and local initiatives. The Operations Manager is currently working towards a management degree, and received additional training at the New Hampshire Microenterprise Development Institute. By the end of September 2000 over 2000 microentrepreneurs will have received training.

During the first two years of operation under the Matching Grant Program MEDA Mozambique met its goals of developing an accounting and financial reporting system. Hiring a new accountant and implementing a new Management Information System (MIS) has helped improve financial operations. The new system has encouraged staff to document information accurately resulting in timely information for monitoring and decision making.

⁶ Original proposal submitted for the 2001 Matching Grant Program by MEDA.

By the end of the current grant period, MEDA Mozambique will have implemented a monitoring and evaluation tool. In January of 2001, an intern will be assigned to MEDA Mozambique to implement a baseline impact survey. The credit program anxiously awaits the survey results, as it will be invaluable for market analysis.

Over the first two years of the Matching Grant Program, the MEDA Mozambique posted significant results in loan performance. In the past reporting year alone the credit program more than doubled its active loans, clients, self-sufficiency and loan portfolio, while significantly reducing portfolio in arrears, portfolio at risk and payments over 30 days late. While MEDA Mozambique has not fully met its targets in these areas they have created mechanisms that will enable it to achieve these goals. Building on previous activities, MEDA Mozambique will create and develop new products based on the results from the baseline survey (conducted during 2001). The application of an internal audit system will reduce fraudulent loans and increase loan performance.

MEDA Mozambique has not created the target number of satellite offices as proposed in the DIP. Based on the feasibility study conducted during the last MG Program, lending activities may be initiated in Beira. As MEDA Mozambique adapts its organizational structure it will be able to better provide credit to other sectors outside of Maputo such as artisan, farming or fishing sectors.

The credit program has shown strong improvements in operational self-sufficiency. In the last two years, MEDA Mozambique has focused on keeping expenses to a minimum while increasing income to attain financial self-sufficiency of 58% (operating self-sufficient was 69% as of June 30, 2003). Continued, improvements in portfolio performance and the creation of new satellite or merged offices will move the institution towards self-sufficiency. MEDA Mozambique's strategy for scale-up includes the creation of new satellite offices, the introduction of new products and an expanded client base. Changes in the organizational structure will support these activities.

MEDA Mozambique has also taken steps to better understand factors that affect self-sufficiency. Through MEDA's microfinance sector support project, the Mozambique Microfinance Facility (MMF)⁷, Kulane has been able to attend workshops on Financial Ratio Analysis and Human Resource Management. Human Resource issues are complex, and have a significant affect of on the ability of MFIs in Mozambique to achieve self-sufficiency (very high costs) and consistently maintain high-quality portfolios. MMF carried out a study in 2003, which included input from Kulane, to examine the challenges that face human resource management in Mozambican MFIs. The results of the study were shared with all MFIs during a meeting of the Informal Working Group for Microfinance in May 2003. The study identified the following main issues: 1) the low levels of education, skills and experience in the labour market 2) qualified candidates for positions in MFIs want higher remuneration than what is standard for MFIs; 3) the inability to delegate as needed, due to this low level of skills and experience; 4) the complex and challenging task of formalizing and standardizing human resource systems; 5) managing the high cost of staff; and 6) the Mozambican Labour Law in which the rights of

⁷ MMF is a CIDA funded 5 year, \$Cdn 4.7 million project (started in 2000) which provides capacity building/technical support to 6 MFIs at present and technical support to the government in the areas of policy development and development of microfinance regulations. In addition, the development of a credit bureau and grant/capital fund is expected. The project is managed by MEDA and implemented through a joint venture with MEDA/DevPar.

employees encroach on those of the employers and the legal restrictions managers face when trying to make human resource decisions in the interest of the institution.

2. PROJECT METHODOLOGY

1. Summary of Project

The overall goal of MEDA's Matching Grant (MG) project is to advance our international capacity in small business development with an emphasis on business development services (BDS), micro-enterprise credit, and agribusiness marketing programs. The development of expertise in BDS is concentrated at headquarters (HQ), microcredit programming is based in Mozambique, and agribusiness activities are being undertaken in Peru. The intent, however, is that lessons learned will positively impact the entire organization as well as MEDA partners, reaching far beyond the original focus of intervention.

Key program objectives are divided into four main categories (see the revised detailed implementation plan (DIP) prepared and approved at the end of year one)⁸: organizational development, technical intervention, partnership and sustainability.

At HQ, there are two primary objectives. The first main objective is stated in the DIP as follows: "to improve the synergy between the International Economic Division's four departments to develop integrated and more effective services to MEDA's field partners and clients."⁹ This objective was based on the realization that MEDA's four IED departments had become, in a sense, separate pillars of expertise, and would benefit from increased cooperation and communication.

The second main objective of HQ, a theme that runs throughout the DIP, is to strengthen organizational BDS capacity. In the original Program Description, this objective emphasizes the importance of drawing on MEDA's BDS experience to take its "BDS programming to the next level, combining new technologies, tools and innovative products and services for the benefit of the poor."¹⁰

In Mozambique, the chief objective is the creation of a dynamic independent credit institution supported by the development of local staff, and the formation of mutually beneficial partnerships. The proposed development of local staff cuts across all areas from strategic management and customer service to human resources and financial management. Collaboration with other organizations contributes to the building of new products and programs, the institutionalization process and the achievement of sustainability. As mentioned above, MEDA is not only aiming to strengthen its own partner, Kulane, but in addition contribute to the MF sector through its initiatives under MMF.

The key objectives in Peru are the provision of technical assistance and market access to smallholder farmers, once again through the development of local staff and partnerships.

MEDA's strategy at the HQ level is to build knowledge, skills, resources and delivery mechanisms to equip field offices and partners to develop businesses that benefit the poor. In

⁸ "Matching Grant Program Revised Detailed Implementation Plan", November 2002.

⁹ *Ibid.* Section B5, Planning Matrix (pg. 8).

¹⁰ Attachment B: Program Description" in 2001 Matching Grants Program Award HFP-A-0-0-00020-00 "Credit and Small Business Development Program", September 30, 2001 (p. 12).

Mozambique, MEDA will provide employee training, program expansion, provision of new products, market development and savings mechanisms for clients. The strategy in Peru involves working with farmer associations and private enterprises, as well as the capacity building of local staff in project management, product development, financial systems, market research, and agribusiness.

We will achieve these strategies through training, partnering, review of and technical assistance to local institutions, and perhaps most importantly, the testing of new products, services and methodologies. This last method enables us to be flexible and dynamic, and to attempt innovative interventions, iteratively if necessary, casting aside those that are not functioning well, and seeking new ones. In this way, failures are controlled and become learning steps on the road to successful programming.

In order to best leverage our knowledge, experience and entrepreneurial spirit, the target group for all MEDA's work is ultimately "the poorest of the economically active". Since we are an economic development organization, we have coined this phrase as more accurate than the usual "poorest of the poor." In many cases, the two are the one and the same, but our mission does not encompass those who cannot work. Even in Egypt, for example, where our programming deals with poor children, we concentrate our efforts on child laborers, advancing their opportunities through on-the-job training and after-hours schooling along with the promotion of workplace health and safety standards. The MG will enable us to improve our programming to beneficiaries around the globe, building our overall capacity in small enterprise development. In particular, the MG targets poor agricultural producers in Peru, and mainly traders in and around Maputo.

Gender issues are incorporated across the board in all MEDA programming. We recognize the fundamental imperative of ensuring that projects benefit from the participation of all potential contributors. In fact, we view 'beneficiaries' as grassroots partners and agents of change, rather than passive recipients of assistance. This attitude permeates MEDA's organization; at HQ, staff are 67% female as are key members of our management team, in Peru and Mozambique, Country Managers, responsible for the MG implementation and reporting are also both women. Further, the microfinance organization in Mozambique serves a large number of female clients: group loans are 78% women, while individual loans are 65%. Group lending has been an excellent methodology to involve more women since it does not require them to have a guarantor or to pledge household assets. In Peru, the involvement of women is comparatively low (Agromonitor - 7%; Snow Peas Project - 11%), however the selection of labor intensive crops has generated significant local employment for women in both harvesting and processing.

2. Overview of Accomplishments

The MG grant has not only enabled us to review structures, procedures and personnel, it has pushed us to reflect on our strengths and weaknesses, and how to become even more focused in our aim for excellence. As a result of this, the two primary objectives for MEDA HQ (collaboration amongst the four IED departments, and building on established BDS expertise) have been adjusted. We realized that IED would benefit more from complete restructuring rather than improved collaboration amongst the four departments. We hired a consultant, conducted an institutional review, and restructured to organize around two product lines: microfinance and production marketing linkages (MEDA's approach to BDS). We had planned to build on our extensive experience in 'BDS' to move to the next level in terms of the development of tools and

methodologies. We recognized, however, that we had much to learn from the industry: the experiences of other practitioners, the research of donors and current BDS best practices. We put considerable effort into gaining this knowledge. The MG program has enabled MEDA to develop two outstanding BDS experts. They have attended courses and workshops, have designed and begun to implement a number of projects, and are now sharing their knowledge with MEDA and the larger community. In fact, one of our BDS experts has designed and delivered Eastern University's BDS course for its MBA in International Economic Development. Combining our awareness of the industry with our institutional experience, MEDA is emerging as a leading expert in the field as evidenced by: a recent \$4m award from CIDA for sub-sector development in Tajikistan; approval pending from USAID's IGP office on a \$.6m expansion of a BDS market project in Pakistan; shortlisted for a \$16m CIDA SME BDS project in Egypt.

The main goal of MEDA Mozambique to transition the program into a locally owned and operated financial institution has taken a significant step forward with the signing of a letter of intent between MEDA and World Relief Corporation. The intention is that Kulane ka Ntwanano will merge with the microcredit organization of WRC in Mozambique, Fundo de Credito Comunitaria. The main three variances of the MF are as follows. First, there has been a lower than targeted number of active clients with a rate of self-sufficiency below what has been expected. Competition amongst the MFIs in Maputo has increased substantially over the last two years. The three MFIs in Mozambique, with the largest portfolios are all operating in Maputo. This coupled with limited disposable income for the population, has made the market highly competitive. It is suspected that many of these clients have loans with more than one institution and this has led to over-indebtedness. Despite this, the financial self-sufficiency is better than what can be expected due to stringent controls on expenditures and the reassignment of staff. Second, although linkages for business development training to clients have been researched, there have been no clients that have received this training. The costs are high and the margins in many of the clients' businesses are very low due to the competition among the clients who are mainly traders. Finally, delinquency rates have been high, and clients with poor repayment histories have been denied repeat loans, leading to a higher drop-out rate, than planned.

These realities have helped shape the initiatives that MMF provides to the MF sector. MMF has been working closely with the Bank of Mozambique and the Informal Working Group (MFI practitioners) in the area of legislation/regulation in MF over the last 3 years. There is a new draft Law for Financial Institutions that has been approved by the Council of Ministers and is due to be presented to parliament after the October 2003 elections. Key changes include adding new institution types that include the "Caixa Económica" (the reference for microfinance). Also, in August 2003, MEDA and GTZ carried out a 2 day workshop for the Bank of Mozambique (BoM) on Regulation and Supervision of MFIs, which was very well received. In addition, MMF will be the driving force behind the development of a Credit Bureau for both regulated and non-regulated MFIs and is in the process of establishing a Project Working Group with practitioners from the MF community. The Credit Bureau will provide a distinct benefit to the MFIs operating in the larger urban centers and could reduce their costs of providing credit and streamline the loan approval process since MFIs will have access to data that will provide information on whether their prospective clients have had or have outstanding loans with other financial institutions.

The purpose of the PVC project in Peru is to strengthen the capacity of MEDA's newly established office to design and manage BDS projects that strengthen the agricultural production sector, as this is a key sector in Peru for alleviating poverty. Apart from building the managerial and technical skills of the local MEDA office, the project sought to improve the

services provided to small agricultural producers by working with specific, individual companies that provided services to these farmers. For nearly all of the major indicators, MEDA has met or exceeded targets set for project mid point. However, it is important to note that some important shifts have occurred in MEDA's strategy for achieving the targets set that should be taken into account. As MEDA has studied, analyzed and incorporated lessons learned from the rest of the industry in the implementation of Business Development Services (as supported by the PVC project), it has become apparent that our strategy of targeting individual businesses for support is not the most effective nor the most beneficial for the sector as a whole. In the case of rice, MEDA has withdrawn its investment in the rice processing company "Agronegocios", and has been working on a software system that will provide benefits for a wide range of competing service providers across the sector as a whole. Similarly, our work originally designed to focus on supporting PHISAC for transferring hydroponic production technology to small farmers has branched out to work with other companies, and MEDA is now focusing on developing systems for linking small producers to export companies for the production of high value produce (snow peas, etc.) for export.

3. MONITORING AND EVALUATION

1. Changes to Monitoring and Evaluation Plan

HEADQUARTERS: The main changes in the targets, critical indicators and benchmarks of progress at headquarters relate to the change in organizational structure and the development of industry recognized BDS expertise. These are both described in some detail under the Headquarters section below. Minor changes have included the BDS performance monitoring sheets that were designed but did not prove to be effective and have therefore not been implemented. In addition, the social indicators for investment were developed more slowly than anticipated, and although the investment impact tools have now been designed, they have not yet been used. MEDA has concluded that, unlike microfinance programs, the unique nature of each BDS program hinders the development of standard BDS monitoring sheets. We believe that more rigorous reporting from the field on project specific indicators is a better way to track performance indicators.

PERU: In light of the changes in the implementation strategy for Peru, a significant change is needed in the section on "Partnerships", particularly as it relates to Agronegocios. As MEDA is no longer focusing on supporting one company (i.e. Agronegocios) MEDA will not be carrying out the following activities: 1) the MEDA investment of \$50,000 into the partnership (although this target was initially met); 2) Seeking local and international buyers of rice; 3) Improving the quality of rice; 4) Strengthening the operations of the company; and 5) Participating in the Board and governance structure of the company. Indicators and targets specific to these activities will no longer be relevant. However, in the section on partnerships, the central activity still remains, which is, "Link farmers with service providers, MFI and markets". This will be achieved through the Agromonitor software being developed.

MOZAMBIQUE: The changes in the revised DIP focus on incorporating the industry-wide initiatives that MEDA is involved with through MMF; in particular, those areas that will influence Kulane's potential for future sustainability. The following results or activities are expected during the last year of the grant: 1) a new law will be passed which will allow Kulane/the new entity to register as a "Caixa Economica" 2) A Project Working Group for the creation of a Credit Bureau will be formed and the tender process for the equipment will have been initiated. 3) Capital grants/loans will be available for testing rural credit products.

2. Status of Midterm Assessment and Final Evaluation

MEDA conducted an internal midterm review, reviewing deliverables and progress. We came to the conclusion that reporting from the field and documentation needed to be upgraded, and since then have implemented processes to ensure that these functions are adequately addressed.

At HQ, we set up a documentation system, where all outputs for the MG are collected together and coordinated by a single administrator. The administrator informs the project director if outputs are lagging, and appropriate action is undertaken to acquire the output documentation or to understand if programming changes are needed to move ahead with project objectives.

As part of the restructuring into product lines, the oversight of the country programs in Peru and Mozambique came under the purview of the BDS/PML and MF product line departments

respectively (see HQ section below for more detail regarding these product lines and the restructuring process). Country managers were placed in direct contact with Department directors, and new guidelines regarding reporting was developed and communicated. This has resulted in improved record keeping in both country offices as well as more timely and comprehensive reporting.

Midterm reviews have demonstrated that both HQ and Mozambique are performing extremely well in terms of gender considerations, with equitable management, staff and beneficiary ratios. Peru also has excellent gender ratios in terms of management and staff of MEDA programs, but beneficiaries are predominantly male. This discrepancy is related to male-dominated agriculture in Peru. However, we have discovered that certain labor-intensive crops increase the revenue generation capacity of women in harvesting and processing, and we will focus on such efforts in our third year of the MG.

We have entered into discussion with the PVC office regarding final external evaluation of the MG.¹¹ Dialogue will continue in this regard as Year Three progresses and we determine if a no cost extension will be sought, or all work will be completed by September 2004.

¹¹ Letter addressed to Thomas Carter, Cooperatives Coordinator, August 5, 2003, and Thomas Carter's response dated, November 26, 2003.

4. REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY - PERU

1. Description

Specific Outputs

Organizational Development/ Strengthening of Partners: In the original proposal, a majority of the work was to be centered around supporting two individual companies in their provision of the services to small producers. These companies were Agronegocios, a rice marketing company in Tarapoto, and PHISAC, a hydroponic production company near Lima. To support these companies in the first year and a half of the project, MEDA (1) carried out market research for their products, (2) facilitated linkages with small producers, (3) participated on their Boards, and (4) invested capital into the companies. In addition, MEDA (5) implemented a SWOT analysis for Agronegocios, and (6) did cost analyses with PHISAC to determine costs of production, break-even points and appropriate prices. To support better operations, MEDA (7) helped to develop some internal control policies for Agronegocios, and (8) supported both companies in developing a work plan.

Beyond the partnership with Agronegocios and PHISAC, MEDA also implemented a trial of flower production for export (in keeping with the project objective of implementing one other product beyond snow peas), using a model very similar to the relationship created with PHISAC (and later with INAGRO SUR). MEDA partnered with Flores de Callejon, which provided the seedlings, the technical assistance, processing and marketing. MEDA supported 5 small producers with technical assistance and financing to produce for the export company. While the returns on production were acceptable for the small farmers, the relationship broke down and became inoperable due to internal administrative and managerial deficiencies within Flores de Callejon.

In spite of these efforts, two factors emerged simultaneously that led MEDA to the conclusion that it was necessary to adjust the strategy and move away from supporting these two individual companies. First, with the help of the PVC project, MEDA as an institution has placed a strong focus on analyzing our own history as implementers of Business Development Services as well as the lessons learned from other institutions and the industry's current understanding of "Best Practices". It became apparent that the industry is moving towards PVO's playing a "facilitator" role, rather than offering services directly, and the goal of an intervention should be to help develop a competitive market for services.

As MEDA was in the process of reviewing its strategies in BDS, PHISAC and Agronegocios entered a crisis situation. A dramatic drop in the price of rice as well as some poor managerial decisions by the General Manager left Agronegocios in a very weak position. Similarly, PHISAC suffered a dramatic drop in productivity due to inadequate management, and its major client moved from an 8-day payment policy to a 90 day payment policy for product received, putting the company into a critical cash shortage.

The challenges faced by these companies confirmed the decision to adjust the project focus more in line with BDS industry "Best Practices", with a broader scope that would work with a larger number of companies and seek to develop a competitive market for services needed by small producers.

In the case of Agronegocios, MEDA and two other partners withdrew our investment in the company, receiving as payment a proprietary software application, Agromonitor, for productive chain management. Agromonitor is a comprehensive tool for monitoring a product along the entire productive cycle, enabling key stakeholders such as producers, credit providers, input suppliers, and marketing agents to collaborate for reduced risk and increased profits. There is considerable potential for Agromonitor to benefit value chains, including smallholder farmers. Preliminary testing has been extremely positive and more extensive testing is now taking place under the PRA/Chemonics umbrella in rice producing areas around Tarapoto.

MEDA is expanding the PHISAC concept – that is, assisting small producers through the transfer of production technology and market access for high-value products – to facilitate the involvement of other firms with smaller producers. MEDA is testing this model with INAGRO SUR, one of many medium sized agricultural export firms working with horticulture for export. MEDA is working with INAGRO SUR to develop its administrative and managerial systems for working with small farmers.

Develop Capacity of MEDA Peru to Manage BDS Programs Following Industry Best Practices: In order to achieve this Program Objective, the following activities were carried out, as were planned for in the cooperative agreement:

- Three (3) permanent staff people have been hired for MEDA Peru, including the Country Manager (Sonia Dominguez), the Project Manager (Diego Salgado) and an office Administrative Assistant (Sara Moreno). Because of the importance of her role, Ms. Dominguez was given extensive training and orientation for her work. In addition, accounting services have been contracted out to the firm of Mr. Roberto Lint, but technically this is not a hire.
- Organizational needs have been identified and policies are in place in accordance with Peruvian law and MEDA policies.
- Financial system capacity has been increased, as the ACCPAC accounting software system that MEDA uses internationally, has been installed and the accountant has been trained in its use. This software is now in use and permits MEDA Peru to generate richer information and transfer it more easily to HQ.
- Technical expertise in BDS has been improved by attendance at BDS training workshops. The Country Manager and the Project Manager attended the BDS training provided by Swiss Contact in Lima in 2002. This has played an important role in their understanding of how BDS projects should be structured.
- Four proposals/ concept papers have been developed by the local office, and three (3) have been approved. In addition to a proposal to a MEDA member to provide additional loan capital for the snow peas project, MEDA won two contracts to work with Chemonics in the administration of their work in two economic corridors of Peru. These projects are directly related to agricultural development and BDS and are an excellent fit for the kind of work that the office has been preparing and training for.

Strengthen Delivery of T.A. and Marketing Services to Smallholder Farmers: It should be noted that these activities and indicators were developed under the strategy of working directly with Agronegocios in the marketing of rice, and that this is no longer the focus of the project, but nonetheless, the following activities were carried out and targets achieved before the strategy was adjusted.

- The project provided technical assistance in rice and cotton production to farmers monitored under the Agromonitor system. The monitoring agents are also qualified agronomists, and

often use the opportunity provided by the monitoring visits to orient farmers in improved production methods. The project fully realizes that this is not a complete technical assistance package, and so the high numbers are somewhat misleading, but with this clarification as a background, it is estimated that approximately 3,654 producers have received some form of technical assistance from the project in the under the Agromonitor system. Additional technical assistance in production was provided by the project for production of snow peas and flowers, and for appropriate use of agro-chemicals, reaching approximately 562 producers. The total number of farmers receiving some form of technical assistance in production issues was 4,216, of which 295 (7%) were female.

- MEDA, along with Agronegocios, assisted in developing and implementing a market information and inventory database for farmers, with a list of all relevant local suppliers of goods and services relevant to small farmers.
- MEDA worked with Agronegocios in developing the capacity for market research methodology, and on accessing market information on quality and price issues for rice. Market studies were carried out and contacts developed

Implement a Market Information and Monitoring System to Track Farmer Productivity:

This "Market Information and Monitoring System", initially designed to be a tool for Agronegocios, has become a separate entity, and an important focus of the work that MEDA Peru is developing. As mentioned earlier, it is expected that proper use of this system will permit more efficient functioning of a competitive market for services to small producers. Representatives from USAID, DCA, Chemonics, the SEEP Network, and the IDB have expressed strong interest in this system. Achievement of targets for key indicators is as follow:

Partnership with PHISAC to Pilot and Test a Sustainable Model for Hi-Tech Irrigation to Small Scale Farmers: With the change in focus and the internal challenges faced by PHISAC, some aspects of this project component were delayed. However, this was compensated at some level by the expansion of activities permitted by working with both INAGRO SUR and PHISAC. Keeping in mind the activities carried out with these companies, the following results were achieved as relates to the established targets:

- A target was set to have implemented up to 8 irrigation systems for the production of high-value produce for export. This was to be the measure of how many beneficiaries were implementing high value production. In reality, only three (3) drip irrigation systems have been implemented to date in the Canta region, short of the 8 targeted, but the project has 18 producers integrated into the production system. This difference stems from the fact that when MEDA began to implement the project in Canete with INAGRO SUR, it was preparing to introduce drip irrigation systems to all of the producers. However, it became apparent that production factors of the region were such that drip irrigation systems would not be justified. Farmers had constant access to good irrigation water, and yields were traditionally so high in the area that any additional gains from drip irrigation systems would not justify the added cost. Therefore, the 15 farmers from Canete were provided with production equipment and the needed agricultural inputs and INAGRO SUR supports with technical assistance in production, access to markets, processing and export costs.
- The project mid-point indicator for the number of new crops identified and implemented was two (snow peas and one more). This target has been achieved. Snow peas production has been effectively implemented and will continue for the foreseeable future into the remainder of the project. A second crop that was implemented was the production of flowers (gypsophila, or "baby's breath") in the region of Caras. This product was identified and produced with our partner, "Flores de Callejon", a flower export company. While the market remains fairly strong for this product and there is potential for production by small producers,

the internal deficiencies of our partner made the relationship inoperable, and this product will be dropped. The introduction of at least one other new crop, either sugar snap peas, baby corn or artichoke hearts, will likely begin in the early part of FY04. The products have been identified, but not implemented.

- As technical assistance is expected to improve yields, a target of a 15% increase in yields in the second harvest of snow peas was set. Two harvests of snow peas have not been carried out in any one community, so it is not possible to accurately measure this indicator yet. While the group in Canete (second) saw significant increases in yields above those seen in Canta (First), (50% increase in yields) production factors are sufficiently different that it is not possible to attribute this difference solely to improved technical assistance.

Partnership with Agronegocios to Strengthen MEDA's Ability to Apply Market Development: While this will no longer be an important set of indicators in the future, MEDA invested approximately \$60,000 into the company and saw sales of nearly 1900 Metric Tons of rice in the 2002 season.

Create Sustainable Linkages between Small Farmers and Markets through Agribusinesses: Most of the indicators and targets for this section, such as "increase in farmer participation", "growth in company sales", "# of beneficiaries" and "# of farm hectares worked" were based on the premise of supporting Agronegocios directly. The most relevant indicators have already been reflected in sections #3 and #4 above.

Replication of Best Practices in New Program Delivery and Partnerships: In fulfillment of this program objective, MEDA Peru has carried out the following activities:

- Documented lessons learned.
- Participation in one BDS workshop (Swiss Contact).
- Partnerships developed with MEGA (monitoring system), INAGRO SUR (snow peas exports) and Flores de Callejon (pilot test of flower production).
- Four proposals developed for funding (Loan capital for snow peas, flower production in Caras, and two for Chemonics. Three of the four approved.
- Two new programs initiated (both with Chemonics).

Effect on Target Groups by Gender

Agromonitor: It is expected that the Agromonitor system will increase incomes by reducing interest rates charged by credit institutions (to reflect the reduced risk of lending within well-established productivity chains), reducing the cost of inputs by purchasing in larger quantities with better guarantees for credit, and in some cases by improving the yields through better technical assistance. As a full production cycle has yet to be completed and analyzed under the monitoring system, it is premature to say if this goal has been achieved or not, but if it is reached, in whole or in part, 7% of the participants in the system are women and would enjoy the benefits accrued.

Snow Peas: In the high value produce (snow peas) for export project, just over 11% of the direct participants are women. The impact on incomes of the direct participants appears to be somewhat dramatic. According to a baseline study recently carried out, average income from one hectare of corn, the traditional crop of the region, yields a net average income of approximately US\$440. While the harvest in Canete is not yet over, early results would indicate that average net income from snow pea production will be around US\$1700/hectare. This would represent an increase of approximately 386% in incomes per hectare of production.

Problems Encountered

The main problem encountered has been the internal weaknesses of the original partners chosen, and the recognition that working with these two partners alone would not allow MEDA to achieve scale of results and would go against MEDA's new commitment to industry "Best Practices". To address this problem, MEDA has adjusted its strategy and is now moving towards working with a larger number of produce export companies to show them the systems and benefits of working with small farmers. In the case of Agronegocios, MEDA has pulled out its investment from the one company, and is now developing software that will allow us to facilitate and improve the services offered by a number of service providers to small producers.

Impact on Local Institutions, Local Policy and People (by gender) outside the Project

Aside from the direct partners (PHISAC, INAGRO SUR, Flores de Callejon and MEGA System) and the direct project beneficiaries, several communities and institutions have also benefited from the project.

Caja Rural San Martin (CRSM): Through MEDA's work in the region of Tarapoto, a strong relationship was created with CRSM, a local rural microfinance institution. Virtually all of the clients being monitored by the Agromonitor system (rice and cotton producers) are clients of CRSM. Aside from the improved information and reduced risk that CRSM enjoys from the Agromonitor system, this relationship has also allowed MEDA to develop and submit a proposal for IGP funding to support CRSM's rural lending operations, which was approved by USAID and began Oct. 1st 2003. This project will increase the institutions equity and working capital, and will help improve lending and savings operations for small producers.

Canete and Canta Communities: These communities, where MEDA has been supporting snow pea production, have seen significant increases in rural employment, an effect that accrues to the community, beyond the benefit accrued directly to the producers.

Chemonics PRA: Chemonics, which is managing a large economic development project in 9 socio-economic corridors of Peru, has begun to contract the monitoring services provided by the Agromonitor system, as it provides a richness of data and a timeliness of reporting that helps improve the quality of their work and allows them to provide detailed information to USAID at any time.

Unintended Effects

Snow pea production has very important effects for producers, but also for the community. Snow pea production is very labor intensive, and generates a great deal of local employment, and much of this is for women. It is estimates that the snow pea and flower production supported by the PVC project have generated 439 new part-time jobs (approximately \$111,000), mainly in harvesting and to a lesser extent processing, of which 75% (328 jobs, or \$83,000) was for women.

2. Comparison of Actual Accomplishments to DIP

In general terms, the project is achieving or exceeding the goals established for mid point and is well positioned to achieve main targets for the end of project. The areas where the project has not achieved the established targets have been those areas where targets were specific to the

original partners chosen (Agronegocios and PHISAC). As MEDA has adjusted its strategy, these targets are no longer applicable. See Appendix One for tabular details.

3. Relationship with the Local Implementation Partners

MEGA System: MEGA System is the company that has developed and owns the “Agromonitor” software package. MEDA is currently a shareholder in this company (52%) along with two other partners (each with 24%). As majority shareholder, MEDA plays an important role in the direction of the company. MEDA is investigating its options for proceeding in this arrangement.

PHISAC: The owner of Productos Hidroponicos Sociedad Anonima Cerrada (PHISAC), Mr. Adan Seminario, is a prominent businessman that MEDA has had contact with over the years. Mr. Seminario had investments in Santa Cruz, Bolivia, where MEDA has offices. When MEDA first began in Peru, the initial strategy focused on “investment led development” in which Saron, MEDA’s investment fund, was to play key role. PHISAC was one of the early partners identified for investment, and this relationship led to the opportunity to use the technology developed by the company and adapt it for small farmers in order to significantly increase incomes. MEDA has provided loans to the company through Saron, has a seat on the Board of Directors, and works with the company to help transfer its technology to small farmers. However, as the company has gone through significant financial difficulties, it has begun to play a less prominent role in the activities of the project.

INAGRO SUR: As MEDA adjusted its BDS strategy, we looked for a partner that could serve as a more replicable model for developing services to small producers. INAGRO SUR was identified through contacts in the industry as being a highly professional company with good quality product and good market access. MEDA approached the company and negotiated a deal in which MEDA would provide logistical support in helping to create internal systems that allow the company to subcontract. MEDA provides a portion of the capital for the needed agricultural inputs for production and oversees the administrative systems. INAGRO SUR provides the production technology and technical assistance, and finances all of the costs of processing, packaging and shipping. In addition, INAGRO SUR pays MEDA a nominal fee of US\$.05/ box exported. If this can be maintained and replicated, it will allow MEDA to continue to provide these services to a growing number of companies on a sustainable basis after the project has ended.

Flores de Callejon: Flores de Callejon is a private sector enterprise exporting flowers from Peru to markets primarily in North America and Europe. The contact between MEDA and Flores de Callejon was made through Chemonics. The company was interested in receiving support to help it begin to sub-contract production to small farmers in the region where they operated. Flores de Callejon provides seedlings, delivers technical assistance, pays for the product at harvest time, and covers all of the costs of processing, packaging and marketing. MEDA helped finance the operation by lending money to Flores de Callejon, who used the funds to provide producers with fertilizers and other inputs needed for production. Once the flowers were marketed, Flores de Callejon returned the funds to MEDA. Unfortunately, internal administrative systems within Flores de Callejon were too weak to permit smooth, transparent operations, and this relationship was terminated.

5. REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY - MOZAMBIQUE

1. Description

Specific Outputs Achieved

Organizational Development: The goal of the program in Mozambique is to transition the *Kulane ka Ntwanano (Kulane)* into a locally owned and operated financial institution. Legislation in Mozambique does not allow microfinance institutions to collect savings or capture deposits for on-lending purposes, unless they are registered as a commercial bank or credit cooperative. The minimum capital for a commercial bank (dedicated to Microfinance) has been set at just over US\$1 million. It can not be expected for the program to accumulate that level of equity. The legislation governing credit cooperatives is very restrictive and will not allow for a smooth transformation of the program to continue to serve its clients.

During the year, several options to develop an institutional structure for the program was discussed and investigated. By September 2003 it was decided the best option that would allow for the strengths of the program (staff and clients) to be ensured, is to merge the program with another MFI. Several institutions operating in Mozambique were considered and finally a Letter of Intent was signed with the Fundo de Crédito Comunitária (FCC), the micro-credit project of World Relief Corporation in Mozambique. FCC is the largest MFI in Mozambique in terms of its number of active clients (9,831 as of 30 September 2003). Its branches are spread over 6 of the eleven provinces of Mozambique. It does not have a branch in Maputo, although it is servicing several clients who were refugees under a project funded through UNHCR.

It is expected that a Memorandum of Understanding, which includes an action plan toward a merger, will be signed by the end of December 2003 or in January 2004, with a merger agreement to be concluded no later than 30 June 2004. The result of this merger will be a locally registered institution governed by a Board of Directors and managed by a competent cadre of Mozambican staff people, providing credit services to an increasing number of the poor and vulnerable in Mozambique.

As mentioned, MMF has been working closely with the Bank of Mozambique and the Informal Working Group (MFI practitioners) in the area of legislation/regulation in MF over the last 3 years. It is expected that the new draft Law for Financial Institutions will be approved during the last year of the grant and that the new entity can register as a "Caixa Económica" – which will enable it to be locally registered and governed by a Board of Directors, as described above.

As part of the staff development plan to ensure improved financial management, the Country Manager for Mozambique has continued to assist the *Kulane* Program Manager to develop his skills in financial modeling and has also provided training to the Financial Manager and Credit Supervisor on ratio analysis. The Country Manager for Mozambique is also the Manager of the MMF project in Mozambique. This combination provides *Kulane* with added benefits and provides a significant amount of internal learning.

Clients. The client retention rate is about 10% lower than the target. Most of the exit surveys show that clients tend to leave the program because they do not want the burden of further debt (*clients say they want to "rest"*) or, alternatively clients are denied access to repeat loans because of repeated payments in arrears.

Technical Interventions: All the proposed goals and expansion plans are important to the long-term viability of the program. The intended merger will allow for a deeper and wider outreach, with a larger capital base and improved client services. Through the partnership with FCC, the new entity may be able to consolidate their equity into a base that would meet the minimum capital requirements to form a microfinance bank and thereby offer its clients improved access to financial services, including savings. In addition, FCC has received substantial assistance from MMF in the area of human resource management, internal controls and strategic planning. An important technical area currently being explored with FCC is the installation of MEDA's MIS system, EPA (developed in part through the assistance from the matching grant), which has been successfully installed in a number of MMF partners. Support to the new entity under MMF is expected to continue well past the conclusion of the matching grant.

An expanded institution needs good financial and human resource management practices through trained and skilled staff. There needs to be an increased ability to detect fraudulent practices. In this regard, the financial and human resource policies have been revised and accounting staff trained in internal control procedures. An internal audit of *Kulane* by MEDA Headquarters was carried out in September 2003. While some of the findings indicated that there is still not a good understanding of some of the procedures, it was found that the portfolio is sound with no major risk of financial losses.

Two minor incidences of credit officer fraud occurred during the year. Both of these were detected at an early stage. This was due mainly to improved internal controls that are in place and supervisory staff aware of gaps in the reporting processes. The amounts defrauded have been repaid or promised to be repaid by both perpetrators. These amounts were very small and in the order of US\$583 and US\$325 respectively.

The Credit Supervisor is providing the Program Manager with weekly analysis of the individual credit officer portfolios and is tracking the repayment process for each officer.

While the average initial loan size has not increased very much, the client equity for sampled individual loan clients who had received repeat loans during the period June to September 2003, increase by an average of 11%. This increase shows that clients who have a strong entrepreneurial spirit have been able to significantly grow their businesses over a period.

Partnerships: In addition to the partnership of MEDA with its own program in Mozambique, *Kulane ka Ntwanano*, MEDA has laid the groundwork for the establishment of a couple of other partnerships as well.

Malaria is responsible for more deaths and illnesses than any other tropical disease. The goal of the ITN initiative is to establish a program for *Kulane* loan officers to market ITNs as a regular part of their disbursement process. As credit clients apply for loans, the credit officers promote the use of an ITN and offer clients an additional credit. This line of credit is disbursed in the form of a voucher which the client can redeem at any one of about 10 participating retailers in the city of Maputo.

Initially this program underwent some difficulties in that the import duties and taxes that the Mozambican government levied on bed nets was in the region of 30%, which made the nets very expensive, while there are other NGOs offering nets at highly subsidized, and in some cases free in the rural areas to vulnerable groups. Invariably these nets make their way into the city markets creating unfair competition for net that had to be imported at high prices.

Early on in 2003, one importer managed to secure stock from a supplier in Tanzania, which being a SADC member country, is exempt from paying import duties for goods exported to another SADC member country.

Since the voucher program started, 76 nets have been sold through the voucher program. These sales took place during the winter which is normally a dry season with a low incidence of malaria. It is expected that the sales of ITNs will increase as the rains set in and during the southern hemisphere summer.

MEDA Mozambique has also had several discussions with a mining company based in South Africa which employs large numbers of Mozambicans. Due to the restructuring of many of the mines for economic reasons, many Mozambicans have been retrenched in recent years or will be retrenched. The mine has established a program to retrain the retrenched to equip them for other employment or in business skills. *Kulane* will provide these people with start-up business loans and the community development workers in the mining program will assist in the follow-up of the clients, while the program will provide MEDA Mozambique with an additional guarantee in case the clients default on the loans.

It is expected that the first loans will be made to clients in the Maputo urban area in January 2004 with clients in the rural areas benefiting from the scheme through FCC, which is set to become the institutional partner of *Kulane*.

Achieving sustainability: As stated, it is the goal to transition the micro-credit program of MEDA in Mozambique into a locally owned and operated institution. In order to ensure a strong and viable institution, it will be sustained through the development of products that meet market demand, high quality portfolio and an expanded client base. To move *Kulane* towards being a strong sustainable microfinance institution, it aims to improve its financial sustainability ratio to near self-sufficiency at all levels. Unfortunately there are several factors that denied the program the ability to achieve targets sets for the numbers of active clients and self-sufficiency. Client numbers show a significant decrease over the past year with only 32.5% (703) of the target (2,161 active clients) being achieved. The financial self-sufficiency ratio for the program as of 30 September 2003 was 58% as opposed to a target of 71%.

The reason for a very low coverage and active client portfolio has been explained earlier in this section. Delinquency rates are high, pointing to over indebtedness or the inability of clients to make enough profits in their business to service their debt.

The issue of over-indebtedness is a significant one in Maputo. The MMF will be the driving force behind the development of a Credit Bureau for both regulated and non-regulated MFIs. The Credit Bureau will provide a distinct benefit to the MFIs operating in the larger urban centers and could reduce their costs of providing credit and streamline the loan approval process since MFIs will have access to data that will provide information on whether their prospective clients have had or have outstanding loans with other financial institutions.

Effect on the Target Group by Gender

Kulane ka Ntwanano services a large number of female clients in the urban and peri-urban areas of Maputo. As of the end of September 2003, 248 clients had credit in group loans and 78% of these clients were women. At the same time 455 clients had individual loans with *Kulane*, of which 65% were owned and operated by women. It has been found that many more

women participate in groups since that methodology does not require them to have a guarantor or pledge household assets as a guarantee. Women also tend to work better in groups than men normally do.

Problems Encountered

As stated above, the most serious problem experienced by the program, has been the increased competition from other service providers in Maputo. One of the institutions competing for clients in Maputo is Tchuma, a credit cooperative, which had 5,896 clients at the end of September, and the other is a commercial bank dedicated to Microfinance, Novo Banco with 7,808 clients. Both these institutions can offer a savings product. *Kulane* is not able to do that due to its legal structure and capital base.

The competition is further exacerbated by a fragile economy and low levels of employment in Maputo, which results in low levels of disposable income. This in turn coupled with an increase in prices of commodities on sale in the markets, have resulted in low inventory turnover. The prices of commodities, which are mostly imported from neighboring South Africa, have been negatively affected through the increased value of the South African Rand (currency) and tightened import controls by the Mozambican customs authorities on the border between South Africa, Swaziland and Mozambique.

There is a high volume of trading activities in the markets as opposed to very low levels of productive activities, which increases the reliance of the micro- and small businesses on imported consumer goods.

The high delinquency rates that have been experienced by *Kulane* and non-payment of loans have necessitated many clients being denied access to larger loans or any repeat loans. New loan applications have also been evaluated far more rigidly. This resulted in a decrease in the number of active clients. It has been found during loan follow-up, that many clients had loans with more than one MFI in Maputo. This resulted in over-indebtedness and could be the cause of the high rate of delinquency. These increases in delinquency is not unique to *Kulane* and the other institutions in Mozambique have all shown a decline in portfolio quality over the past year.

Impact on Local Institutions, Policy and People outside the Project:

The program manager of *Kulane* is an active member of the Informal Working Group for Microfinance in Mozambique. This group of microfinance practitioners, consultants and stakeholders meet once a month to discuss various issues pertaining to microfinance in Mozambique. The ideas expressed at this forum often results in institutions adopted practices and policies that have been proven in other institutions.

Once of the ideas that have been explored by other MFIs have been the marketing of ITNs with loans. It has been proven that sleeping under insecticide treated nets can reduce the morbidity and mortality due to malaria by more than 25%. The number of person days lost by small business owners due to their own illness or that of family members can be as high as 42 days per year. If the use of ITNs reduce this by at least 50%, the business owner will be able to increase his/her turnover by at least 5%.

Unintended Effects

There has been no evidence of unintended effects due to the micro-credit program in Mozambique.

2. Comparison of Actual Accomplishments to DIP

See **Appendix One** for tabular details.

There have been a lower than targeted number of active clients with a rate of self-sufficiency below what has been expected as competition amongst the MFIs in Maputo has increased substantially over the last two years. The three MFIs in Mozambique, with the largest portfolios are all operating in Maputo, and this coupled with limited disposable income for the population, has made the market highly competitive. It is suspected that many of these clients have loans with more than one institution and this has led to over-indebtedness. Despite this, the financial self-sufficiency is better than what can be expected due to stringent controls on expenditures and the reassignment of staff. Although linkages for business development training to clients have been researched, there have been no clients that have received this training. The costs are high and the margins in many of the clients' businesses are very low due to the competition amongst the clients who are mainly traders. In addition, delinquency rates have been high, and clients with poor repayment histories have been denied repeat loans, leading to a higher drop-out rate, than planned.

3. Relationship with Local Implementation Partners

In Mozambique, MEDA partners with its own program, the MEDA Mozambique small business development program known as *Kulane ka Ntwanano* ("Strength in solidarity"). MEDA Mozambique is registered as an International NGO with the Mozambican Ministry of Foreign Affairs and Cooperation and is located in Maputo.

The small business development program *Kulane ka Ntwanano* started operations in 1997 and has a team of 13 operations and administrative support staff, who are all Mozambican national. MEDA Mozambique provides training for the staff of *Kulane*, evaluates current loan products and introduce new products where relevant. The purpose is to build an efficient and strong local management team. MEDA is not only aiming to strengthen its own partner, *Kulane*, but in addition contribute to the MF sector through its initiatives under MMF.

The program manager manages the program with oversight and technical support from the MEDA Country Manager in Mozambique. The Country Manager for Mozambique is also the Manager of the MMF project in Mozambique. This combination provides *Kulane* with added benefits and provides a significant amount of internal learning.

The Country Manager has been active in identifying a suitable institutionalization strategy for *Kulane* and will be part of the negotiating team that will draw up the merger agreement with FCC. The Country Manager reports to the Program Director for Mozambique in Canada who in turn reports to the MEDA Director for Microfinance.

MEDA Mozambique provides monthly financial statements and SEEP portfolio reports to MEDA in Waterloo, Canada as well as quarterly reports as per the format established by Headquarters.

6. MANAGEMENT: REVIEW AND ANALYSIS OF HEADQUARTERS/SUPPORT FUNCTIONS

See **Appendix 1** for tabular detail on objectives, targets and results.

MEDA has moved quickly to develop internationally recognized capacity in BDS. Two key staff members have taken ILO and SEEP sponsored BDS courses, attended the Turin BDS seminar, and participated in BDS workshops, listservs, and discussion groups. In addition, MEDA is a member of the SEEP BDS Working Group and has contributed to the BDS Online Guide and its current revision. Field staff are also advancing programming skills through BDS training, and MEDA will hold its own BDS conference for international personnel in the winter 2004.

MEDA also has strengthened its leadership in both BDS and MF. In BDS, Linda Jones offered a training for Aga Khan management interns, made presentations at SEEP PLP workshops and the SEEP AGM, and developed and delivered Eastern University's BDS course for its MBA in International Economic Development. This year, Kim Pityn joined the list of MEDA staff present courses at the Microfinance Training Institute in Boulder, Colorado, where Joyce Lehman continues to teach an Internal Controls and Fraud Prevention course. Finally, Meagan Andrews provided microfinance training to Aga Khan management interns in Ottawa this year.

During Year Two, MEDA completed an intensive strategic planning exercise that resulted in a restructured organization committed to *product* excellence. Included in these two newly formed product lines is one dedicated to BDS and production marketing linkages (PML), and another focused on MF. The intent is that a product line orientation will enable MEDA to develop technical expertise related to key areas of focus both in our work and in the development community. This restructuring has implications on the personnel listed in the MG's "Key Personnel" section on page 7 of the Awards Document¹² and the PVC office has been notified of this change.¹³ The HQ Program Director was changed from Ed Epp to Jerome Quigley, the Director of the newly formed BDS/PML product line, and Evaluation Team Leader from Cherie Tan to Linda Jones.

Jerome Quigley is a graduate in Economics and Development Studies from the University of Guelph. Further professional development has included purchasing management courses; ISO quality program certification and results based management. For the past fifteen years, Jerry has successfully integrated the disciplines of business and development through practical entrepreneurial experience and numerous consultancies. Jerry has founded and managed two commercial enterprises for development organizations with a wide range of successful business activities. In addition, Jerry's experience in business development consulting includes the following selected assignments: business plan for agricultural production and marketing in Northern Pakistan (International Development Research Centre); design of a national voucher scheme for insecticide treated mosquito nets in Uganda (Malaria Consortium); business development of long-life milk products through the Uganda Dairy Processors Association (USAID); business development of insecticide treated netting and ITN home re-treatment kits for malaria control in Africa (International Development Research Centre); and, business plan development for the PROARTE Handicraft Marketing Company (Nicaragua).

¹² 2001 Matching Grants Program Award HFP-A-0-0-00020-00 "Credit and Small Business Development Program", September 30, 2001.

¹³ Letter addressed to Thomas Carter, Cooperatives Coordinator, August 5, 2003.

Linda Jones combines a Ph.D. in Anthropology with over ten years entrepreneurial experience to offer a unique perspective on marketing and development. Linda's business experience has been in the areas of technology start-up companies, business development, marketing and communications. At MEDA, Linda works with companies and organizations from developing countries to assess global market conditions, understand the internal changes that are necessary to enter the international market, and pursue export sales opportunities. Linda is currently involved in two business development projects in Pakistan: the first project involves working with a local IT company to expand its North American export markets; the second project focuses on the business services that are available to women micro and small enterprise owners. Linda is a member of the SEEP Network's Working Group on Business Development Services and Communitech, a network of high technology companies. She is also pursuing (part-time) a diploma in Peace and Conflict Studies at Conrad Grebel College with a specialization in justice and third world development, and has considerable BDS expertise as noted above.

Our professional development efforts in BDS have already begun to realize significant results. MEDA HQ won a SEEP Practitioners Learning Program grant for a women's entrepreneurship project in Pakistan (USD \$50,000) and a fruit subsector development program in Tajikistan funded by CIDA (USD \$4m / CDN \$6m). Additionally, we have been shortlisted for two significant BDS projects: USAID's IGP BDS program to expand the women's project in Pakistan (USD \$.6m), and a BDS SME program in Egypt where we lead a consortium of three partners (USD \$16m / CDN \$20m).

By the end of Year Two, the program was underspent, but program activity has picked up considerably since then, especially at headquarters and in Mozambique. In addition, there are still major activities planned for the last year of the grant, including a BDS workshop for most of MEDA's international staff. We will continue to monitor this situation and inform USAID if we require an extension or if funds will remain unspent at the scheduled end of the project.

7. FINANCIAL NARRATIVE REPORT FOR THE PERIOD ENDING SEPTEMBER 30,2003

Peru Program Expenditures – Peru program expenditures were within 4% of budget for the year ended September 30, 2003. Peru program expenditures were \$32,000 under budget in the first year of the program. Thus, Peru will have an additional \$28,000 in funding remaining for the final year of the project. This \$28,000 plus the \$44,000 originally budgeted for Peru program expenditures for year 3 will be fully expended by the end of the project. The PVO match on Peru program expenditures is running ahead of budget at this point in the project and MEDA should have no trouble meeting our match obligation on this line item.

Mozambique Program Expenditures – Program expenditures in Mozambique ran \$5,000 under budget for the year. Program expenditures in Mozambique were also slightly under budget in the first year of the program. The combined savings of \$13,000 to date will be added to the budget for year three of the program, leaving a budget of \$22,000 for the final year. The PVO match for the Mozambique program is running behind budget to the end of the second year by \$168,000. However, significant potential matching contributions have been made (and will continue to be made) through the merger process and through the industry level MFI work that MEDA is undertaking in Mozambique. Through discussions with our partners and with USAID over the next year, we will determine which of these substantial additional activities should be applied as the matching contribution. The anticipated merge and the industry level activities have been reported elsewhere.

Mozambique Procurement Expenditures – Procurement expenditures for Mozambique are under budget by \$30,000 to this point in the program. The merger referred to above will require considerable inputs by outside consultants. Thus, we expect the full budget for procurement activities to be utilized by the end of the project.

Headquarters Program Expenditures - Headquarter personnel expenditures were over budget by \$43,000 for the year just ended. However, headquarter personnel costs were under budget by \$46,000 in the first year of the program. Thus personnel costs are now back on budget given a renewed emphasis on BDS training and programming at the headquarters level.

Headquarters Procurement Expenditures – Headquarters procurement costs are under budget by \$38,000 to the end of the second year of the program. Given significant expenditures in the last year of the project for evaluation, audit and consultancies, we anticipate the full budget being used by the end of the project.

Total budget – overall the USAID funds for the project are under budget by \$179,000 to the end of the second year of the program. We anticipate that expenditures will increase in the final year and that the full amount of funding for the program will be required. The PVO contribution to the program is within 6% of budget to the end of the second year of the program.

Fundraising Activities: MEDA's fundraising activities are performing very well, meeting targets for the past two years with growth of 16.5% over those two years. MEDA's target for the coming year is increased by a further 15% and we are optimistic of meeting that target.

8. LESSONS LEARNED AND LONG TERM PROJECT IMPLICATIONS

1. Estimates of project costs and benefits

In Peru, the benefits per producer of the snow pea production project have been higher than expected, but the cost per producer still remains fairly high. It is expected that once the systems are established that a greater number of producers can be reached at a much lower cost per beneficiary. However, it does point to the need for MEDA to continue to refine its technology and capacity to ramp up projects more quickly to make more efficient use of funding to reach greater numbers of producers.

In Mozambique, the estimated benefits have been lower due to reduced demand for loans (fewer clients as a result of more competition in the microfinance market).

2. Institution building assessment

While it was the stated goal to transition *Kulane ka Ntwanano* into a locally owned and operated financial institution, the institutionalization has been slow at realizing this objective and the assessment of the capacity of local staff and potential owners to be able to manage a microfinance institution, have been over-estimated. While MEDA Mozambique was confident that the Bank of Mozambique (Central Bank) would consider special legislation for MFIs to operate as savings and credit institutions with a lower minimum capital requirement, this has not materialized and it has become necessary for MEDA to seek alternatives to ensure the continuation of the work that has been done to date. In this case, MEDA intends to merge the program before the end of FY 04 with the local microfinance program of another US Agency, World Relief Corporation in Mozambique. The need to seek out these types of potential partnerships for merger and/or acquisitions at the earliest possible time is necessary because of the high cost of transformation and the need for substantial equity investment. It is apparent that smaller microfinance programs will have to seek partnerships to ensure survival and retain the ability to serve the large number of the poor in developing countries.

As it relates to building the institution of "MEDA Peru", the PVC has allowed MEDA to learn some valuable lessons in the importance of networking. It takes time to develop good networks, but these networks of businesses and other development organizations have provided excellent advice, recommendations, nominees for staff positions and have led to opportunities for new contracts.

3. Estimate of sustainability

As part of this PVC project MEDA has undergone a change in how we measure sustainability. Previously, sustainability was measured by the success or failure of individual businesses that were using to offer a service. In the new paradigm, MEDA measures success by looking at the number of companies offering a service, how many small businesses are being reached, and the positive impacts that these small businesses derive from those services. When the measure of success is the profitability of an individual company, there is a tendency to keep trade secrets and learning confidential in order to limit competition (and therefore promote the interests of the individual company), which is often in conflict with the best interest of small producers.

The adjustment in strategy seems more coherent with the desired end result of supporting a larger number of producers with the limited resources at our disposal.

In the case of *Kulane*, the estimate of sustainability did not take into consideration the increase in market share of the institutions that are able to offer a larger range of products, particularly savings. Since *Kulane* is unable to offer savings services according to the law, it has lost a number of clients to its major competitors.

A further issue in this estimation is the assumption that the macro economy will remain stable and will grow at a certain expected pace. Even though there has been no major natural disasters in Mozambique during the last year, the dependence of the economy on its neighbors for the supply of consumer goods, has forced prices up and margins down, making it more difficult for micro and small entrepreneurs to service their debt.

4. Benefit distribution (disaggregate by gender)

Some of the most important benefits derived from the project, especially for women, have been somewhat unintentional. The snow peas project has created a significant amount of labor for women. MEDA needs to keep this in mind and calculate this factor into the analysis of potential projects to assure a more equitable distribution of benefits for women, which is generally difficult for agricultural projects as they are traditionally dominated by men.

5. Local participation (disaggregate by gender)

From our work in the snow peas project, MEDA learned the importance of building relationships with the local community, beyond just technical assistance. Often trust must be built before results can be achieved. An important step in this process is gaining the confidence of local leaders. Once the first core group of 15 producers began to see excellent results with snow pea production, many more became interested. Sometimes the hardest step is getting the first results.

6. Leadership development (disaggregate by gender)

The most significant advances in leadership development have occurred in the office of MEDA Peru itself. In September 2001, Sonia Dominguez was hired as the Country Manager for MEDA in Peru. While Ms. Dominguez came in with a strong set of skills from her private sector experience, MEDA invested significant time and resources in her training and orientation for her new role, and we are now beginning to see some very positive returns. Sonia has come very far along the learning curve these past two years and is doing an excellent job in defining MEDA's role in the Peruvian context.

7. Innovation and technology transfer

Lessons learned from the development of the innovative "Agromonitor" software package is that the process is 5% inspiration and 95% perspiration. Good ideas take a long time and a lot of hard work to develop

8. Policy implications

Work with snow peas points to the excellent opportunities available for small producers, and the vacuum of government support to guide them into this process. On the other hand, the ATPDEA agreement that Peru has negotiated with the U.S. has provided the conditions (duty free import of Peruvian goods) that have allowed for the development of this industry. Similarly, the GOP has established export incentives that have also played an important role in promoting this and other industries.

8. Collaboration/networking with other U.S. Agencies

The main U.S. partner for MEDA in Peru has been Chemonics. Chemonics has provided critical support to several key MEDA initiatives, and has recently contracted MEDA for work in their PRA project. MEDA and Chemonics share a very similar vision of the importance and appropriate methodology for private sector development, and accountability for concrete results. MEDA has appreciated Chemonics support, ideas and encouragement, and the relationship in Peru may serve as a model for MEDA offices in other areas of the world.

9. Partnership with local entities

MEDA has learned that it must focus on a wider range of local partners, and not try to become overly involved in the management of individual businesses. Strong partners should be selected that have proven that they do not need MEDA's support in their daily operations to survive. MEDA should support these groups of partners in developing specific services needed by small producers in order to improve their businesses. MEDA has been able to pursue this strategy of wider focus through the MMF project, which provides technical assistance to a number of MFIs (6 at present), focusing in the areas of internal controls, financial management, MIS, governance and human resource management. Larger industry initiatives such as regulation, the development of a credit bureau, and testing of new rural products will help the whole industry to grow and provide more effective services to the poor of Mozambique.

Partnerships with local entities, such as in the case of Mozambique, ITN suppliers and companies who retrench employees, need to be nurtured over time. There are many factors influencing the potential success of such partnerships. In the case of the advanced business training offered by institutions in Mozambique, these services are very costly and many of the micro and small entrepreneurs are not willing to invest a large amount in business training while their expected returns are low.

10. Replication potential of project approach and activities

The Agromonitor software package being developed by MEDA and its partners in the company "MEGA System", is attracting a great deal of attention throughout Peru and even around the world. Donors, government ministries and other NGO's immediately recognize the value of the software. There are strong indicators that the software program will be applied in a number of different contexts in the near future. It is suspected that once its success is proven, other similar models will be developed to provide competition, and this is welcome, as MEDA sees its role as more of a catalyst for innovation rather than as owners of a software company.

MEDA's MIS system for microfinance institutions, EPA has also been well received in MFIs in Jamaica, Tanzania, and three MMF partners in Mozambique. In addition to the development of EPA, MEDA's IT specialist has been selected as one of CGAP's approved IT consultants and has provided support to over 20 organizations in the area of management information systems.



9. ATTACHMENTS TO ANNUAL REPORTS

1. Appendix One – Tabular Review of Outputs
2. Appendix Two – Country Data Sheets
3. Appendix Three – Revised DIP.
4. Appendix Four – Financial Data

Appendix One – Comparison of Results to DIP

PERU

<i>Indicators</i>	<i>Target for FY03</i>	<i>Actual attained as at 30/9/03</i>
<ul style="list-style-type: none"> ➤ Operational policies and procedures manual for developing a "Productive chain" ➤ Site selection criteria for farmers for hydroponics project ➤ Operational policies from partners 	<ul style="list-style-type: none"> ➤ Operational policy implemented 	<ul style="list-style-type: none"> ➤ Operational policies and procedures implemented
<ul style="list-style-type: none"> ➤ Hydroponics and Mega System report (workplan and narrative) 	<ul style="list-style-type: none"> ➤ Work plan developed 	<ul style="list-style-type: none"> ➤ Work plan developed and updated
<ul style="list-style-type: none"> ➤ Cost Structure for PH ➤ SWOT Analysis and Cost Structure for AN 	<ul style="list-style-type: none"> ➤ 2 SWOT analysis completed 	<ul style="list-style-type: none"> ➤ One SWOT analysis and one cost structure analysis completed (more relevant than a SWOT analysis for this co.)
<ul style="list-style-type: none"> ➤ Market research into new products 	<ul style="list-style-type: none"> ➤ Market research for 2 new products 	<ul style="list-style-type: none"> ➤ Market research for 3 new products (rice, flowers, and snow peas)
<ul style="list-style-type: none"> ➤ Business Plan for AN 	<ul style="list-style-type: none"> ➤ Business plan developed for Agronegocios 	<ul style="list-style-type: none"> ➤ Business plan developed for Agronegocios
<ul style="list-style-type: none"> ➤ # of staff managing project 	<ul style="list-style-type: none"> ➤ 3 	<ul style="list-style-type: none"> ➤ 3
<ul style="list-style-type: none"> ➤ HR policies in place 	<ul style="list-style-type: none"> ➤ HR policies in place 	<ul style="list-style-type: none"> ➤ HR policies in place
<ul style="list-style-type: none"> ➤ Financial accounting ACCPAC system in place 	<ul style="list-style-type: none"> ➤ Implement accounting software 	<ul style="list-style-type: none"> ➤ ACCPAC Accounting software implemented
<ul style="list-style-type: none"> ➤ Staff received BDS training. 	<ul style="list-style-type: none"> ➤ Staff able to monitor and implement BDS projects 	<ul style="list-style-type: none"> ➤ 2 staff people trained and able to implement and monitor BDS programs
<ul style="list-style-type: none"> ➤ Gender training for all staff, Financial Training, BDS training other computer training. 	<ul style="list-style-type: none"> ➤ No formal indicators 	<ul style="list-style-type: none"> ➤ N/A
<ul style="list-style-type: none"> ➤ # farmers reached/ ➤ % females 	<ul style="list-style-type: none"> ➤ 100 producers receive technical assistance/ ➤ 10% females 	<ul style="list-style-type: none"> ➤ 4,216 producers received production orientation and/or technical assistance from the project/ ➤ 7% females
<ul style="list-style-type: none"> ➤ Database established/ and # farmers accessing credit 	<ul style="list-style-type: none"> ➤ Database established/ ➤ 50 farmers accessing credit 	<ul style="list-style-type: none"> ➤ Providers Database ➤ Input Database/ ➤ 4,216 farmers accessing credit
<ul style="list-style-type: none"> ➤ # markets accessed 	<ul style="list-style-type: none"> ➤ Market research carried out/ ➤ 2 Markets for rice 	<ul style="list-style-type: none"> ➤ Rice market study completed and 2 markets for rice
<ul style="list-style-type: none"> ➤ # of demonstrations made to various institutions 	<ul style="list-style-type: none"> ➤ 5 	<ul style="list-style-type: none"> ➤ 19
<ul style="list-style-type: none"> ➤ # of systems installed. 	<ul style="list-style-type: none"> ➤ 1 	<ul style="list-style-type: none"> ➤ 4
<ul style="list-style-type: none"> ➤ # clients tracked 	<ul style="list-style-type: none"> ➤ 150 	<ul style="list-style-type: none"> ➤ 4608
<ul style="list-style-type: none"> ➤ # service providers monitored with system, 	<ul style="list-style-type: none"> ➤ 5 	<ul style="list-style-type: none"> ➤ 5
<ul style="list-style-type: none"> ➤ # of ag products monitored 	<ul style="list-style-type: none"> ➤ 2 	<ul style="list-style-type: none"> ➤ 2
<ul style="list-style-type: none"> ➤ # of irrigation systems implemented 	<ul style="list-style-type: none"> ➤ 8 	<ul style="list-style-type: none"> ➤ 18 producers in production of high level produce for export
<ul style="list-style-type: none"> ➤ # of ag products identified for production 	<ul style="list-style-type: none"> ➤ Snow peas + introduction of 1 other crop 	<ul style="list-style-type: none"> ➤ Snow peas + 1 other crop (gypsophyllia)
<ul style="list-style-type: none"> ➤ % increase in productivity 	<ul style="list-style-type: none"> ➤ 15% increase from first harvest 	<ul style="list-style-type: none"> ➤ Unable to determine appropriately (nominally 50% increase, but not in the same area of production)
<ul style="list-style-type: none"> ➤ % increase in working capital 	<ul style="list-style-type: none"> ➤ 3% increase in working capital 	<ul style="list-style-type: none"> ➤ Unable to determine as investment has been withdrawn, but the initial investment of \$50,000 was made.
<ul style="list-style-type: none"> ➤ # farmers accessing services from Agronegocios. 	<ul style="list-style-type: none"> ➤ 100 	<ul style="list-style-type: none"> ➤ N.A.- Role of Agronegocios has changed, and MEDA no longer partnering with them. Most relevant data is 4,608 clients tracked under MIS system

Indicators	Target for FY03	Actual attained as at 30/9/03
> # metric tons of rice sold	> 2880	> 1880 MT of rice marketed before company changed focus.
> Workshop delivered	>	> Workshop AN delivered; SWOT analysis carried out
> Participate in CRSM board	>	> Participated initially in board of Agronegocios, now participating on board of Caja Rural San Martin and MEGA System
> # case studies	> 1	> 1
> Participation in workshops/ conferences	> 1	> 1
>	>	> Lessons learned shared with MEDA Country Managers in February 2003
> New partnerships solicited	> 3	> 3
> New proposals developed	> 2	> 4
> # New programs	> 2	> 2

MOZAMBIQUE

Indicators	Target for FY03	Actual Attained at 30/9/03
> Change in institutional structure > Governance structure installed	> Begin steps towards new structure > Investigation into potential options	> Signed a letter of intent with World Relief/FCC to proceed with merger agreement > The option under the merger will be a board comprised of members of the shareholders and other stakeholders
> Client retention rate	> 90%	> 77%
> Training sessions conducted > Improvements made on MIS and accounting system	> Training completed in: internal control mgmt & cash flow mgmt > MIS system improved	> Kulane has financial and internal control policies that have been revised after the internal audit by MEDA during September 2003, and training completed > Changes to the CAS MIS system implemented to allow for data capture of client's equity and other minor adjustments made to ensure reporting is accurate
> # of staff trained > Staff retention rate	> 2 > >90%	> 2 > 89.5% for the year. 2 credit officers were dismissed to to fraudulent activities
> Policies and procedures revised > Accounting staff applying internal control procedures	> Internal control policy manual available and training provided	> Kulane has financial and internal control policies that have been revised after the internal audit by MEDA during September 2003, and training completed
> Improved growth in equity rate for ind. Clients > Improved repayment rate for repeat clients	> >5% average growth in client equity	> Equity level increase averages 11% of sample
> # of staff trained > New credit officers to achieve target caseload w/n 6 months > Credit Supervise able to analyze portfolio indicators	> 1. Credit officers over 6 mths to carry optimal targeted caseloads > 2. Credit Supervisor provides portfolio analysis on regular basis	> 1.3 out of 6 credit officers carry optimal target case loads, while other 3 are <75% . Competition and client drop-out rate main problem > 2. The credit supervisor provides the program manager with portfolio analysis for each credit officer on a weekly basis

Indicators	Target for FY03	Actual Attained at 30/9/03
<ul style="list-style-type: none"> ➤ # of clients purchasing nets ➤ # of vouchers exchanged ➤ \$ of sales/credit officer 	<ul style="list-style-type: none"> ➤ TBD and discussed following Yr 2 report ➤ TBD 	<ul style="list-style-type: none"> ➤ >10% (76) of clients have used voucher system to purchase nets
<ul style="list-style-type: none"> ➤ # of organizations consulted and presentation made 	<ul style="list-style-type: none"> ➤ 1 contact made and criteria for lending established 	<ul style="list-style-type: none"> ➤ Contact made with Placer Dome's CARE Project providing re-training and development of retrenched miners. Criteria for lending discussed and first loans will be made early in 2004
<ul style="list-style-type: none"> ➤ Financial sustainability ratio ➤ # of active clients ➤ Definition of institutional structure 	<ul style="list-style-type: none"> ➤ 71% ➤ 2,390 ➤ Investigation into different institutional options 	<ul style="list-style-type: none"> ➤ 58% ➤ 703 ➤ Signed a letter of intent with World Relief/FCC to proceed with merger agreement
<ul style="list-style-type: none"> ➤ # of new products for alternative sectors ➤ Increase in avg. loan size 	<ul style="list-style-type: none"> ➤ 1 new product researched ➤ 66% 	<ul style="list-style-type: none"> ➤ Investigation done into lending in rural areas surrounding city of Maputo. ➤ Average initial loan size in September \$262¹⁴ ➤ Average outstanding loan size \$102 = increase 112%
<ul style="list-style-type: none"> ➤ ITN product developed ➤ repayment rate ➤ Rural credit product developed 	<ul style="list-style-type: none"> ➤ ITN providers established ➤ 94% ➤ Rural credit identified and ready for pilot testing 	<ul style="list-style-type: none"> ➤ One ITN supplier established ➤ 90% ➤ The emphasis for Kulane was on strengthening the urban and peri-urban lending products

¹⁴ The baseline information was possibly average outstanding loan size and not initial loan size.

HEADQUARTERS

Indicators	Target for FY03	Actual attained as at 30/9/03
<ul style="list-style-type: none"> ➤ Departments' annual review and plan of operations (ARPO) ➤ # of concept papers developed for funding ➤ # of proposals developed for funding ➤ IED's five year strategy defined ➤ Organizational structure of IED revised 	<ul style="list-style-type: none"> ➤ 2 ARPOs/ dept. completed ➤ 6 concept papers ➤ 3 proposals ➤ Working groups establish to review IED's strategy ➤ Inter-depart. collaboration strengthened 	<ul style="list-style-type: none"> ➤ ARPO completed for all departments for FY 04 ➤ Number of concept papers exceeds 10. ➤ PML: 5 proposals MF: 3 proposals ➤ Strategy papers have been written and reviewed by the senior management team and staff ➤ Regular meetings of the senior management team discuss interdepartmental issues. Joint meetings between PML and MF provide a forum for staff to discuss joint efforts.
<ul style="list-style-type: none"> ➤ # of technical BDS/Ag advisors based in HQ ➤ # of programs adopting new strategies (BDS/AG) ➤ # of concept papers developed for funding 	<ul style="list-style-type: none"> ➤ 2 BDS/Ag advisors based in HQ ➤ 2 Country Programs (Peru and Bolivia) ➤ 3 concept papers developed for BDS/PML funding 	<ul style="list-style-type: none"> ➤ 1 BDS/Ag advisor based in HQ. Discussions are open with another potential BDS/Ag advisor. ➤ Peru and Bolivia are adopting new strategies. ➤ PML: 5 proposals submitted for funding MF: 3 proposals submitted for funding
<ul style="list-style-type: none"> ➤ # of partners submitting monitoring sheets to HQ ➤ # of BDS indicators developed 	<ul style="list-style-type: none"> ➤ 1 partner (Peru) ➤ 1 partner (Moz) ➤ 5 BDS indicators developed 	<ul style="list-style-type: none"> ➤ 0 BDS monitoring sheets are being submitted regularly. The BDS monitoring system still requires some revision. ➤ 5 BDS indicators have been developed and the monitoring system is still under review.
<ul style="list-style-type: none"> ➤ # of social impact indicators (monitoring of investments) ➤ # of investments evaluated using criteria 	<ul style="list-style-type: none"> ➤ 2 social impact indicators ➤ 20% investments evaluated using criteria 	<ul style="list-style-type: none"> ➤ 7 social impact indicators have been identified ➤ Currently no investments using criteria.

Indicators	Target for FY03	Actual attained as at 30/9/03
<ul style="list-style-type: none"> ➤ # of microfinance programs using MIS systems ➤ # of Reviews/ Improvements to MIS system (microfinance) ➤ # of monitoring trips to assist/test market information system (BDS) ➤ financial tracking system used by country programs 	<ul style="list-style-type: none"> ➤ 3 microfinance programs using MIS systems ➤ 1 review/per system/year ➤ 1 developed but with ongoing HQ support- ➤ 50% of the programs provide figures for the financial tracking system 	<ul style="list-style-type: none"> ➤ 5 microfinance programs using MIS systems. (1 Egypt, 3 Mozambique, and 1 Jamaica?) ➤ Review of Kulane Mozambique MIS system in July 2003 ➤ A BDS monitoring system has been developed and requires further revision ➤ 100% MEDA programs provide financials monthly and 100% of MEDA's financial programs provide SEEP information monthly.
<ul style="list-style-type: none"> ➤ # of training sessions facilitated by TRU ➤ # of training provided to staff ➤ # of TA monitoring trips to Partner organizations ➤ participant's satisfaction of training content 	<ul style="list-style-type: none"> ➤ 2 training sessions facilitated by TRU ➤ 3 training provided to staff ➤ 3 TA monitoring trips to Partner organizations ➤ 1 ➤ 1 ➤ 6 ➤ 5 (on a score of 6) participant's satisfaction of training content 	<ul style="list-style-type: none"> ➤ FY 03 TRU Training: 2 Gender workshops in Peru and Mozambique, helped develop Environment training sessions in Peru. FY 04 training: none. ➤ 1 Impact assessment workshop in Egypt to MEDA staff ➤ FY 04 Trips: 1 Trip to Peru (Dec 03) 2 trips to Mozambique (July 03, Oct 03)
<ul style="list-style-type: none"> ➤ Define use of new report structure ➤ # of BDS monitoring reports received from field ➤ total # of impact studies completed (BDS) 	<ul style="list-style-type: none"> ➤ Implement new standards ➤ 50% using quarterly monitoring sheets ➤ 1 impact study completed 	<ul style="list-style-type: none"> ➤ ARPOs and quarterly updates were submitted according to the new reporting structure ➤ 0% of the field programs submitted BDS monitoring sheets as the BDS monitoring system is still under revision ➤ 0 BDS impact studies completed
<ul style="list-style-type: none"> ➤ # of management visits to Kulane ➤ determine strategy to expand/merger ➤ Increase loan capital for lending 	<ul style="list-style-type: none"> ➤ 3 Management visits to Kulane ➤ Strategy options initiated ➤ Increase by 15% 	<ul style="list-style-type: none"> ➤ FY 04: Two Management visits to Kulane. Auditing trip in July 03, Kim and Neil visited in October 03. The initial process of looking at the strategy and options for a merger has been considered. ➤ Decreased by 36% since last year.
<ul style="list-style-type: none"> ➤ Monitoring of performance targets ➤ # of Concept papers developed (funding) ➤ # of Proposals submitted ➤ # of training sessions on BDS provided ➤ # of participants attending BDS conference 	<ul style="list-style-type: none"> ➤ Quarterly/ Annual Review ➤ 6 Concept papers developed ➤ 3 proposals submitted ➤ 1 training sessions ➤ TBD 	<ul style="list-style-type: none"> ➤ Product Lines submitted an annual review for FY 03 and a Quarterly review for the first Quarter of FY 04 ➤ More than 10 concept papers developed ➤ PML: 5 proposals ➤ MF: 3 proposals ➤ BDS Conference expected in Feb 04 ➤ FY 04: 1 BDS training session planned.
<ul style="list-style-type: none"> ➤ # of conferences attended ➤ # of workshops delivered 	<ul style="list-style-type: none"> ➤ 3 conferences attended 	<ul style="list-style-type: none"> ➤ 7 Conference attended

Indicators	Target for FY03	Actual attained as at 30/9/03
<ul style="list-style-type: none"> > # of case studies developed 	<ul style="list-style-type: none"> > 2 workshops delivered > 1 case studies developed 	<ul style="list-style-type: none"> > 3 workshops delivered > Case study developed for Tanzania program

Appendix Two – Country Data Sheets

ATTACHMENT D (1550)

**PVO PROJECT REPORTING INFORMATION
ON AID SUPPORTED PVO PROJECTS**

Project Information

Name of Organization

Mennonite Economic Development Associates

Project Number

Grant/Contract Number

HFP-A-00-01-00020-00

Start Date (MM/DD/YY)

09/29/01

End Date (MM/DD/YY)

30/09/04

AID Project Officer's Name

Thomas Carter

AID Obligation By AID FY (\$000)

FY	AMOUNT	FY	AMOUNT
FY01	\$ 410		\$
FY02	\$ 651		\$
FY03	\$ 170		\$
	\$		\$

Project Purpose: Improve the development of MEDA's institutional capacity in the Business Development Services (BDS) and agribusiness sectors so as to improve program delivery at and expand our overall institutional capacity in Peru for design, management, and evaluation of BDS programs.

COUNTRY INFORMATION

Country

Peru

Location in Country (Region, District, Village)

Lima

PVO Representative's Name

Sonia Dominguez – MEDA Peru

Local Counterpart/Host Country Agency

COUNTRY FUNDING INFORMATION

Year 2003

AID\$ 127,361

PVO\$ 185,778

INKIND \$ 76,776 (included in PVO match)

LOCAL

Purpose (if other than project purpose)

Status: 2/3 complete

FOR OFFICIAL USE ONLY

PVO TYPE

SUBPROJ

APPN

FUND TYPE

CNTRY CODE

TECH CODE

PROJ OFFC

NON ADD1

NON ADD2

AID 1550-11 (8-85_



**PVO PROJECT REPORTING INFORMATION
ON AID SUPPORTED PVO PROJECTS**

Project Information

Name of Organization

Mennonite Economic Development Associates

Project Number**Grant/Contract Number**

HFP-A-00-01-00020-00

Start Date (MM/DD/YY)
09/29/01**End Date (MM/DD/YY)**
30/09/04**AID Project Officer's Name**
Thomas Carter

AID Obligation By AID FY (\$000)

FY	AMOUNT	FY	AMOUNT
FY01	\$ 410		\$
FY02	\$ 651		\$
FY03	\$ 170		\$
	\$		\$

Project Purpose: In Mozambique, MEDA is working to support the institutional development of a locally owned and operated financial institution called Kulane ka Ntwanano and to explore more comprehensive issues such as merging with Fundo de Credito Comunitaria, a program of World Relief (or other institutions) and strategies for industry wide microfinance cooperation in Mozambique.

COUNTRY INFORMATION

Country**Location in Country (Region, District, Village)**

Mozambique

Maputo

PVO Representative's Name**Local Counterpart/Host Country Agency**

Trudi Schwartz: MEDA Mozambique

COUNTRY FUNDING INFORMATION

Year 2003

AID\$ 21,669

PVO\$ 136,035

INKIND

LOCAL \$18,231 (Local program income included in PVO match)

Purpose (if other than project purpose)

Status: 2/3's complete.

FOR OFFICIAL USE ONLY

PVO TYPE

SUBPROJ

APPN**FUND TYPE****CNTRY CODE****TECH CODE****PROJ OFFC****NON ADD1****NON ADD2**

AID 1550-11 (8-85_



Appendix Three – Revised DIP FY04

HEADQUARTERS

(Bold entries are changed or added outputs for next year)
(Italics entries are removed for next year)

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
Organizational Development						
Improve the synergy between IED's four departments to develop integrated and more effective services to MEDA's field partners and clients	<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 for funding # of proposals developed for funding IED's five year strategy defined Organizational structure of IED revised 	<p>Carried out annually</p> <p>As of Oct 1 2001, 0</p> <p>As of Oct 1 2001,0</p> <p>No change to current structure</p> <p>TRU is a separate dept</p>	<p>2 ARPOs/ dept. completed</p> <p>6</p> <p>3</p> <p>Working groups establish to review IED's strategy</p> <p>Inter-depart. collaboration strengthened</p>	<p>3 ARPOs/ dept completed</p> <p>12</p> <p>6</p> <p>New strategy defined and in place</p> <p>Changes to IED structure in place</p>	<ul style="list-style-type: none"> ARPO reports IED Monthly Reports Concept papers completed Proposals IED strategy discussion pieces Organization chart Organization Review report
Strengthen HQ technical expertise in BDS, production-marketing linkages	<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 # of programs adopting new strategies (BDS/AG) 	<p>1</p> <p>0</p>	<p>2</p> <p>2 Country Programs (Peru and Bolivia)</p>	<p>3</p> <p>3 Country Programs (Peru, Bolivia and Nicaragua)</p>	<ul style="list-style-type: none"> Organization chart Technical trip reports Monthly IED report Annual program reports Concept papers/ proposals

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
		<ul style="list-style-type: none"> # of concept papers developed for funding 	1	3	6	
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 and develop BDS performance indicators Develop BDS monitoring sheets and train staff on its use Carry out monthly monitoring of programs 	<ul style="list-style-type: none"> # of partners submitting monitoring sheets to HQ # of BDS indicators developed 	0 0	1 partner (Peru) 1 partner (Moz) 5	0 Peru) 0 Moz) 8	<ul style="list-style-type: none"> N/A Annual evaluation performance measurement
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 impact indicators (monitoring of investments) # of investments evaluated using criteria 	0 0	2 20%	5 10%	<ul style="list-style-type: none"> Due diligence on investments Social impact criteria checklist Quarterly investment reports
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 	<ul style="list-style-type: none"> # of microfinance programs using MIS systems # of Reviews/Improvements to MIS system (microfinance) # of monitoring trips to assist/test market 	2 2 systems installed 0	3 1 review/per system/year 1 but with ongoing HQ support-	4 3 updates carried out / 6 MFIs using MEDA's MIS system 2 but with ongoing HQ support	<ul style="list-style-type: none"> MIS systems report (Annual) Financial and monitoring reports generated from MIS systems Quarterly progress reports

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
	HQ and partner programs <ul style="list-style-type: none"> Train staff on the application of software 	information system (BDS) <ul style="list-style-type: none"> financial tracking system used by country programs 	0 (8 country programs)	50%	100%	
Partnership						
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 Provide technical assistance as needed 	<ul style="list-style-type: none"> # of training sessions facilitated by TRU # of training provided to staff # of TA monitoring trips to Partner organizations participant's satisfaction of training content 	0 (Moz) 0 (Peru) 0*gender 0*env. 0*impact 2	2 3 3 1 1 6 5 (on a score of 6)	3 5 3 3 3 8 5 (on a score of 6)	<ul style="list-style-type: none"> Field reports Annual review and plan of options Training satisfaction forms
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 use of new report structure # of BDS monitoring reports received from field total # of impact studies completed (BDS) 	Current rpts provide basic data No monitoring reports submitted (qly) 1	Implement new standards 50% using quarterly m. sheets 1	All programs using new standards 0% 0	<ul style="list-style-type: none"> Monthly and quarterly BDS reports Baseline study analysis
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 	<ul style="list-style-type: none"> # of management visits to Kulane determine strategy to expand/merger 	1 Not defined	3 Strategy options initiated	6 Future strategy determined	<ul style="list-style-type: none"> Trip reports Discussions regarding expansion/merger SEEP reports

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
	<ul style="list-style-type: none"> support and supervision of performance Contribute lesson learns to other programs and to MCG 	<ul style="list-style-type: none"> Increase loan capital for lending 	Baseline loans outstanding (\$46,000)	Increase by 15%	Increase by 20%	<ul style="list-style-type: none"> Microfinance monitoring sheets
Support the development of BDS Market development programming	<ul style="list-style-type: none"> Provide monitoring and management oversight Develop a global BDS/Production Marketing Strategy Give guidance in the design and delivery of BDS programs Provide training workshop to country managers Plan and deliver BDS conference 	<ul style="list-style-type: none"> Monitoring of performance targets # of Concept papers developed (funding) # of Proposals submitted # of training sessions # of participants attending BDS conference 	<p>Not performed</p> <p>Not monitored</p> <p>1</p> <p>0</p> <p>Not applicable</p>	<p>Quarterly/ Annual Review</p> <p>4</p> <p>3</p> <p>1</p> <p>TBD</p>	<p>Provide end of project evaluation</p> <p>6</p> <p>5</p> <p>2</p> <p>TBD</p>	<ul style="list-style-type: none"> Monitoring sheets Annual Evaluations Concept papers completed Proposals submitted BDS conference proceedings
Contribute to industry-wide best practices for SME development	<ul style="list-style-type: none"> Participate in SEEP Meetings and other international conferences Develop case studies to share with industry practitioners 	<ul style="list-style-type: none"> # of conferences attended # of workshops delivered # of case studies developed 	<p>1</p> <p>1</p> <p>0</p>	<p>3</p> <p>2</p> <p>1</p>	<p>6</p> <p>3</p> <p>2</p>	<ul style="list-style-type: none"> Case studies developed IED monthly report Trip reports

PERU

(Bold entries are changed or added outputs for next year.

(Italics entries are removed for next year)

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
Organizational Development						
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/SWOT analysis Research new product development Assist to develop governance structure Develop strategy for expanding Agromonitor Work with produce export companies to improve their ability to work with small producers 	<ul style="list-style-type: none"> Operational policies and procedures implemented SWOT analysis Monitoring of performance Financial audit/monitor Develop Business plan for MEGA System Develop Administrative Systems to allow produce exporters to subcontract production to small producers 	<p>Not in place</p> <p>Basic assessment of partner</p> <p>3 year workplan defined</p>	<p>Operational policies implemented</p> <p>2 SWOT analysis completed</p> <p>Midpoint targets met</p>	<p>Operational procedure and policies functioning</p> <p>Revise and update SWOT analysis</p> <p>End of Project targets met</p> <p>Business Plan Developed & Implemented</p> <p>Administrative systems designed and implemented with at least one partner</p>	<ul style="list-style-type: none"> Financial reports SWOT analysis Monitoring sheets Evaluation reports Finance manager trip report
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 	<ul style="list-style-type: none"> # of staff managing project HR Policies implemented Financial accounting system in place Staff receive BDS training 	<p>1</p> <p>Basic reports in Excel.</p> <p>Limited knowledge of BDS</p>	<p>3</p> <p>Implement Acct. software</p> <p>monitoring and implementing BDS projects</p>	<p>3</p> <p>HR Policies implemented</p> <p>Financial rpts submitted using system</p> <p>replicate and design new BDS programs</p>	<ul style="list-style-type: none"> Organizational Chart Financial Reports Annual Evaluations Proposals Quarterly Monitoring Sheets

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
		<ul style="list-style-type: none"> # of concept papers created at local partner 	0	2	4	
Technical Interventions						
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 farmers Carry out training in market research methodology Train partners on accessing market information for quality, and market price for rice Monthly monitoring and evaluation 	<ul style="list-style-type: none"> # of farmers reached # females # of farmers accessing credit % increase in productivity # of markets accessed 	30 3% 0 0 0	100 10% 50 15% 3 local 0 international	150 12% 150 25% 5 local 1 international	<ul style="list-style-type: none"> Partner reports Monitoring sheets Monitoring and Evaluation reports
Implement a market information and monitoring system to track farmer productivity and financial projections* (This refers to outputs generated from the MIS system)	<ul style="list-style-type: none"> 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 Provide T.A. in production Monitoring system becomes sustainable 	Indicators tracked by MIS system <ul style="list-style-type: none"> # of demonstrations made to instit. # of systems installed # of clients tracked in system # of service providers monitored # of ag. products monitored # farmers reached Percentage female Increase in productivity Decrease in 	0 0 0 0 0 0	5 1 50 5 1	10 2 250 15 2 5000 10% 5% 7% 98%	<ul style="list-style-type: none"> Systems reports Monitoring reports generated from the system

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
		<ul style="list-style-type: none"> costs of inputs % Sustainability of MEGA System Profitability of Individual services of Agromonitor 			105%	
Partnerships						
Partnership with (PHISAC) High Value Produce Marketing Companies 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) high value produce production systems for small holder farmers Identify products for production Provide initial set-up training Carry out technical assistance to farmers Monitor quality and productivity of crops Increase the number of high value produce marketing companies subcontracting production to small farmers 	<ul style="list-style-type: none"> # of high value production systems implemented # of farmers trained # of products developed % increase in productivity # of produce marketing Co.s working with small farmers 	2 0 2 0 1	8 40 5 12 2	20 100 3 25% 2	<ul style="list-style-type: none"> Technical staff report Evaluation reports Monitoring sheets Field assessments
Partnership with Agronegocios will strengthen MEDA's learning in applying market development approach. Take out this section as it is repetitive of the sections on	<ul style="list-style-type: none"> Inject MEDA investment into partnership 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 	<ul style="list-style-type: none"> % increase in working capital of company # of farmers accessing services # of buyers contracted to sell rice to % increase in operational income 	0 30 0 0	25% 100 2 15%	35% 150 3 20%	<ul style="list-style-type: none"> Financial Reports Monitoring Reports HR chart Sales Reports

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
Develop and MIS system	company					
Achieving Sustainability						
<p>Create sustainable linkages between small farmers and their access to markets through private sector agribusiness</p> <p>Take out this section as it is repetitive of the sections on 'Develop and MIS system'</p>	<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 Provide advisory oversight to managerial and operational decisions Participate in board structure Plan for exit strategy 	<ul style="list-style-type: none"> % increase of farmer participation % growth in company % increase in farmer income # of service provider participating in project # of beneficiaries # of farm hectares worked 	<ul style="list-style-type: none"> 0% (baseline =30) 0% as base 0% as base (calculated on 105sols/mth) 0 150 (avg. hh = 5members) 90hectares (avg. family =3hectares) 	<ul style="list-style-type: none"> 40% 5% 15% 5 >400 300hectares 	<ul style="list-style-type: none"> 60% 15% 30% 10 >600 450 hectares 	<ul style="list-style-type: none"> Monitoring reports Annual Sales report End of Project impact evaluation
Replication of best practices in new program delivery and partnership	<ul style="list-style-type: none"> Document lessons learned Research and kept 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 Design new programming 	<ul style="list-style-type: none"> # of case studies developed # of seminars and conferences attended # participation in workshops/conf # of partnerships solicited # of proposals developed for funding # of new programs 	<ul style="list-style-type: none"> 0 0 0 0 0 0 	<ul style="list-style-type: none"> 0 1 1 3 2 2 	<ul style="list-style-type: none"> 2 2 3 5 3 2 	<ul style="list-style-type: none"> Case studies Annual Review and Plan of Operations Concept papers Proposals Contracts

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
Improve Human Resource Management	<ul style="list-style-type: none"> • Training in staff performance mgmt provided to senior mgmt team • Support in the area of human resource management 	<ul style="list-style-type: none"> • # of staff trained • Staff retention rate 	1 >90%	Yearly ARPO Annual Evaluations	4 >90%	Yearly ARPO Annual Evaluations
Technical Interventions						
Increase ability to detect fraudulent practices through new processes	<ul style="list-style-type: none"> • Receive training in internal control practices • Implement or revise policies • Recruit/Train an internal auditor 	<ul style="list-style-type: none"> • Policies and procedures revised • Accounting staff applying internal control procedures 	No policy in place/no internal auditor	Yearly ARPO Annual Evaluations, mid-term review	Internal control policy implemented and internal auditor hired/trained	<ul style="list-style-type: none"> • Yearly ARPO Annual Evaluations, mid-term review
Improve Business mgmt capacity in clients	<p>Survey list of training courses offered locally</p> <ul style="list-style-type: none"> • Explore linkages and facilitate access for clients • Collect data from individual clients on equity growth 	<ul style="list-style-type: none"> • Improved growth in equity rate for ind. Clients • Improved repayment rate for repeat clients 	Equity growth measurement not available	>5% average growth in client equity	>10% average growth in client equity	Monthly SEEP reports Annual Evaluations
Improve staff capacity through training	<ul style="list-style-type: none"> • Training and technical assistance for new and existing staff • Credit management training will be require for the Credit Supervisor 	<ul style="list-style-type: none"> • # of staff trained • New credit officers to achieve target caseload w/n 6 months • Credit Supervisor able to analyze portfolio indicators 	Staff capacity not optimal	1. Credit officers over 6 mths to carry optimal targeted caseloads 2. Credit Supervisor provides portfolio analysis on regular basis	All credit staff undergo training and portfolio targets met	Monthly SEEP reports Staff Performance review

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
Partnership						
Establish innovative partnerships for new product development in mosquito treated bednets	<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 sale of nets 	<ul style="list-style-type: none"> # of clients purchasing nets # of vouchers exchanged \$ of sales/credit officer 	0 0	TBD and discussed following Yr 2 report TBD	TBD >25% clients purchased nets TBD \$450/CO sold	<ul style="list-style-type: none"> ITN report ITN indicators
Establish new partnerships to provide start-up credit to retrenched or formally state owned employees	<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"> # of organizations consulted and presentation made 	0	1 contact made and criteria for lending established	Client base expanded through partnership	Investigation report
Achieving Sustainability						
Form a strong, sustainable credit institution	Sound portfolio mgmt Implement new governance structure	Financial sustainability ratio <ul style="list-style-type: none"> # of active clients Definition of institutional structure 	47% 1,214 active clients No definition	71% 2,390 Investigation into different institutional options	86% 80% 2,618 1,831 Future structure/merger defined	Monthly Seep Reports SEEP reports Annual Evaluation
Develop new product lines	<ul style="list-style-type: none"> Product research Product development and testing Provide linkages for business development training to clients 	<ul style="list-style-type: none"> # of new products for alternative sectors Increase in avg. loan size 	2 products (solidarity & Individual) Avg. loan size - \$48	1 new product researched 66%	Introduce rural credit line With merger partner 26%	Annual evaluations Quarterly Narratives

Program Objectives	Major Planned Activities	Indicators	Targets			Data Sources and Collection Methods
			Baseline	Mid-Point	End of Project	
Provide high quality loan products to an expanding client base	<ul style="list-style-type: none"> Research linkages with ITNs Conduct Market research for innovative value-added products Design/revise/test and place products on the market 	<ul style="list-style-type: none"> ITN product developed repayment rate Rural credit product developed 	No defined product	ITN providers established	Line of credit available ITN	<ul style="list-style-type: none"> Quarterly Narratives Annual Evaluation
			92.5%	94%	98%	
Contribute to the advancement of the microfinance sector	<ul style="list-style-type: none"> Establish a working group for the creation of a credit bureau Contribute to the continuing dialogue on regulation and supervision of microfinance institutions Distribute 3 bulletins on topics of interest to the microfinance sector Mechanism in place to test rural credit products 	<ul style="list-style-type: none"> Working Group established Company identified to create credit bureau Modifications to the existing law for Financial Institutions to include MF 3 topics for bulletins identified and bulletins written A capital grant/loan fund in place under MMF to test rural credit 	<ul style="list-style-type: none"> No credit bureau in place No revisions to law No bulletins distributed No capital grants/loans available 	<ul style="list-style-type: none"> No credit bureau in place No revisions to law 1 Bulletin distributed No capital grants/loans available 	<ul style="list-style-type: none"> Company identified for creation of the bureau New law will include revisions for MFIs 3 Bulletins distributed Criteria and systems for participation in fund in place; selection process underway 	Quarterly Narrative

Appendix Four

**Financial
Data**

PSC 272

FEDERAL CASH TRANSACTION REPORT

STATUS OF FEDERAL CASH

OMB NO. 0990-078

MENNONITE ECONOMIC DEVELOPMENT ASSOCIATES

1821 OREGON PK

LANCASTER, PA 17601

PIN: 29A0 PAN: 29A0P EIN: 1237398678A1

ACH REGION: 03 STATE: PA

PERIOD COVERED BY THIS REPORT:

07/01/2003 - 09/30/2003

USER CODE: F80

P-TYPE

1. CASH ON HAND BEGINNING OF REPORTING PERIOD	\$	-128,675.00
2. TOTAL RECEIPTS (SEE STATEMENT OF CASH ACCOUNTABILITY FOR DETAILS)	+	178,675.00
3. TOTAL CASH AVAILABLE	\$	50,000.00
4. NET DISBURSEMENTS (FROM PSC 272-A)	-	95,470.00
5. CASH ON HAND END OF PERIOD (LINE 3, MINUS LINE 4)	\$	-45,470.00
6. THE AMOUNT SHOWN ON LINE 5, ABOVE, REPRESENTS CASH REQUIREMENTS FOR THE ENSUING ' <u>0</u> ' DAYS		
7. INTEREST INCOME	\$	<u>-0-</u>
8. ADVANCES TO SUBGRANTEES OR SUBCONTRACTORS	\$	<u>-0-</u>

AUTHORIZED CERTIFYING OFFICIAL

I CERTIFY TO THE BEST OF MY KNOWLEDGE AND BELIEF THAT THIS REPORT IS TRUE IN ALL RESPECTS AND THAT ALL DISBURSEMENTS HAVE BEEN MADE FOR THE PURPOSE AND CONDITIONS OF THE GRANT OR AGREEMENT.

SIGNATURE: Gerald Morrison SUBMITTED ON: Wed Nov 26 09:48:09 2003

NAME AND TITLE: Gerald P Morrison, Controller

TELEPHONE: (AC) 519 (NUMBER) 725-1633 (EXT.) _____

THE PMS CONTACT WHO IS RESPONSIBLE FOR YOUR ACCOUNT IS

NICOLE KELLY OR STAFF AT: **301-443-0988**

RETURN THE COMPLETED FORM TO:
DIVISION OF PAYMENT MANAGEMENT
P.O. BOX 6021
ROCKVILLE, MD. 20852
OR FAX TO **301-443-0377**

PSC 272-A FEDERAL CASH TRANSACTION REPORT

MENNONITE ECONOMIC DEVELOPMENT ASSOCIATES

HHS - PMS

PERIOD COVERED BY THIS REPORT:

PIN: 29A0 PAN: 29A0P EIN: 1237398678A1

07/01/2003 - 09/30/2003

ACH REGION: 03 STATE: PA

P-TYPE

LINE	FED GRANT	RECIP A/C OR	AUTHORIZED	FEDERAL SHARE NET DISBURSEMENT	
NUM	OR OTHER ID (A)	OTHER ID NO (B)	* AMOUNT * (C)	CUM - PREV PER (D)	CUM - CURR PER (E)
1	Z GDGG000200-10	_____	413,261.00	86,159.00	75,447.00
2	Z HFPA000100-20	_____	1,061,032.00	589,172.00	695,354.00
	SUB-TOTAL		1,474,293.00	675,331.00	770,801.00

PLEASE ENTER DOCUMENTS MISSING FROM ABOVE

TOTALS				675,331.00	770,801.00
NET DISBURSEMENTS: (COLUMN E MINUS COLUMN D) MUST CORRESPOND WITH AMOUNT SHOWN ON PSC 272					95,470.00