

PRISMS

Promoting
Improved Sustainable
Microfinance Services

Quarterly Report

October to December 2004



Submitted by:
Chemonics International Inc.

A USAID-funded Activity
Contract #



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ACRONYMS

CBN	Central Bank of Nigeria
COP	Chief of Party
DA	Development Associates, Limited
DFD	Development Finance Department, Central Bank of Nigeria
FAO	Food and Agriculture Organization
FSM	Financial Services Manager
GON	Government of Nigeria
IR	Intermediate Result
KRA	Key Result Area
LOP	Life of Project
M&E	Monitoring and Evaluation
MEIS	Monitoring and Evaluation Information System, Chemonics
MFI	Microfinance Institution
MSME	Micro, Small and Medium-Sized Enterprise
MOU	Memorandum of Understanding
NBFI	Non-Bank Financial Institution
OFID	Other Financial Institutions Department, Central Bank of Nigeria
OMM	Operations and Monitoring and Evaluation Manager
PB	PRISMS Partner Banks
PIR	Project Intermediate Result
PMP	Performance Monitoring Plan
PRISMS	Promoting Improved Sustainable MSME Financial Services
SMEIS	Small Medium Equity Investment Scheme
SO	Strategic Objective
STTA	Short Term Technical Assistance
UBA	United Bank of Africa
UBN	Union Bank of Nigeria
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development
WB	World Bank

SECTION I

Activity Objectives

The Promoting Improved Sustainable MSME Services (PRISMS) Project is focused on increasing the capacity of the Nigerian financial services industry to provide appropriate financial services to micro, small, and medium-sized enterprises (MSMEs). PRISMS is designed to assist USAID/Nigeria in the implementation of its Country Strategic Plan for the 2004-2009 period. Specifically, PRISMS supports the Mission's Strategic Objective 12 (SO12), Improved Livelihoods in Selected Areas. The PRISMS project results framework has three project intermediate results (PIR) and five key results areas (KRA):

- PIR 1: Improved Capacity of Commercial Banks to Serve MSME Sector
 - KRA 1.1: Increased partner bank capacity to serve MSMEs
 - KRA 1.2: Increased non-partner bank capacity to serve MSMEs
- PIR 2: Improved Capacity of Non-Bank Financial Institutions to Serve MSMEs
 - KRA 2.1: Increased capacity of NBFIs to attract commercial capital
- PIR 3: Improved Enabling Environment
 - KRA 3.1: Increased capacity of OFID to supervise community banks
 - KRA 3.2: Enhanced policy and regulatory framework for MSME financial services

Through partnerships with the Nigerian financial services sector, the Central Bank of Nigeria, USAID, and other donors, PRISMS is engaging the commercial banking industry to build on the industry's awareness that it must focus on retail banking, and that the greatest retail banking potential is with the MSME sector. These activities are addressed under PIR 1 and recognize that commercial banks are the only entities that have the resources, outreach, organization and motivation to expand and transform financial services for MSMEs on a scale commensurate with the demand. At the same time, PRISMS under PIR 2 is engaging non-bank financial institutions (NBFIs – namely, community banks and MFIs) through coordination with other donors' NBFI capacity-building programs. To enhance NBFIs' appeal to commercial banks as partners, training curricula are being developed and will be offered to NBFIs on a for-fee basis through local training services providers. Concurrently under PIR 3, PRISMS will work on a number of policy reform and implementation initiatives with the Central Bank of Nigeria in order to improve the enabling environment for provision of MSME services through commercial banks and NBFIs.

SECTION II

Executive Summary

This report summarizes progress made during the second quarterly reporting period of the PRISMS implementation phase. PRISMS' first quarterly report detailed a number of initial project activities and achievements, including logistical achievements (hiring of operations staff, office set-up) as well as the development and submission of PRISMS's Performance Monitoring Plan and First Annual Work Plan. The second quarter was a busy one, with significant first steps made toward achievement of proposed benchmarks in several of the project's five Key Results Areas. This report shows how our activities have remained in keeping with our four main project implementation pillars or strategies as laid out in the annual work plan: Facilitating demand-led interventions; Building local training and technical assistance capacity to support financial institutions; Developing successful models leading to replication; and Leveraging government, USAID, and other donor activities to the benefit of our project partners. Section discusses activities and progress against project benchmarks as laid out in the annual work plan. Section V discusses submission of a revised PMP to allow for reporting against agreed targets, and Section VI presents specific project constraints, opportunities, and upcoming activities. Significant technical achievements during the reporting period are summarized below:

- The Community Bank Strategic Management Course training curriculum development began, including a community bank training needs assessment conducted by PRISMS' technical staff. Upon completion of the draft curriculum it will be reviewed by project technical staff, as well as by CBN and GTZ's financial services training project, with which PRISMS has developed a collaborative training relationship. Once the strategic management curriculum is finalized, TOT in collaboration with GTZ and CBN will commence, while development of curricula for the Community Banks Board Governance Course and the Commercial Bank Cash Flow/Character/Enterprise-Based MSME Lending Course continues.
- The Mission also approved development of a community bank assessment tool for use by commercial banks to measure risk and viability of extending wholesale loan capital credit facilities to community banks and MFIs. The tool is now under review by PRISMS technical staff, after which it will be reviewed by CBN and selected commercial banks.
- UNDP called PRISMS attention to LAPO's (one of Nigeria's leading micro-lenders) need for assistance to persuade commercial banks to provide LAPO with loan capital credit facilities to enable LAPO to expand its lending nationally. PRISMS agreed to help and to reassure the commercial banks that PRISMS is authorized to act on LAPO's behalf, LAPO and PRISMS agreed and signed an MOU to that effect. In the interim, PRISMS facilitated discussions between LAPO and UBA which resulted in UBA's readiness to grant a credit facility, but before such could be completed, the merger between UBA and STB was announced, resulting in further consideration being put on hold until the new management team is settled. PRISMS will, therefore, approach a number of banks on LAPO's behalf which are not currently in the throes of merger.
- PRISMS was invited to the annual conference of the Development Credit Division (DFD) of the Central Bank of Nigeria (CBN) and was the only donor-supported financial services project which attended. Much to the appreciation of DFD. PRISMS made presentations and was asked to chair a number of sub-sessions. PRISMS not only actively represented itself

and USAID, but to emphasize coordination and collaboration with its partner donor-supported financial services projects, connected those projects to PRISMS' activities. The event served as an important networking event in raising awareness within the financial community of PRISMS and its donor partners, as well as of the potential for commercial banks which exists within the MSME sector. The conference resulted in several new commercial bank contacts for PRISMS that are already proving useful.

- PRISMS and the World Bank's forthcoming Access to Finance Project agreed to collaborate in the creation of a mortgage lending enabling environment, which will be the third enabling environment collaboration which PRISMS and WB have agreed, the former two being leasing and credit bureau enabling environments. All three are high priorities for WB.
- PRISMS and the UK's Department for International Development (DFID) agreed that PRISMS and DFID's ProFins design team will work together during the design team's February visit to Nigeria for design finalization, to ensure that ProFins objectives and activities complement those of both PRISMS and the other financial services projects.
- PRISMS, DFID and the World Bank agreed to terms of reference and consultant teams for a tripartite assessment of the likely effects of the commercial banking industry consolidation underway as a result of the CBN's new Naira 25 billion capitalization requirement. The assessment will also examine effects on the MSME financing sector and, the institutional capacity needs of CBN to address issues arising from the new banking industry landscape.
- PRISMS assisted Union Bank of Nigeria's MSME finance unit to draft a recommendation to the Bank's senior management that UBN establish a dedicated MSME lending subsidiary. Discussions with UBN's senior management will occur during the current quarter.
- PRISMS and UNDP persuaded the Development Finance Department (DFD) and Other Financial Institutions Department (OFID) to develop a mapping of their donor assistance needs, so that donors can work with DFD/OFID in a coordinated and collaborative manner.
- PRISMS has continued to develop credibility within the financial services sector and was invited and has accepted an invitation from the SMIEIS Reform and Mortgage Lending sub-committees of the Nigerian Bankers' Committee to collaborate with them to advance both agendas. PRISMS will begin work with the sub-committees during the current quarter.
- United Bank for Africa has requested that PRISMS discuss with bank leadership, the possibility of technical assistance provision for the establishment of a wholly owned MSME venture capital subsidiary. Once management turmoil resulting from the UBA/STB merger has settled, discussions will commence.
- PRISMS' subcontractor Development Associates completed field work for PRISMS' mapping of the MSME sector in Nigeria for use by the commercial banks in identification of the most viable MSME sectors, investigating MSMEs and sectors, as well as over 40 financial institutions (*i.e.*, commercial banks, community banks and micro-lending institutions). The draft survey report will be completed early in the current quarter and review then undertaken by PRISMS technical staff and USAID Nigeria, after which it will be finalized and provided to the commercial banks at a workshop.
- PRISMS drafted a broad-based communications strategy document and established a content-rich project website, www.nigeriaprisms.org. All staff are contributing to website content, which is intended over the life-of-project to be "the" reference website for Nigerian financial services practitioners.

SECTION III

Project Changes

In addition to the project changes noted in the first quarterly report of the current semiannual reporting period (July to September 2004), there are two significant changes to note.

The project has begun to reap the benefits of two outstanding long-term Nigerian technical staff, Farouk Kurawa and Kayode Faleti. Both began work on November 1, 2004, and have quickly become involved in a range of the project's technical activities under both PIR 1 (commercial bank capacity building) and PIR 2 (NBFI capacity building). The two are now integrated as key members of the team, working in collaboration with the Chief of Party, other project staff, short-term technical advisors, and external project partners.

The second change to the project relates to the design document approved in July 2004. The approved PRISMS design called for a shortened performance period ending in September 2006. A number of project activities during the reporting period (including PMP development) were based on that assumption. However, it became clear toward the end of the reporting period for this report that USAID desires the continuation of the program to the end of the originally contracted performance period, ending in January 2008. USAID sees this as an opportunity to maximize synergies between existing and upcoming USAID and other donor-funded programs in the areas of financial services and improved livelihoods. This change in the assumed performance period will require continued discussion and work with the SO12 team during the current quarter to ensure that project documents (notably the PMP) remain consistent with the lengthened performance period. These discussions are currently underway.

SECTION IV

Detailed Activities and Progress Against Benchmarks

PRISMS' first annual *work plan* lays out planned activities as well as end-of-year benchmarks on the way to achieving project impact. Benchmarks (also known as project outputs), are specific activities to be completed that are meant to eventually bear fruit, but are not targets that measure final impact. A benchmark is considered to be achieved once an activity or output is completed--for example, once a training workshop is completed. On the other hand, PRISMS' intended results are laid out in its *performance monitoring plan*. A result is a final measurable impact that flows or is expected to flow from project activities. PRISMS' Intermediate Results (PIRs) feed into a project goal, and also feed into USAID/Nigeria Mission level sub-intermediate results, which then feed into SO12 Intermediate Results 12.2 and 12.4.

Below, activities for each PRISMS Intermediate Result (PIR) and Key Results Area (KRA) are detailed. Following each specific PIR and KRA is commentary on progress toward end-of-year benchmarks.

A. PIR 1: Increased Capacity of Commercial Banks to Serve MSMEs

PIR 1 activities represent PRISMS' activities in direct support of commercial banks, either through direct training and technical assistance interventions, or through the triggering of "copy-cat" or multiplication effects supported by integrated project communications, including holding workshops, the development of an informational and interactive website, and competitive market pressure.

A1. KRA 1.1: Increased Capacity of Partner Banks to Extend MSME Financial Services

KRA 1.1 activities during the period included direct advising to commercial banks; the collection and collation of useful demand information for eventual distribution to commercial banks, and the development of training curricula for commercial banks. These activities are described below.

KRA 1.1 Activities.

- All field work for the MSME "mapping" survey, conducted by Nigerian subcontractor Development Associates, was completed. The survey is intended to guide commercial banks to the most viable MSME sectors. The draft survey report will be completed during the early part of the current quarter, then provided to the PRISMS technical staff and USAID Nigeria for review, after which it will be finalized and presented to the financial services community at a workshop to be held during the current quarter.
- PRISMS provided Union Bank of Nigeria with source materials and advice for its drafting of a proposal to its senior management, recommending that UBN establish a dedicated MSME lending subsidiary. The proposal was completed and presented to senior management. As a result, PRISMS and UBN's senior management will meet during the current quarter to discuss potential next steps.

- Development is proceeding with the following two initiatives: a) the cash flow/character/enterprise-based MSME lending course for commercial bankers, intended to teach commercial bankers how to do lending assessments not based on collateral, as their total emphasis on secured credit is a constraint to their entering the MSME market; b) the community banks and MFIs assessment tool for use by commercial bankers when evaluating such institutions as possible recipients of wholesale loan capital lending facilities. The first model of the tool is complete and is currently being reviewed by PRISMS technical staff, after which it will be reviewed by OFID (the community banks regulator) and a sampling of commercial banks, after which any necessary modifications will be made and TOT in its use commenced.
- United Bank of Africa has decided to establish an MSME investments venture capital subsidiary and has asked for PRISMS technical assistance for the establishment, to which PRISMS will agree. Further discussions will be held with UBA in February and March.

KRA 1.1 Benchmarks. The table below summarizes benchmarks included in the first annual PRISMS work plan. Each benchmark is laid out to be completed by the end of year one (September 2006). An analysis of progress toward completion of the benchmark corresponds to each benchmark in the table.

Year One Benchmark	Mid-Year Status
MSME field survey completed and report written	Field work is complete and the draft report written.
MSME survey report results disseminated through website, newsletter, workshop, and other means	A workshop is planned for early March. The website will also be used to support dissemination.
Due diligence tool and training of trainers curriculum developed and delivered to partner commercial banks	The draft model of the tool is complete and currently being reviewed by PRISMS and partners. During the current quarter the tool will be finalized and partners trained in its application.
Wholesale credit facilities designed with partner banks	PRISMS is representing LAPO to commercial banks to obtain loan capital funding credit facilities; once success has been achieved, it will facilitate obtaining such for community banks and other MFIs.
One bank-owned, MSME-dedicated bank subsidiary established	PRISMS is assisting UBN with its consideration of subsidiary establishment. UBA's establishment of its subsidiary is on hold until a decision is made to proceed or not by the new management of the merged UBA/STB entity.
Three partner bank trainers trained in cash-flow/character/enterprise-based lending	The SOW for this work was submitted and approved and course development is underway.
Two partner banks completed bank-funded study tours	Until PRISMS and its commercial bank partners' relationships are broader and deeper, study trips are not appropriate.

A2. KRA 1.2: Increased Capacity of non-Partner Banks to Extend MSME Financial Services

Key KRA 1.2 activities during the period included developing relationships with potential new commercial bank partners, and finalizing a website for broader outreach to non-partner banks. Specific activities are described below, along with progress against benchmarks and targets.

KRA 1.2 Activities.

- Meetings were held with the chief executives of the following two banks at the DFD Conference:
 - Oceanic Bank. The CEO is greatly interested in PRISMS’ activities and wants PRISMS to become involved as follows:
 - 1) meet with her to discuss Oceanic providing loan capital credit facilities to community banks and MFIs;
 - 2) make presentations to the following two sub-committees of the Bankers’ Committee on which she serves: mortgage lending enabling environment establishment sub-committee; SMIEIS reform sub-committee.
 - First Bank Mortgages Ltd. The CEO would like to introduce PRISMS to First Bank’s senior management, as well as participate with PRISMS and its partners for the establishment of a mortgage lending enabling environment.
- PRISMS intends to investigate the possibility of inviting the following banks to become partners: First Bank, Oceanic Bank, Intercontinental Bank, AfriBank, EcoBank and NAL Bank, as all are strong banks which have recently displayed interest in the MSME sector.
- During the current quarter PRISMS will share the MSME “mapping” survey report with non-partner banks and urge them to partner with PRISMS to investigate MSME lending possibilities.

KRA 1.2 Benchmarks.

Year One Benchmark	Mid-Year Status
Communications strategy for commercial banks in place.	This work is complete.
Five non-partner banks attend quarterly PRISMS workshops.	A workshop is planned for early March and contacts with new banks continue to broaden, as emphasized in activities above.
Two non-partner bank study tours completed.	Since study tours are not yet appropriate for partner banks, it would be premature to consider such for non-partner banks.

B. PIR 2: Increased Capacity of NBFIs to Serve MSMEs

This PIR represents project activities in coordination with all non-bank financial institutions (NBFIs), including community banks and microfinance institutions.

B.1 KRA 2.1: Increased Capacity of NBFIs to Attract Commercial Capital for MSMEs

Key activities during this reporting period focused on seeking to link MSME lenders to increased capital, the development of training curricula to improve NBFI capacity; the identification of potential training providers, and seeking to capture lessons learned from NBFI-commercial bank arrangements that are significant challenges. Detailed activities are summarized below.

KRA 2.1 Activities.

- PRISMS and LAPO (Nigeria's best-operated MSME lender) agreed that PRISMS will represent LAPO to commercial banks in its efforts to obtain wholesale loan capital funding lines of credit, as LAPO needs substantially increased loan capital for its planned expansion. To assist the representational process, PRISMS requested and received from LAPO a proposal for how LAPO intends to utilize the additional loan capital and, PRISMS-LAPO will sign an MOU during the current quarter authorizing PRISMS to represent LAPO to commercial banks. This proposal has been received and is under review. To date PRISMS has represented LAPO to United Bank for Africa, with UBA initiating the approval process for extending credit facilities to LAPO but the process has been put on hold due to management turmoil resulting from the UBA/STB. While awaiting resumption of the process at UBA, PRISMS has selected seven other banks to which it will represent LAPO.
- Curriculum development is proceeding for the strategic management course for community bank managements, which will teach managements how to manage their institutions properly, thereby gaining the confidence of prospective commercial bank partners, as community bank managements have a deservedly poor reputation in the opinion of commercial banks and unless commercial banks believe those deficiencies are being rectified, will be loathe to consider relationships. Upon completion, the curriculum will complement that already being used by GTZ for its training of community bank managements and PRISMS-GTZ will join to deliver the TOT.
- Curriculum development is proceeding for the board governance course for community bank boards, intended in cooperation with OFID enforcement, to address the poor governance of community banks. The course is intended to increase the capacity and effectiveness of community bank management and governance, thereby leading to increased confidence and willingness to do business on the part of prospective commercial bank partners. This curriculum will complement GTZ's board governance course for community bank boards and PRISMS-GTZ will join to deliver the TOT.
- PRISMS has completed an evaluation of a number of private training organizations (PTOs) to assess suitability for delivery of the forthcoming strategic management and board governance courses. PRISMS and GTZ intend to select a number of qualified PTOs throughout Nigeria for delivery of the courses, in order to achieve broader

geographic outreach and encourage competition. PRISMS-GTZ will conduct TOTs that includes one trainer from each organization. The TOT will be accompanied by the provision of curriculum materials, so that PTOs can compete to market the training course to community banks and MFIs.

- Agreement has been reached with the Central Bank’s OFID and DFD departments to adapt a version of the forthcoming cash flow/character/enterprise-based lending course being developed for commercial bankers, for use by community banks as OFID informs that the community banks also don’t know how to undertake such lending. Once the curriculum for the commercial bankers’ course is complete, then adaptation for the community banks will be undertaken in collaboration with DFD/OFID, UNDP, FAO and GTZ.
- After extensive discussions and due diligence, PRISMS has qualified one micro-lender in the Kano area as suitable to undertake a co-lending arrangement with USAID’s JOBS Project, whereby JOBS will make available its loan capital for micro-enterprise start-up lending to be co-loaned with loan capital of the institutions and targeting JOBS’ graduated trainees. Under such an arrangement the community banks will both book and administer the loans, keeping JOBS out of the direct lending business.
- Prudent Bank has informed PRISMS that its pre-PRISMS arrangement to extend loan capital credit facilities to a community bank is not providing PB with the anticipated results. PRISMS has therefore suggested to Prudent that PRISMS and Prudent jointly undertake a study of causes of the failure of the arrangement. The study will be conducted with a view towards identifying what can be done to improve the situation. Key lessons learned from this study will be useful for both Prudent and other financial institutions considering or implementing similar arrangements. Prudent’s management will make a decision regarding PRISMS’ suggestion early in the current quarter.

KRA 2.1 Benchmarks

Year One Benchmark	Mid-Year Status
20 private training institution trainers trained in community bank strategic management and board governance. These training institutions will be selected after an open selection process that includes advertising, review of institutional qualifications, and interviews.	An analysis of available private training organizations (PTOs) has been conducted and potential institutions to conduct the training have been identified and, agreement has been reached with GTZ that PRISMS’ and GTZ’s current curricula materials will be jointly delivered in a complementary fashion and that PRISMS-GTZ will jointly undertake the TOTs.
Three memoranda of understanding (MOUs) in place with partner donor institutions for support of operational capacity of community banks that are in partnership with PRISMS partner banks.	Discussions are underway, but MOUs are not yet possible, as the partner projects are not yet operational.

C. PIR 3: Improved Enabling Environment

This PIR represents PRISMS' activities in collaboration with the Central Bank to improve the overall supervisory and regulatory enabling environment for provision of finance to MSMEs.

C1. KRA 3.1: Increased capacity of OFID to Supervise NBFIs Serving the MSME Sector.

KRA 3.1 Activities. Initial KRA 3.1 activities got underway during the reporting period. Agreement has been reached with OFID that design of the training course for OFID examiners in use of OFID's forthcoming e-FASS online supervision and early warning system output, will not await the planned USAID-PRISMS-CBN MOU but is to be undertaken immediately. A meeting subsequent to such agreement was held with OFID to initiate design discussions and further meetings are planned. As part of the design process, PRISMS will recommend to OFID that selected OFID personnel visit the Central Bank of Jordan, to both study its online supervision and early warning system and how its examiners use the system's output.

KRA 3.1 Benchmarks

Year One Benchmark	Mid-Year Status
MOU signed with CBN.	Productive discussions are underway for areas of collaboration, though an MOU is pending based on outcome of CBN's needs mapping.
DFD/OFID study tour to Jordan completed.	PRISMS-DFD/OFID discussions about such a tour are underway.
Four OFID trainers received TOT in analysis of on-line community bank supervisory system (e-FASS) output analysis	Design process discussions for this activity are underway and will not require waiting for final MOU.

C. KRA 3.2: Enhanced Policy/Regulatory Framework for MSME Financial Services.

Key KRA 3.2 activities during the period centered on advocacy to the Central Bank and the financial services community in the areas of an improved mortgage lending environment, development of an agreement with the Central Bank for participation in the revision of the SMIEIS regulation, encouragement to the Central Bank to develop a comprehensive assessment of its needs from the donor community in order to promote CBN ownership and the coordination of donor interventions that respond to real needs, and detailed planning for a tripartite donor impact assessment of the commercial bank consolidation process. Activities in this KRA were punctuated by a strong drive toward donor and government collaboration aimed at capitalizing on each organization's comparative advantages. Detailed activities are outlined below.

KRA 3.2 Activities.

- PRISMS was invited by CBN's Development Finance Department to attend its annual conference held this year in December, as a head-table presenter and sessions moderator.

PRISMS was the only international donor project which attended and DFD continually expressed during the 3-day conference, its appreciation for PRISMS' attendance and robust participation. PRISMS made its scheduled presentation, as well as an unscheduled presentation in cooperation with First Bank Mortgages Limited, about the consequences of Nigeria's lack of a proper mortgage lending enabling environment and of what a proper environment must consist.

- Within both the commercial banking industry and CBN, there is a sense of urgency about the need for creation of a proper mortgage lending enabling environment and at the DFD conference, PRISMS was asked what it can do to facilitate such. PRISMS explained that it has neither the resources, time nor remit to undertake such, but that it will seek to organize a working group of both donor financial services projects and appropriate Nigerian parties, to consider how to press the matter. Subsequently PRISMS did enter discussions with its donor project partners and the World Bank's forthcoming Access to Finance Project, informed PRISMS that mortgage lending is one of its enabling environment objectives and that it would be happy to partner with PRISMS in that endeavor. Therefore during the MSME project's February design visit to Nigeria, PRISMS and WB will agree the parameters for such collaboration, with it being understood that WB will do the "heavy lifting" in pursuit of mortgage lending enabling environment creation and that PRISMS, will assist with organization of and liaison with those interested Nigerian parties.
- World Bank, DFID and PRISMS have agreed to undertake a tripartite study of the likely effects for MSME financing, of the commercial banking industry consolidation now underway as a result of the new bank capital requirement and, what resources and configuration CBN will require to properly fulfill its role in future. The terms of reference and consultants have been agreed among the parties and each are now finalizing their various approvals requirements. DFID will fund one international consultant, World Bank will fund three international consultants and PRISMS will fund one international consultant as well as Development Associates, which will provide the Nigerian consulting resources. This tripartite arrangement is an excellent example of the type of collaboration which each of the donor financial services projects hopes to effect during the coming years of their operations.
- Oceanic Bank's CEO, who chairs the SMIEIS policy revision sub-committee of the Bankers' Committee and also serves on the mortgage enabling environment sub-committee, has asked PRISMS to partner with the sub-committees to review the committees' proposed policy revisions and to promote implementation of such. PRISMS will therefore meet with the sub-committees during the coming quarter to undertake both the reviews and agree a promotion strategy, with which PRISMS intends to involve its donor project partners.
- During the discussions during the quarter between PRISMS-DFD/OFID regarding the terms of the intended USAID-CBN-PRISMS-DFI-OFID MOU, both DFD and OFID were adamant that the MOU (or an appendix thereto) needed to be detailed and specific regarding PRISMS-DFD-OFID's commitments to one another, to which PRISMS was agreeable, however when PRISMS asked DFD/OFID precisely what they want from donors neither could be specific and then admitted that "we need to do our homework" and that DFD/OFID would undertake a "mapping" exercise of what they require from donors, after which we can again proceed to agree the MOU. To ensure that DFD/OFID

actually undertake the exercise, PRISMS is periodically reminding them of their undertaking.

- PRISMS has submitted to both DFD and OFID for review the detailed outline for the community banks' managements strategic management course curriculum, with the request that both provide comments before PRISMS proceeds further with curriculum development, as this course is being developed in collaboration with both. No comments were forthcoming, so PRISMS is proceeding accordingly.
- DFID on its own initiative provided PRISMS with a briefing about its forthcoming ProFins Project, as DFID wants to ensure that the ProFins and PRISMS designs complement each other and to ensure such, PRISMS and the ProFins design team scheduled to be in Abuja during February, will work together towards that goal.

KRA 3.2 Benchmarks

Year One Benchmark	Mid-Year Status
MOU signed between PRISMS and CBN/DFD	An MOU is pending based on outcome of CBN's donor needs mapping. In the meantime, collaboration continues, as noted in various activities above.
10 advocacy meetings held between PRISMS/World Bank and DFD.	12 cooperation/coordination meetings held
6 viable models of credit bureau enabling environment and leasing statute examples provided by PRISMS for World Bank's use in drafting of reform legislation.	The World Bank project is not yet operational, so has yet no need for the examples.
OFID examiners' manual developed	This activity is Dependent upon OFID-PRISMS agreement on the design of the e-FASS output examiners course

D. M&E, Project Management, Communications Activities

- Website: The PRISMS website (www.nigeriaprisms.org) became active during the quarter and in addition to its citing of current activities, constitutes a virtual library of studies relative to MSME financing from throughout the world. Website management is a continual process and PRISMS, through constant website refining, intends that its website become “the” website to which practitioners will turn for reference.
- PMP development: PRISMS submitted a proposed PMP during the six-month period. Based on the change in assumptions regarding the project life span, targets in the PMP will need to be developed for an additional fifteen month period, in collaboration with the SO 12 team.
- Baseline data: PRISMS staff collected baseline data as available from current partners. Certain baseline data remains unavailable as PRISMS has not yet formalized MOUs with some of the key institutions that maintain the needed data. PRISMS staff met to review monitoring and evaluation requirements and are prepared to follow up on collection of needed data as it becomes available.
- During the reporting period, PRISMS staff worked with the home office to refine and complete the PRISMS policies and procedures manual, including numerous accounting and administrative forms and templates to facilitate efficient work.
- An emergency action plan for PRISMS was developed by the PRISMS field office staff, is operational in its current draft form, and is awaiting final approval by the Chemonics Safety Network Committee.
- Vehicle: During the period, the project took possession of a USAID-provided Chevrolet Suburban. Procedures ensuring a long life for the vehicle, as well as enforcement of USAID/Nigeria vehicle policies, were put in to place to ensure the project’s continued use of the vehicle through the life of the project.
- PRISMS’ operations staff collaborated with Chemonics home office personnel, local legal advisors, as well as USAID to clarify requirements pertaining to registration and taxes. Chemonics will be sending corporate personnel to Nigeria in February to continue to work with PRISMS toward resolution of our registration and other requirements.

Progress against M&E, management, and communications benchmarks are shown on the following page.

M&E, Project Communications and Management Benchmarks.

Year One Benchmark	Mid-Year Status
M&E system in place	The PMP was submitted to USAID, though some changes will be required based on longer performance period than designed.
All required reports submitted on time	All reports submitted on time to date.
First and second-year work plans submitted	The first year work plan was submitted and year two work plan will be submitted in September.
Three Financial Services Managers on staff	Two financial service managers are on staff and a third FSM will be brought on board, funds permitting.
All financial reporting requirements met	Thus far, all financial reporting requirements have been met in a timely manner.
Policies and procedures in place and being followed	A policies and procedures manual was developed by the operations staff in keeping with USAID policies and regulations and the implementing partner's policies. All staff were oriented in policies and procedures in a participatory orientation meeting.
Project website developed and in use by partners and financial community	The project website is developed and online. A useful system of measuring access to the site is being developed, at the same time that the site is being promoted.
Three quarterly newsletters distributed to project partners	A quarterly newsletter system is on hold, pending assessment of sufficiency of website alone.

SECTION V

Progress Against Targets

PRISMS presented a project-length proposed performance monitoring plan in October 2004 and since was waiting approval of the plan, which was based on the approved contract performance period ending September 30, 2006. Since then, the revision of the contract performance period was denied, and recently, PRISMS has entered into discussions with USAID regarding changes that will therefore need to be made to the Performance Monitoring Plan prior to formal approval. These include extending the indicator target dates through to the end of the performance period) and amending baseline data and target values based on recent collection of baseline data. These discussions are underway and a revised PMP will soon be submitted. The revised PMP will form the basis of the quarterly report covering the period ending February 11, and due on March 12.

SECTION VI

Opportunities/Constraints/Upcoming Activities

The financial services environment within which PRISMS (and its donor financial services project partners) operates is rich with opportunities, as financial services in Nigeria are so woefully underdeveloped and the needs so basic and apparent. This, combined with the eagerness and desire on the part of existing and potential financial services providers that appropriate products, delivery methodologies and enabling environments be developed, provides enormous scope for financial services development projects to effect substantial accomplishments.

However, PRISMS does face some significant constraints. Valuable time for PRISMS is being lost relative to the commercial banking industry, both because of the distraction of bank managements with banks consolidation and because the new CBN MSME lending regulation which was to have been approved and issued months ago, continues to be debated at the board level of CBN. Until the distraction of consolidation activities abates and the final regulation is issued, so that commercial banks can understand the forthcoming regulatory landscape, they are not undertaking the substantive commitments necessary for entering the MSME sector. This does not, however, mean that there is no progress in advancing PRISMS' agenda concerning the commercial banks, as PRISMS continues broadening and deepening its relationships with the banks in preparation for the time when they will feel free to make the necessary commitments.

It is hoped that during the coming quarter the consolidation distraction will abate and the regulation be issued, but in the meantime PRISMS has been profitably using its time and resources to advance other necessary initiatives which are not so dependant upon an abatement of distraction and issuance of the new policy. Major activities for the coming quarter include:

- Completion of the tripartite PRISMS-WB-DFID capitalization impact study.
- Release of the PRISMS MSME “mapping” survey and accompanying workshops.
- Completion of the three courses curricula and assessment tool, as well as the plan for TOT and delivery.
- Completion of design for OFID examiners course.
- Agreement with WB for mortgage lending enabling environment creation collaboration.
- Sufficient commercial bank loan capital credit facilities extended to LAPO for expansion.
- Designation of several additional partner commercial banks.
- Agreement with the SMIEIS revision and mortgage enabling environment sub-committees of the Bankers' Committee, for collaboration.
- Design agreement with ProFins for complementarity and collaboration.
- Completion of the intended USAID-CBN-PRISMS-DFD-OFID MOU.
- Agreement with Prudent Bank to jointly determine the reasons its community bank loan capital funding arrangement is unsatisfactory and the solution.
- Agreement with UBA for PRISMS' assistance to its planned MSME venture capital subsidiary.
- Determination with UBN whether it intends to proceed with establishment of a dedicated MSME lending subsidiary.

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