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EVALUATION OF THE
SMALL AND MEDIUM ENTERPRISE DEVELOPMENT
SUPPORT PROJECT

Submitted to:

USAID/Liberia

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Executive Summary

1. Background

The evaluation was undertaken both to assess the performance of The Small Enterprises Financing Organization (SEFO) and to determine whether, and to what degree, USAID should continue providing assistance to SEFO.

SEFO operates in a particularly negative lending environment which must be considered in rendering a valid assessment. It is characterized by: (i) a judicial system which normally favors debtors over creditors in cases of default and claims on securities; (ii) foreign exchange shortages which severerly constrain SSE access to imported tools, equipment and materials and thereby cut into growth and profits; and (iii) a liquidity crisis among development-lending institutions, many of which, as shareholders* in SEFO, have been unable or unwilling to provide badly needed new investment capital.

As the only formal credit source for SSEs in Monrovia, SEFO faces a difficult task in selecting viable enterprises, in recovering credits and in gaining access to local sources of funding. Its resiliency in maintaining operations over the past few years has been laudable.

2. Overall Performance

Initiated in 1982, SEFO ran into major problems from the outset, disbursing far too many credits to weak enterprises and incurring immediate default problems. An evaluation in 1986 reported that SEFO had the following major problems: (i) loan volume too diminished to approach viability; (ii) high defaults due to weak appraisals, lax follow-up and non-agressive collection; (iii) unfocused and costly technical assistance; (iv) high costs, particularly when measured on a per loan basis; and (v) insufficient information and monitoring systems on the portfoloio.

Since 1985, SEFO's loan performance has improved markedly. Its recovery rate is roughly 80% on the 94 active loans now being monitored, as compared to 46% on total outstanding loans. It has intensified follow-up considerably; strengthened its appraisal capabilities; focused technical assistance on loan repayment; and formed very sound relationships with clients (which contributes significantly to loan recovery in the absence of legal pressures). In addition, it has cut its costs per loan by $33% since 1985 and developed, with VITA assistance, an efficient computer-based portfolio monitoring system.

*A listing of shareholders is contained in Appendix III, no. 5 Capital Structure.

SEFO has gained valuable experience as well as confidence as an SSE lender and has developed solid staff capabilities in its loan department. It would be both difficult and expensive to duplicate this elsewhere, and as the only formal credit institution for SSEs in Monrovia, it deserves special consideration in providing support to this important sector.

At the same time, the organization is far from achieving financial viability, and, in reality, cannot be expected to do so in the forseeable future. With net accrued losses of L$2.3 million and negative shareholder equity at L$831,718, it is highly unlikely that either donors or shareholders will approach the prospect of recapitalization. However, local investing institutions should consider converting current shareholder investments to grants. This would reduce negative shareholder equity and improve SEFO's debt-equity ratio dramatically to attract future financing. It would also demonstrate the local support so often voiced for SEFO by local institutions.

The most immediate concern, however, is that of forming a coherent short-to medium-term strategy for turning around SEFO's negative cash-flow (-L$198,000 for 1989), and putting the lending program on a sustainable track. SEFO's General Manager has produced loan projections (Annex V) through 1991 requiring L$1,416,3000 in new grant capital that would build the portfolio to 220 loans totalling L$2,156,000. At this level, with a 10% effective margin, SEFO could begin defraying some of its operational costs of L$280,000. It is recommended that the Mission consider providing the first two years of loan-capital required for the build-up (L$850,000), monitoring loan performance to assess whether continued support is warranted. An additional L$200,000 in recurrent cost support is also recommended to reduce cash-flow and liquidity constraints during the build-up period.

Any such support from USAID/Liberia should be accompanied by the adoption of a number of measures to remove financial constraints on SEFO and to enhance its lending efficiency. First, collective reimbursement should be made to SEFO from the National Bank of Liberia's guarantee mechanism for the approximately L$500,000 in non-collectible loans that are still outstanding to the NBL and accruing interest. SEFO currently owes the NBL L$904,000, over half of it uncollectible. Payments on this debt impinge cash-flow seriously, and the non-performing loans in question would clearly appear to qualify for write-off and reimbursement.

Second, SEFO should raise its overall interest rates on self-financed credits to between 22-25% to establish effective margins that avoid further decapitalization and begin to generate earnings on the portfolio.

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Third, SEFO should renegotiate its current borrowing and lending terms with the NBL to provide itself with a margin of at least 20%. SEFO is currently on-lending NBL funds at a margin of 10.75%. With 80% ongoing recovery, it is in a negative position of roughly 9% on all drawdowns. If these terms cannot be renegotiated, SEFO should move away from NBL credits.

Fourth, SEFO should target its recovery rate to be 90% by 1991.

3. Programmatic Constraints

SEFO is an inefficient lender and to more than double its yearly output of loans without raising costs, it must adopt a minimalist approach to credit. This entails a number of fundamental changes to its current loan process.

First, it must adopt a more proactive approach in attracting more applicants, (including the option of satellite offices) and decentralize the screening of clients to the field-worker level.

Second, the client load for all current field staff must be raised to 50 clients per worker; this again urges consideration of the assignment of field staff to specific communities.

Third, loan turnover and recovery should become virtually the sole criteria for field staff performance, technical assistance should be basically eschewed, and the monitoring of general business performance should be managed through central means on a periodic basis.

While these constitute significant changes, SEFO has little choice but to become more of a bank if it wishes to survive.

4. Institutional Performance

Traditionally a top-heavy and costly operation, SEFO has cut staff and attendant costs during 1989 but still remains overly centralized and over staffed in the front office. With the expected retirement of the President this year, it is recommended that the position of President and General Manager be merged and that the current VITA General Manager shift to the role of technical advisor to the President during a transition period. The new President should be a senior executive with significant experience in commercial and/or development banking, and his/her selection process should be rigorous given its importance to SEFO's future.

In the opinion of many, SEFO's Board needs revitilization as, part of the move toward a new era of operations, and it is recommended that Board membership be opended up to include a broader range of private-sector representatives.

Regarding management information, the computer systems developed for loan tracking are sound and well managed. But the same cannot be said regarding general financial and managerial information systems within SEFO. Inconsistency in data from various units and a general disclarity in regard to the tracking of financial information make analysis difficult and poses a potential problem for new management. A computer-based system linking portfolio monitoring and central accounts needs to be established.

Lastly, the role of VITA appears to be related to the general improvement in SEFO's performance. Relations between the VITA General Manager and SEFO staff are sound, and the quality of advice and technical support is high, particularly in planning for future viability. It is recommended that VITA assistance remain in place at least through the first year of implementation of new activities financed by USAID.

Introduction

I. Background

This evaluation was undertaken to assess the programmatic and financial performance of The Small Enterprises Financing Organization (SEFO) under the Small and Medium Enterprise Development Support Project (SMEDS) and to address the advisability and possible course of future support to the institution. The terms of reference for the work are attached as Appendix I.

The evaluation has two major aspects. The first regards SEFO's overall performance as a small-business development and credit institution, the second its financial position and potential future sustainability. In focusing on these interrelated areas, the report seeks to highlight the key problems facing the institution and to form a suggested strategy to being the process of recovery.

The evaluation was carried out in the field over a ten-day period, from February 21 through March 3. The information, conclusions, and recommendations in the report are based on the following:

1. Discussions with USAID and SEFO management and staff, and the VITA General Manager;

2. Talks with a number of development professionals, both private and public who are knowledgeable of SEFO;

3. Visits to twelve loanees randomly selected (13% of total active clients);

4. A review of reports and documentations, both internal and third-party, relating to SEFO, as well as internally generated financial and client data; and,

5. A review of financial statements on SEFO furnished in the course of evaluation by Coopers and Lybrand. (The Financial Scope of Work is Appendix II; Financial Statements are Appendix III).

While the time in the field was somewhat shortened by scheduling difficulties, a number of factors facilitated information gathering and analysis. First, there is significant documentation on SEFO's loan performance. The 1986 evaluation (Marshall and Smith) provides both information and insight into the problems and prospects of SEFO and offers a consistent set of recommendations carrying over to the present. The recent assessment report by VITA provides updated data and analysis on the program and its financial status.

Second, USAID/Liberia has paid close attention to SEFO and was extremely familiar both with its performance and with institutional issues of relevance. The guidance and insight provided by the program staff was highly relevant and much appreciated by the evaluator.

Third, SEFO's internal documentation and computerized data systems on loan performance are well developed. Information needs on both clients and loan disbursement were generated quickly and proved reliable. (Matching such data consistently with that of the accounting department and SEFO management remains a problem however, as discussed later in the report). Lastly, most people deemed necessary to consult were available for interviews. Thus, despite the short period of time provided, information and analysis on SEFO have been formed, I believe, on an adequate basis.

II. SEFO's Performance

A. The Environment

SEFO faces extraordinary constraints in operating as a small-business credit institution in Liberia, and this must be considered in rendering a true assessment of its performance. Three factors directly related to SEFO's operations will serve to illustrate the ongoing difficulties it faces.

First, Liberia is a difficult country in which to lend and recover funds (and hence to borrow). The legal and judicial systems tend to favor debtors over creditors in claims on securities from defaulters. This has broad ramifications in exacerbating willful default and hardening already conservative bank attitudes, especially toward small-enterprises which normally lack sufficient collateral in the first instance. Added to this are controls on commercial interest rates (pegged to four points above the New York bank rate) which further impedes credit flows for small borrowers. The net result is little commercial credit available to small enterprises combined with an undisciplined repayment environment. Selecting clients and maintaining recovery in this atmosphere is thus difficult.

Second, foreign exchange shortages have impacted negatively on small-businesses. The high cost of foreign exchange (effectively 2:1, U.S. dollars to Liberian dollars) has increased prices of imported goods and materials dramatically for SSEs which are very dependent on imports. This results in business slow downs and diminished profits among many borrowers and creates additional difficulty in the targeting of loans and in client selection.

Lastly, although it is the only active credit institution for small enterprises in Monrovia, SEFO receives little support either from the government or its sister institutions in the development-finance arena--many of whom are shareholders. Given the current liquidity problems these entities face, no increases in equity contribution to SEFO have been made locally since the initial capitalization of the company, despite SEFO's enhanced performance and its dire need of capital infusions. Worse, a number of institutions competing for foreign-exchange and donor funds sit on its board, hardly providing a structure for the independent counsel and advice that such a development organization requires. In similar fashion, the National Bank of Liberia, SEFO's main lender, is itself in severe distress, and not well positioned to provide the type of financial assistance needed by such a high-risk lender.

Doubtless, these constraints make SEFO's job a difficult one. Yet the SSE sector itself appears surprisingly vibrant, the economy is growing and the clients visited showed remarkable resiliency in responding to market opportunities on the one hand and accessing necessary goods and materials on the other. At the same time, government interference in the economy is far less than in most African countries. Given the widespread small-business sector of Monrovia, it is clear that there are sufficient credit demands to warrant the specialized lending efforts of SEFO, which faces little formal competition in SSE lending, especially at the lower end of the scale.

Given its unique role, SEFO enjoys widespread moral support. Virtually all professionals interviewed repeatedly stressed the critical gap that SEFO fills in Liberia and strongly urged continued support from USAID to help turn it onto the path of viability. If SEFO is to have any true chance of recovery, however, voiced local support must be rendered far more tangible.

B. Measuring Progress

In judging SEFO's overall progress, this report takes as its basis the evaluation of 1986 (Marshall & Smith). This is done both to provide continuity in assessment and to highlight in comparative manner programmatic and financial changes over time.

The 1986 evaluation's main conclusions were that SEFO:

(1) had lending volume far too small either to render significant impact or achieve viability;

(2) had excessive overhead costs as compared to loan volume (L$392,000 on 38 credits totalling L$506,000);

(3) had major recovery problems due to poor and inaccurate appraisals and non-aggressive follow-up and collections;

(4) suffered from un-coordinated and costly T.A. and training not well targeted on enterprise improvement;

(5) lacked general coordination at the management level generally, and, specifically, between the then Business Advisory Service and SEFO itself; and,

(6) lacked sufficient and timely information from its credit department on both loanees and overall portfolio performance.

Consistent with its findings, the report recommended that SEFO:

(1) increase its loan portfolio dramatically, mainly through increasing outreach to smaller enterprises, channeling numerous working-capital credits (60-90 days) to increase in size over time with repayment;

(2) tighten its field-collection and monitoring processes to increase recovery;

(3) streamline management systems and decrease loan-processing time through decentralized decision-making for working capital;

(4) create efficient and reliable information systems; and,

(5) tie T.A. and training inputs directly, to client-and loan performance.

The report recommended consideration of increased funding of $3.3 million to SEFO if sustainability were to be achieved; it further supported continued expatriate technical support from PFP/International.

In the main, the basic conclusions and recommendations of the 1986 evaluation appear both sound and of continued relevance to the assessment of SEFO's performance, and will be used as guiding points in the sections which follow. A few significant changes should be noted however. First, the BAS was integrated within SEFO and no longer constitutes a management problem per se. Second, with the demise of PFP/I, VITA, through a novation agreement in January 1988, took over the technical assistance function, appointing, with SEFO, a general manager. As part of the agreement, $250,000 in sub-grant support from USAID was channeled through VITA. This has now been fully dispersed. The $3.3 million in new funds considered in the report has not been forthcoming from any donor, with USAID providing the only new support as mentioned above.

The recommendations in the report were largely accepted by SEFO with the exception of that pertaining to lowering the target size of both credit and borrowing enterprises. While the consultant views the former evaluators' reasoning as supportable, SEFO, both then and now, contends that a diverse portfolio strengthens its credit posture and that an increase in both the number and size of credits would enhance financial viability (i.e., lowered costs per volume lent). There is merit in this viewpoint put forward by those most closely involved in the day-to-day credit operations.

Given SEFO's improved recovery rates at all loan levels, the consultant is quite willing to support continued diversification in size provided that the overall credit strategy is coherent and efficiency is enhanced.

Lastly, technical assistance functions by field staff have largely been converted to loan-appraisal and monitoring functions, with far greater directedness on credit performance. Thus T.A. and training *per se* do not appear at present to actually constitute distinct functional areas for assessment. This is a positive development: given the questionable relevance of former T.A. and training together with SEFO's critical financial recovery needs, the cutback of T.A. and its further integration with credit follow-up should be encouraged.

As the report demonstrates in the following sections, SEFO's performance since 1986 has steadily improved and most of the performance improvements recommended have been undertaken, with dramatic impact in some areas. Indeed, one cannot but be impressed by the turn-around in client selection, follow-up, and collection procedures, and the consequent increase in loan recovery. Further, the resiliency of the organization to survive amidst continuing external pressures has much to say about its character. The President of SEFO, who intends to depart from his position toward the end of 1989, has played a key role in maintaining the organization up to this time. His drive and commitment will surely be missed.

At the same time, SEFO faces problems--both internal and external--that continue to threaten its existence, and its impact to date continues to be negligible vis-a-vis the finances invested. The present problems, while difficult, do not appear intractable, however, given a basic level of financial support and increased measures of cooperation locally.

Some hard decisions on the part of both SEFO and USAID are imminent if the organization is to gain greater viability and performance while beginning to remove the binding constraints that continue to plague it.

C. Loan Performance

SEFO's overall loan performance, taken in aggregate since its inception in 1982, is poor and its impact marginal. To date, SEFO has made in total 275 loans, disbursing L$2,065,100. Of this, L$1,448,604 is outstanding with approximately L$1,250,000 in arrears. These defaults, together with accumulated interest and unrecovered operational costs, have produced net accrued losses of L$2,343,547 (see balance sheet, Appendix III SEFO Financial Statements), placing it in a precarious financial position. (Discussion of Finance is in Section III-A.)

Since the beginning of 1986, however, loan performance has improved markedly, as demonstrated in Table One below which compares the performance of active post 1985 loans to total active loans.

Table One: Active Clients, Loan Performance

	No. of Clients	Total Disbursed	Principal in Arrears	Average Size	% Arrears
Total Active Loans	194	1,870,504	894,195	9,642	47.8
Active Clients since 1985	67	626,682	101,721	9,353	16.2

A data breakdown on post 1985 loans is presented in Appendix IV. While SEFO staff estimate that overall collection on post 1985 loans by the end of 1989 will average about 80%, rather than 84%, this is clearly a dramatic improvement in recovery. It is unfortunate that the post 1985 loans do not constitute a higher percentage of total credits. This is due in large part to the failure to attract significant new donor investment since 1985 and substantially increase volume.

SEFO's enhanced loan performance appears due to a number of interrelated factors:

First, it has clearly improved its client selection and appraisal capacity. As to client selection, SEFO has developed a more market-oriented approach toward focusing on selective sub-sectors. In examining the breakdown of post-1985 clients by trade area in Appendix IV, loans are clustered toward four main areas: poultry production (15 loans, 22% of total); pharmacies (13 loans, 15%); retail operations (10 loans, 15%) and restaurants (6 loans, 8%). Collectively, these areas make up 64.5% of the post 1985 portfolio and run at roughly 90% in recovery rates. This targeting has been purposeful, with the credit department responding more favorably to areas in which its experience has shown that local market saturation and overcompetition have not occurred, and cutting down on loans in difficult sub-sectors.

In appraising loans, SEFO has tied assessment directly to three factors: local market opportunity for expansion; management capacity (for production , sales and credit utilization); and a combination of cash-flow and profit-and-loss projections detailing the specific use of the loan and projected outcomes. The appraisal process differs in intensity and scope by loan size, with full depreciation and profit-and-loss statements being included on medium-size (L$25,000)-to larger credits (up to L$50,000). Cash-flow is more emphasized on smaller working-capital loans.

In reviewing appraisal documents of the clients visited, the financial projections proved generally accurate, particularly regarding the application of credit funds. Market predictions, always a difficult endeavor, were well reasoned and usually conservative, though less accurate. And management capacities and constraints were well identified in most cases. Generally, client assessment performance in SEFO appears to have improved dramatically since 1985, with client performance better documented and predicted.

Second, client follow-up and technical assistance is intensive and well matched toward loan recovery. SEFO uses the appraisal process as both an assessment mechanism and a planning tool for the client; the business plan developed in the process forms the basis for monitoring. Visits are twice monthly and entail: 1) a review of the status of the business,particularly its financial health; 2) follow-up on repayment; and 3) counselling on specific outstanding business problems.

Gearing the process to loan recovery, field staff follow the progress and problems of the enterprise, reviewing loan repayment status and examining income and expense statements and/or estimates with clients who have repayment problems. While pressure to repay is clear in the relationship, field staff are reasonable on delayed payments, setting new schedules when problems impact on payment.

Field visits to clients by the evaluator tended to confirm SEFO's reporting that most repayment problems are involuntary and related to business problems. In the two cases visited where repayments were overdue, the clients had severely rising costs for imported supplies and did not have sufficient cash to purchase foreign exchange. (This same problem was repeatedly stated by clients as their key constraint.)

What is also clear from visits is that SEFO has formed very sound working relationships with clients who appreciate the access to credit and the efforts made on their behalf by extension staff. Given that legal means are questionable for loan recovery, the trusting relations built by SEFO with clients are key to its enhanced recovery of loans. This characteristic is shared by most successful SSE programs since they do not rely on collateral for repayment in most cases.

As stated previously, technical assistance is specified to business problems impacting credit repayment and every agent has a monthly target for expected repayment which is his/her key performance measure. The T.A. provided normally consists of advice on financial management and accounting; efficiency in business management; and advice on specific problems, including increasing sales and accessing imported goods and foreign exchange.

While well delivered, the time spent on general business advice is expensive to SEFO. Given the continuing questions raised worldwide over the cost and effectiveness of training and T.A. for SSEs together with SEFO's efficiency needs, it is recommended that T.A. be increasingly integrated as a sub-activity of credit follow-up and that it be further minimized to address only specific problems impacting on loan repayment. Non-financial assistance not related to recovery should be delivered on a fee-basis only.

Third, the staffing of SEFO's credit department is competent, knowledgable and effective. Based on observations and interviewing of staff, their knowledge of credit operations, of the SSE sector, and of the client enterprises is high, as is their operational capacity to review, disburse, monitor and recover credit in difficult circumstances. The credit manager has done an exceedingly good job in tightening appraisals and further upgrading client selection through better targeting and assessment. She is well versed in loan operations and provides sound direction to the credit program.

The field staff are equally impressive. In field visits to clients, it was clear that they were knowledgeable of the cash-flow and operations of each enterprise and were tightly monitoring repayment. In addition, as stated, they have established close professional relations with clients thereby augmenting repayment. The growing experience of the field staff is a critical factor in improved performance.

Taken as a distinct unit, the credit department's personnel are as sound as any the evaluator has observed in Africa. It would be both difficult and costly to duplicate the experience and performance of this unit elsewhere.

Lastly, SEFO, with VITA assistance, has developed a sound computer system for monitoring portfolio performance. (Appendix IV is an example of the system's portfolio output.) The data generated from the system is accurate, as matched to client information in the field, and is kept updated. The system has greatly assisted efficient monitoring of credit and undoubtedly has played a key role in the organization's enhanced credit performance.

In general, therefore, SEFO has fulfilled most of the loan-performance recommendations put forward in 1986. It has increased recovery substantially; better coordinated and directed its selection, appraisal and follow-up processes; tied technical assistance more directly to loan performance; and upgraded its information systems in support of loan recovery. In so doing, it has gained valuable experience as well as better self-confidence as a lending entity. Most importantly, it has achieved a level of credit effectiveness from which it could move toward viability. SEFO's major problems currently relate to efficiency and finance; these are discussed in the following sections.

III. Financial and Insitutional Viability

Despite its improved repayment performance, SEFO is far from achieving financial viability. This is due to a wide range of interrelated factors, both financial and programmatic, as described below.

A. Financial Status and Recommendations

1. Capital Structure and Accrued Losses

There are a number of serious financial problems including undercapitalization, significant debt, and ongoing cash-flow and liquidity problems facing SEFO. Due to its accumulated losses, traceable largely to heavy past defaults, it is currently undercapitalized and heavily in debt. As seen in the balance sheet and capital-structure figures (Appendix III), as of December 31, 1988 accumulated losses stand at L$2,343,547 and shareholder equity deficit at L$831,718. The deficit situation will improve at the close of 1989 with the buy-out of $250,000 of equity from the Netherlands Development Finance Company (FMO) by SEFO for total payment of U.S.$115,000.

Despite this improvement, it simply does not appear feasible for SEFO to recover from its relatively large accumulated losses through self-generated earnings in the near-to-medium term, and it is equally unlikely that shareholders will be willing or able to step in with large new investments. Long-term financial viability for SEFO is therefore questionable without continued donor support.

Arguably, balance-sheet problems are not the key concern at present. SEFO shares its negative capital position with most development lenders in Liberia and, realistically, the situation is threatening only if local investors wish to regain their equity--a highly unlikely possibility given the fact that it simply could not be repaid. Given this, local investors should consider converting their share capital as a grant to SEFO. This would decrease overall liabilities by L$602,200 through paper transactions on investments that are virtually unredeemable and place SEFO in a far stronger debt-equity position to attract future funding. While legal problems may have to be solved in the process for investing banks to convert investments to donations, the conversions would clearly demonstrate the voiced support to SEFO by local institutions and send an important message to donors.

2. Financial Constraints and Short-term Solutions

SEFO's most immediate problems concern cash-flow and liquidity. As it is unlikely that any donor or investor will consider recapitalization, the key concern at present is to define a short-to medium-term strategy to turn around SEFO's current negative cash-flow situation, with the expectation that fuller recovery will occur in the longer term. Any such strategy will necessarily involve restructuring of short-and-long term debt to the NBL, which currently impacts severely on cash flow.

As seen on the Pro-Forma Cash-Flow Projection prepared by SEFO and Coopers and Lybrand for 1989-91 (Table II following and in Appendix IV), SEFO is projecting a net negative cash-flow for 1989 of L$198,000 which is in line with the roughly L$200,000 per year average rate of decapitalization that the organization has experienced since its inception. Insolvency has been avoided through a combination of USAID and GOL donor funds, (although the GOL L$100,000 contribution was not on hand at the time of the evaluation), a profitable side investment in poultry breeders (with USAID CIP funds) yielding L$179,000 and a cash balance of L$346,000 being brought forward from 1988.

The bottom line is that principal and interest reflows of L$434,000 are not sufficient to meet both operational expenses as well as moderate capital re-investment in loans (L$400,000). This is despite lowered operational costs in 1989 of 17% from 1988 (L$334,000 to L$278,000) for which SEFO should be credited, and slightly increased total loan recovery over the 1988 total of L$417,000. Lending volume and recovery are thus stagnating due to lack of new capital, while accrued debt to the NBL (discussed below) continues to mount and increasingly impinge on cash flow.

TABLE II

S E F O PROFORMA CASH FLOW (1989)
($,000)

	ACTUAL 1989	PROJECTED 1990	PROJECTED 1991
Cash Receipts:			
Loans:			
NBL/IDA	120	-	-
Sub-Total	120	0	0
Share/Donated Capital/Grants:			
PVO (USAID)	95	-	-
GOL	100	100	100
Sub-Total	195	100	100
Loan Collections	298	341	432
Gross Income:			
Interest-Loans	136	158	170
Proj. Investig.Fees	6	7	7
Penalty Int. & Chgs.	17	15	15
Other Income Generating	179	260	275
Miscellaneous Income	2	4	4
Sub-Total	340	444	471
TOTAL GROSS RECEIPTS	953	885	1,003
Cash disbursement:			
Portfolio Investment	400	400	500
Adm. & Oper.Expenses	278	280	280
Financial Charges	146	45	45
NBL/IDA	132	35	35
FMO	115	-	-
CIP Program Expenses	77	59	70
Capital Expenditure	3	100	-
TOTAL DISBURSEMENT	1,151	919	930
Net Cash Inflow	(198)	(34)	73
Begining Cash Balance	346	148	114
Cash Balance Before Bank Interest	148	114	187
Interest-Temp. Investment	0	0	0
Ending Cash Balance	148	114	187

While net-positive cash-flow of L$73,000 is projected by 1991, this is based largely on projected revenues from other income generating activities (L$260,000 in 1990 and L$275,000 in 1991). These investments are as yet undefined and their relation to SEFO's development mandate as a development lender must be strongly considered--especially if they detract from further capital investment in lending to SSEs. At the same time, any disruptions in inflows, not unknown in SEFO's experience, could preclude such investments through a squeeze on already tenuous liquidity.

The most practical immediate remedy would be a well placed capital infusion to turn SEFO's lending operations into a sustainable endeavor, and toward that end the VITA General Manager has produced loan projections, based on new capital inflows, through 1991. These are presented in Appendix V. The projections are internally consistent and, with increased loan efficiency, appear feasible. The projections are summarized in Table III below.

TABLE III Loan Projections: 1989-1991

	1989	1990	1991
No. Active Loans	94*	139	175
Loans Retired	--	19	20
New Loans	45	55	65
Total Loans	139	175	220
Value all Loans	1,536,050	1,627,250	2,156,100
New Capital Required	396,350	469,100	550,850
Loan Fund Balance	(92,635)	(119,655)	9,690

In making projections, an on-time recovery rate of 80% is predicted with default reserves set aside at 5.3% of principal. The net result of grant-financed new capital investments, at L$1,416,3000, would result in a positive loan-fund balance of L$9,690 and a portfolio of 220 loans averaging L$9,800, roughly the current loan average. Most importantly, it would increase outstanding loans to L$2,156,100 which, with 10% effective return, which should be feasible with adjusted interest rates and improved recovery, would begin to approach overhead costs of roughly L$250,000 per year.

*This figure represents loans considered both active and viable; the balance of 100 outstanding loans falls largely into the collection category.

It is recommended that USAID consider financing the new loan capital required through the first two years on a grant basis, with close monitoring. This would best be combined with small operational subsidies of roughly L$100,000 per year to relieve cash-flow pressure. Total support of roughly L$1.05 million (L$865,450 in loan funds and up to L$200,000 for recurrent-cost support) would allow for a two-year period to assess performance after which consideration can be given to continued funding. Other donor collaboration can also be sought during the two-year period.

Consideration of new financing should be premised, however, on both the removal of arbitrary external financing constraints facing SEFO and further upgrading and efficiency steps. These are detailed below in the sections which follow.

3. Debt Status and Loan Write-Offs

Unlike the situation regarding its negative capital structure, SEFO's debt to the NBL is of immediate concern as it drains cash-flow and directly contributes to decapitalization. While the NBL has tried to be supportive of SEFO within the bounds of its own liquidity and regulatory constraints, the financial relationship is extremely negative for the latter.

SEFO currently has outstanding debt to the NBL of L$904,664, with interest accruing at 4.75% per year. This has resulted from borrowings on a former IDA line of credit to the NBL for on-lending to SSEs through local institutions. Loans from SEFO to clients drawn from the NBL credit line are at 15.5% interest over three years to production enterprises. There is a guarantee on the principal of those loans issued by the NBL on a fee basis for each loan. Since its inception, SEFO has borrowed roughly L$750,000 from NBL for on-lending and approximately L$500,000 of this sum represents uncollectible loans made prior to 1986.

SEFO has not had adequate cash-flow to service the outstanding balance and this year entered into a rescheduling agreement whereby L$104,000 in interest was paid to the NBL to borrow an additional $214,000. Under the agreement, SEFO must pay interest to the NBL monthly on receipt of payment from sub-borrowers, and make 16 even quarterly payments of L$13,375 to retire the principal, beginning in October, 1989. This will further strain cash flow. In addition, SEFO agreed to subordinate all future debts to the NBL to guarantee future payments on outstanding principal and interest. This could have markedly negative consequences in trying to attract future lenders.

SEFO cannot achieve viability carrying an outstanding $904,000 debt obligation to the NBL (currently accruing interest at roughly L$50,000 per year) with over 50% of it (L$500,000) in non-collectible loans. And the forced payment of L$104,000 in interest this year to maintain access to further credit contributes significantly to 1989's negative cash flow.

The L$500,000 in uncollectible loans should be reimbursed through the guarantee mechanism, but efforts to do so have not met with success. There are two reasons why. First, the NBL has a requirement that all legal means be exhausted to recover loans before the guarantee can be accessed. Second, claims are to be handled on a case-by-case basis. These conditions are exceedingly difficult for SEFO to meet: legal proceedings are both expensive and usually negative for collectors and case-by-case negotiations on over 50 distinct loans could drag out for years. Given the clear non-performance of the loans in question, it would appear only reasonable that the NBL agree to reimburse SEFO for past non-performing loans, either through cash payment or through a one-time deduction on its outstanding debt. As a step in this process, SEFO's board and management need to clarify its own write-off policies and to submit collective documentation to the NBL for processing. <u>It is recommended that USAID use its utmost influence to secure guarantee reimbursement of these loans, including, at its discretion, making it a pre-condition for continued support to SEFO</u>.

4. <u>Interest-Rates and Loan Recovery</u>

While a capital contribution of L$850,000 to increase loan volume together with the write-off of L$500,000 in bad debts would greatly assist SEFO in recovery, lending terms must be adjusted if viability is to be attained in the credit program. Currently, SEFO lends at four different rates:

1) <u>NBL-credits at 15.5%</u> (borrowed at 4.75%), with up to three-year repayments;

2) <u>Self-financed term loans</u>, 18% up to three years repayment;

3) <u>Self-financed working-capital loans</u>, 22% up to two years; and,

4) <u>Self-financed short-term credit</u>, amortized monthly at 2% per month or 24% annually.

Currently, the overall blend rate is reported to be around 19%, as NBL credits at 15.5% constitute L$120,000 out of the projected L$400,000 to be disbursed in 1989. The aforementioned projections for new loans (Appendix V) include both NBL funds of 15.5% and new funds at 20% interest with a blend of 18%. With ongoing recovery at 80%, and probably 10% eventual defaults, SEFO needs to increase its overall interest rates to between 22-25% to create an effective margin of at least 10% to avoid further decapitalization and lay the basis for earnings to be generated on its loan portfolio.

For this reason, SEFO should first of all renegotiate its line of credit with the NBL to increase its margin from 10.75% to a minimum of 20% in order to break even. This should be accomplished through a raising of the on-lending rate and, if possible, a lowering of the borrowing rate to SEFO. As this may not be possible given GOL interest-rate limitations that the NBL must abide by, SEFO may simply have to forgo further borrowing from the NBL and locate other funding sources. With ongoing 80% recovery at present, it is currently losing roughly 10% on all drawdowns.

Secondly, SEFO should adjust its self-financed lending rate upward beginning with a blend rate of between 22-25%. While it may be argued that increasing interest rates will put further pressure on clients, without a viable SEFO most would have no access to formal credit whatsoever. At the same time, adjustments can be made in amortization periods to lower monthly payments while keeping outstanding principal at a more positive rate of interest. These new rates should be tested over one-to-two years and if feasible, be adjusted upward again.

Lastly, recovery must continue to improve. While the increase to roughly 80% on-time recovery is laudable, it is not feasible in the long term. With interest rates overall averaging approximately 23% over the next two-to-three years, recovery should be targeted at 90%, leaving a 10-13% effective margin. If this can be accomplished, SEFO would begin to protect loan capital and generate earnings on its loan portfolio to begin defraying administrative costs. This would constitute a true turning point for the organization and in the evaluator's assessment it is possible, given further institutional upgrading, as presented in Section III B below.

5. Other Revenue-Generating Possibilities

Given the exchange differential between U.S. and Liberian dollars, the possibility exists to leverage additional revenues for SEFO through grant funding in U.S. currency. The 40% differential reportedly offered through various legal foreign exchange transactions could obviously contribute greatly to SEFO's earnings position. What needs to be considered is how the differential would be generated in a manner supportive of SEFO's development mandate.

One immediate possibility is for SEFO to use foreign currency to import directly goods and equipment for clients, lending them in-kind with a 40-50% price differential. Clients in the field queried on this suggestion were in enthusiastic agreement as they currently pay 100% for U.S. dollars. The use of foreign exchange for client goods would clearly be preferable to SEFO's making foreign-exchange related side investments not related to its development mandate.

The matter of getting full access to foreign exchange once it is transferred to Liberia evidently raises difficulties however. As reported by SEFO, once U.S. dollars are banked locally, they are credited as foreign exchange but no more than 40% is allowed to be withdrawn in hard currency. Other measures than direct transfer to Liberia may have to be investigated, including the possibility of an offshore account, if legal, and/or transfers and purchasing through VITA. Given SEFO management's wide knowledge of local finance and banking, alternative mechanisms can be explored. Hopefully, a reliable mechanism can be identified as 40% gains on just L$200,000 of loan capital would provide a secure gain of L$80,000 per year (before interest) to offset loan losses and defray operational expenses while saving clients over 50% in import purchases.

B. Programmatic Efficiency

The loan projections through 1991 detailed in Appendix V call for a net increase of 165 loans over three years, or 55 new loans per year on average, leading to a total portfolio of 220 loans. Since 1985, however, SEFO has averaged roughly 30 new loans per year and is carrying an active portfolio of 94 loans. A marked increase in loan generation at no additional operational cost must therefore be achieved if the lending program is to gain viability.

SEFO has made gains in this direction. With 40 loans projected for 1989 and total operating costs of $274,000, costs per loan this year will average $6850, or roughly 60% of average loan value. While high, this represents a 33% decrease from the $10,300 average of 1985 and given increased recovery, represents a far better value. By 1991, with 65 new loans projected, and operating costs stabilized at $280,000, costs per loan would average $4307, an additional drop of 37%.

While SEFO is on the right track in gaining efficiencies, a key concern still remains as to how it will more than double its loans without increasing operational costs. While the current low number of loans per year is no doubt attributable to lack of loan capital, there appear to be clear inefficiencies in the loan process which tend to increase costs and limit loan numbers. These are examined below.

1. Client Screening and Selection

Clients learn about SEFO mainly through word of mouth from existing clients; a previous attempt at advertising reportedly yielded few serious applicants. Clients apply through writing to the President of SEFO; all applicants are then interviewed by the Projects Manager. If they meet general criteria in regard to direct ownership and experience in business and are deemed serious, they obtain an application and a field agent is sent to do a pre-assessment. Normally, about 20 entrepreneurs per month write to SEFO out of which an average of eight are selected for a field visit. About three entrepreneurs per month are selected to apply and are appraised; this results finally in roughly 30 loans per year.

While there is no question that the present system has produced results, the centralized nature of the screening process through the Projects Manager does not lend itself readily to expansion and is very time consuming. SEFO management makes the point that screening by an experienced senior person is both expected culturally in Liberia and is closely related to the improved client selection witnessed over the past three years. True as this may be, it is simply impossible to more than double the number of clients per month through central screening. As with commercial banks and other efficient lending entities, initial screening should be decentralized through loan officers. This process should be guided and supervised by the Project Manager to ensure continued sound selection according to the workable guidelines already established by SEFO--especially in regard to the targeting of loans and the judging of the entrepreneurial character. But the role must become more fully managerial if a broadening of intake and turnover is to take place. Given the experience and competence of SEFO's field staff, this transition should not prove difficult.

Regarding outreach, some additional means of promotion must be sought to get the word out to a greater portion of the large SME sector in Monrovia. If advertising does not work, as was reported, the stationing of field staff in satellite offices should be considered. (This also would enhance monitoring efficiency as discussed in Section 3 below.) To increase clientele, SEFO will have to assume a more proactive posture in reaching potential clients. To date, in the evaluator's opinion, this has not been given the priority that it should.

2. Appraisal and Review

The improved appraisal process of SEFO appears to be directly linked to better enterprise-and-loan performance, and is a reasonably efficient process--normally taking about one month to complete on a part-time basis for field staff for larger loans ($15,000), and two weeks for working-capital credits. As stated previously, appraisal is an excellent training exercise for clients and for that reason the time spent by field staff is time well spent. The process should continue basically as is.

The review process is another matter. SEFO's review process has three levels according to loan size:

1) L$0-10,000, Management Approval

2) L$10,000-25,000, Executive Committee Approval

3) L$25,000-50,000, Board Approval

It is difficult to see the rationale of having a tri-level review structure in a small lending entity from the point of view of efficiency, and, according to staff, the current system lacks consistency in decision-making. Problems in achieving quorums for loan decisions are also reported to occur, and this is a severe constraint to increasing loan volume. It is recommended that SEFO appoint one specialized loan committee composed of management, Board members, and independent experts to make decisions on all credits above the L$10,000 level. This committee should also monitor management's loan decisions, review credit policy and performance on a timely basis, and report to the Board. The idea is to form a coherent central unit for analysis, decision-making and monitoring on the entire credit program. The committee should be kept appropriately small to facilitate decision-making with no more than seven members.

3. Follow-up and Client Monitoring

As is clear from the general thrust of analysis in this report, given SEFO's financial difficulties, the organization must adopt an increasingly minimalist approach to SSE development. This involves: 1) maximizing credit while decreasing administrative and extension work to the minimum necessary to ensure repayment, and; 2) basically eschewing technical assistance except as it relates directly to follow-up. In addition, a minimalist strategy entails the build-up of clientele to the maximum viable level per field worker, and decentralizing managerial analysis to focus on field staff as cost and revenue centers. Minimalist approaches have been working well in a number of African countries for micro-enterprises (the concept evolved in Asia and Latin America), and there is little reason to presume non-transferability among higher-level enterprises.

SEFO has made significant progress in this direction at the field level, focusing on repayment efficiency as the chief indicator of business-officer performance and tying technical-assistance inputs directly to the loan follow-up process.

As a next step, however, SEFO needs to increase the client load per officer to a level that sustains the position itself through interest earnings and begins to generate surpluses to defray institutional costs. Under the projected loans through 1991, the average load for field staff (including business analysts) should reach 50 clients from the current average of approximately 27 on active loans. At this level, with average loan size of approximately L$10,000, 20% interest overall, and two-year average repayment, the interest earnings per officer per year should reach L$25,000 per year with 10% default. With field staff salaries currently at roughly L$7,200 per year, each would generate approximately L$17,8000 over salary. To achieve this build up, SEFO should strongly consider the outstationing of business officers to service specific communities with a high density of SSEs.

Undoubtedly, this will constitute a very heavy increase in case load for existing staff but 50 clients per worker is a common average for successful SSE programs worldwide which have moved toward sustainability.

To handle this increase, both technical assistance and reporting and documentation on clients, other than repayment related, must be drastically reduced. Documentation and monitoring on overall business performance is a trade-off toward credit efficiency. Repayment efficiency should be virtually the sole reporting requirement by business officers, with distinct evaluation exercises being carried out from time-to-time to measure performance and impact. Equally important, from the management perspective, is the viewing of each business officer as a cost and revenue center for the loan program since this focuses management decisions directly on revenue generating performance. In many such programs, field staff are given bonuses based on loan turnover and recovery and this should be considered by SEFO--as it has already done with the 10% fees it pays to staff for recovery on past loans.

C. Organizational and Managerial Performance

1. SEFO Structure and Staffing

SEFO, as virtually everyone queried admits, has traditionally been too top-heavy and expensive an operation to attain viability. This is still largely true, although cost-cutting measures have been put in place.

Through 1988 the organization was carrying a staff of 26--with professional staff of 14, of which 6 were field staff and 8 were in front-office management, accounting and information processing. This year, however, SEFO has made progress by cutting the professional staff by four, two from field staff and two from the accounting department. This has resulted in cutting back the budget to $278,000 for 1989, a laudable achievement given the difficulty faced in laying off co-workers.

Given both its increasing focus on leaner, credit-oriented operations, and its enhanced computerization, SEFO's need for administrative and accounting personal should continue to diminish over time and, according to management, further cuts will be contemplated. In retrospect, it would appear that greater cuts could have been made in accounting than in field staff given the need to increase loan volume, and consideration should be given to cutting more administrative personnel and replacing them with more field staff in the future.

Organizationally, SEFO remains quite clustered at the top as demonstrated in Figure I. Currently there are a President, General Manager (VITA), Projects Manager and Controller supervising professional staff of 10 and a total of 94 loanees. This is untenable.

It is the evaluator's understanding that the President of SEFO is to retire, as mentioned earlier. After his departure, it would appear wise for SEFO to combine the offices of the President and General Manager, with the VITA representative assuming the role of a technical advisor during a transition period of at least six months with the new chief executive. Given sustainability problems, it is recommended that the new President/General Manager be a senior executive with a background in commercial and/or development banking, with specific experience in SSE lending . The selection process should be rigorous as this decision will in large part lay the course for SEFO's future development.

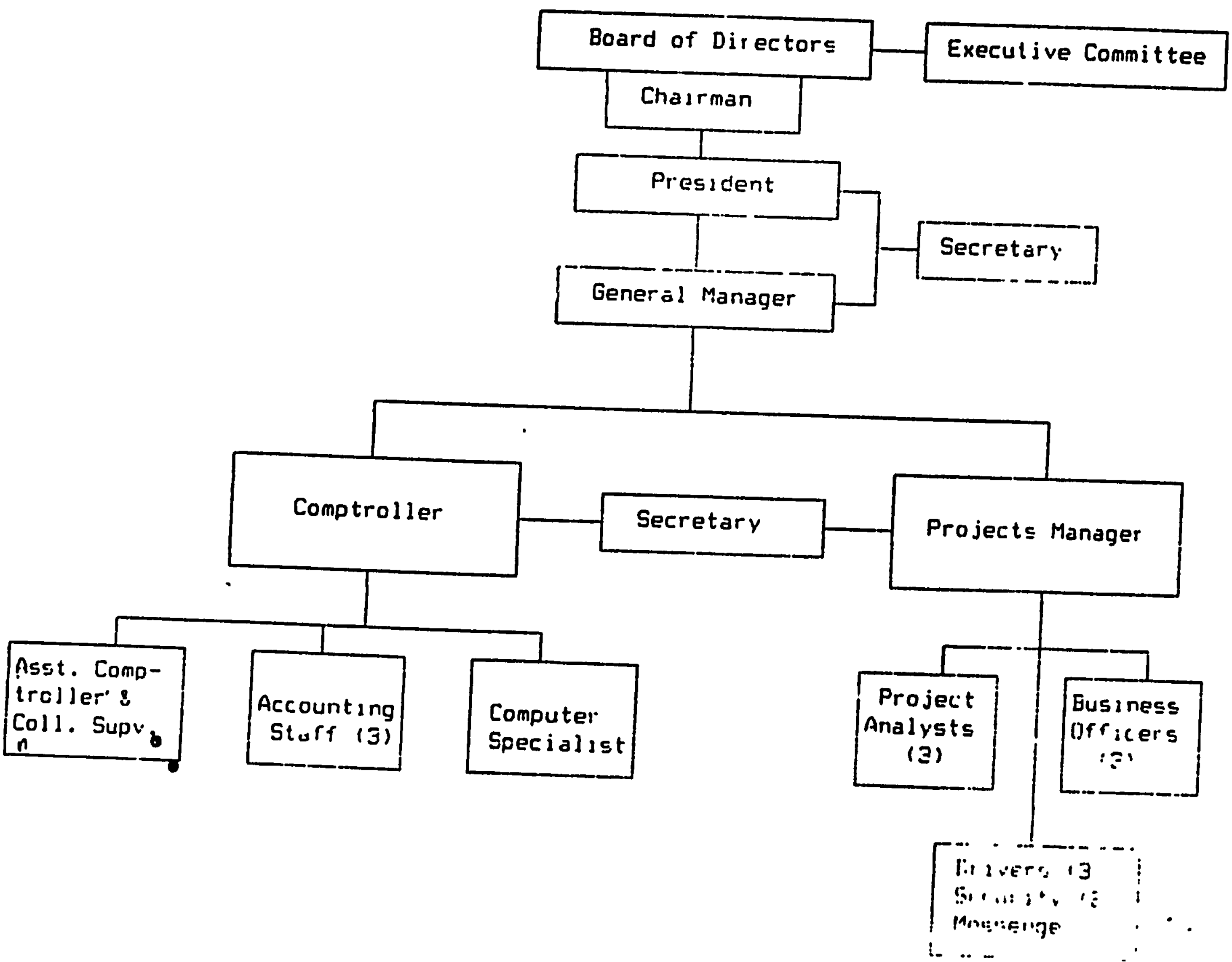
Figure 1

Annex _______

Organizational Chart

(February 1988)

Small Enterprise Financing Organization



SEFO's Board, currently composed of representatives of shareholding entities is reported by SEFO staff to be somewhat constrictive in its decision-making, and they have not been forthcoming with new capital investment. Given these circumstances, it would appear prudent for SEFO to explore either an expansion of membership and/or a turnover of membership through structured retirement. It is therefore recommended that recruitment of independent Board members, mainly from the private sector, be considered as a condition for additional support to SEFO. How this would be handled given the shareholding status of current members is a matter to be explored. It should be kept in mind, however, that shareholding status does not confer automatic Board membership. In the opinion of many, the Board clearly needs revitalization as a sign of SEFO's move into a new era.

2. Management Information Systems

While the aforementioned computerized systems for monitoring of the portfolio are sound and efficient, the same cannot be said of accounting and management information in general. Statements from management and the accounting office in a variety of areas--including budgetary and cash-flow projections--varied, sometimes widely, requiring continuous cross-checking and making analysis extremely difficult.

The interface between the computer section in the projects department and the accounting and management sections seems to be weak, leading to what appears to be different data bases within the organization. This is a potentially significant problem for management, and it is recommended that an overall computer system be developed that will fully integrate tracking of the portfolio with the management of accounts.

c. The Role of VITA

By all accounts, VITA has played a strong role in assisting SEFO through troubled times. The relationship between the current General Manager and SEFO staff appears strong, and, judging from private conversations, he is appreciated as a sound technical and analytical resource person who leads through competence and good technical judgement.

The actual impact of VITA is seen in two main areas: organizational and program/planning, and loan-information systems. On the planning side, VITA's two managers to date both appear to have been successful in steering toward more streamlined staffing, review and monitoring systems. This in turn has been backed up by the development of computerized monitoring for the loan portfolio. They have been less successful, however, in gaining better clarity on financial information and in decentralizing decision-making within the organization.

Given the overall quality of assistance provided by VITA, it appears critical that it stay involved with SEFO to guide implementation under any new USAID funding. This assistance would be critical for two reasons. First, if the methodology suggested herein for a more minimalized credit approach is adopted, SEFO will need to re-orient itself both to greater decentralization and to withdrawal from a technical assistance role. External advising in this process based on experiences gained elsewhere would be important in this transition,* as would be the data systems to back it up.

Secondly, with a change of leadership upcoming, the stabilizing effect of VITA's presence, together with its intermediary role with USAID, would prove critical. For these reasons, consideration should be given to extending VITA's assistance to SEFO at least through the first year of newly funded efforts. As stated previously, this time span should also include a minimum six-month overlap with the new President/General Manager. As the Presient will be retiring by the end of the year, both time periods should coincide.

*International visits by key SEFO staff to successful and more sustainable credit projects, such as USAID's Community Enterprise Project in Kaolack, Senegal (run by New Transcentury Foundation) would be very worthwhile.

APPENDIX I

Scope of Work for Evaluation

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

CONTINUATION SHEET

☐ PIO/C
☐ PIO/P
☒ PIO/T
☐ PA/PR

☐ Worksheet ☒ Issuance

1. Cooperating Country: Liberia

2a. PIO Number:

2b. ☒ Original OR Amendment No.

3. Project Number and Title: 669-0510
Small & Medium Enterprise Developmen
Support Project (SMEDS) Evaluation

Indicate block numbers

Use this form to complete the information required in any block of a PIO/P, PIO/T or PA/PR. For PIO/C, furnish the item number, quantity, description/specifications, including catalog stock number and price when available.

Attachment No. 1

Statement of Work

I. Background:

The Mission is requesting an evaluation of the Small and Medium Enterprise Development Support Project. This project assists the Small Enterprises Financing Organization (SEFO), the only organization in Liberia that loans money exclusively to small and medium businesses (fixed assets below $50,000). USAID began its assistance to SEFO in 1984 through the PVO, PfP/International. With the demise of PfP/I, VITA took over the technical assistance for this project in January 1988. The PACD is currently scheduled for December 31, 1989, although we are considering the provision of additional funds in FY 89.

II. Objective:

The purpose of the evaluation is to look at the prospects of self-sustainability for SEFO. Furthermore, the evaluation will assist USAID in determining whether additional A.I.D. funds should be allocated and for what purposes.

III. Scope of Work:

The consultant will review the 1986 evaluation, 1988 assessment report and VITA cooperative agreement as background material.

S/he will interview GOL and USAID officials, SEFO management, board members and a random selection of SEFO clients.

AID 1300-1 (6-80)

The primary question the consultant must answer is: can SEFO become financially viable? If so, what steps will have to be taken for SEFO to achieve financial viability? Given that the USAID funds terminate in December 1989, will SEFO be at the break even point by then?

A. Institutional Analysis;

The consultant will also answer the following questions:

--Are the SEFO procedures in place adequate to appraise loan proposals, monitor loans and serve clients (i.e. should recordkeeping or financial management assistance be provided to clients)? What are the cost implications of this for SEFO? (The consultant should concentrate on post-1985 loans in looking at these questions).

--Are personnel responsibilities and lines of authority clearly defined? Are all personnel justified/required in light of the portfolio size?

B. Financial analysis;

The consultant will make recommendations for:

--increasing loan repayments by borrowers;

--increasing the capitalization by SEFO members (if needed) and size of the loan portfolio,

--and increasing the number of SEFO clients.

Furthermore, the consultant will:

--Determine the interest rate(s) SEFO would need to charge to be profitable.

CONTINUATION SHEET

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

☐ PIO/C
☐ PIO/P
☒ PIO/T
☐ PA/PR

☐ Worksheet ☒ Issuance

1. Cooperating Country
Liberia

2a. PIO Number

2b. ☒ Original OR Amendment No.

3. Project Number and Title
669-0510
Small & Medium Enterprise Developme
Support Project (SMEDS) Evaluation

Indicate block numbers

Use this form to complete the information required in any block of a PIO/P, PIO/T or PA/PR. For PIO/C, furnish the item number, quantity, description/specifications, including catalog stock number and price when available.

--conduct financial analyses using various assumptions to determine SEFO's breakeven point;

--scrutinize SEFO's lending strategy for 1989 and develop alternative strategies if necessary;

--determine size of the loans that SEFO should mak in order be able to cover operating expenses;

--evaluate all operating costs

C. Role of VITA

--Determine if the technical assistance being provided by VITA is adequate and/or if there is a need for short term consultants.

IV. Qualifications: The consultant shall have the following qualifications:

Strong financial and analytical abilities.

10 years experience with credit institutions lending to small businesses of which at least five must have been spent in Africa.

Demonstrated capacity in financial analyses of small/medium businesses.

At least a masters degree in business.

References are required.

CONTINUATION SHEET

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

☐ PIO/C
☐ PIO/P
☒ PIO/T
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Indicate block numbers

Use this form to complete the information required in any block of a PIO/P, PIO/T or PA/PR. For PIO/C, furnish the item number, quantity, description/specifications, including catalog stock number and price when available.

V. Timing:

The consultant is expected to complete this scope of work in three weeks.

VI. Reports:

The consultant will submit a draft report summarizing his/her findings three working days before departure. USAID/Liberia and SEFO comments will be incorporated into the final draft report to be submitted before departure.

APPENDIX II

Financial Scope of Work for Coopers and Lybrand, Ltd.

D R A F T

Scope of Work: Consolidation and Analysis of SEFO Financial Information

I. Background

In the current evaluation of SEFO by USAID, a major aspect involves the present and future viability of SEFO as a credit institution. In this regard, we wish to ascertain, verify and assess financial data on SEFO's present and future status in terms of its capital base, and debt obligations, and cash-flow.

As there is significant data on hand, the major tasks will be to: update and verify financial information documented in existing reports and assessments; clarify certain key issues regarding its capital structure and cash-flow; and analyze projections on the type and magnitude of future financial inputs necessary to attain viability.

Coopers is being requested to carry out this work both to assist the evaluator, whose time is limited as well as to render an independent, third-party assessment of the financial data and projections made. This is crucial to decisions that need to be

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made in the short-term by SEFO and USAID regarding the future of the institution and its programs.

II. Specific Scope of Work

Working in coordination with SEFO senior staff and the USAID evaluator (Mr. Fred O'Regan), and summarizing all data as at December 31, 1989, Cooper's will:

1. Produce a Balance Sheet for SEFO as at 31, December, 1989

2. Determine the capital structure of the corporation, showing: (1) the existing capital structure; (2) the projected capital structure based on the conversion of FMO debt to equity (as described in the VITA assessment report at June, 1988 -attached); and (3) the projected capital structure based on other debt-to-equity conversions proposed. (To be discussed).

different donor/lender institutions.

6. Lastly, a separate source and application schedule should be prepared for USAID funds.

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APPENDIX III

<u>Financial Statements</u>

1. Pro-Forma Cash Flow, 1989-91
2. Cash-Flow-Workings on Loan Principal and Interest Collections
3. Utilization of Donor Funds
4. Balance Sheets (two pages)
5. Capital Structure
6. 1988 Pro-Forma Profit and Loss

SEFO PROFORMA CASH FLOW (1989)
($,000)

	ACTUAL 1989	PROJECTED 1990	PROJECTED 1991
Cash Receipts:			
Loans:			
NBL/IDA	120	-	-
Sub-Total	120	0	0
Share/Donated Capital/Grants:			
PVO (USAID)	95	-	-
GOL	100	100	100
Sub-Total	195	100	100
Loan Collections	298	341	432
Gross Income:			
Interest-Loans	136	158	170
Proj. Investig.Fees	6	7	7
Penalty Int. & Chgs.	17	15	15
Other Income Generating	179	260	275
Miscellaneous Income	2	4	4
Sub-Total	340	444	471
TOTAL GROSS RECEIPTS	953	885	1,003
Cash disbursement:			
Portfolio Investment	400	400	500
Adm. & Oper.Expenses	278	280	280
Financial Charges	146	45	45
NBL/IDA	132	35	35
FMO	115	-	-
CIP Program Expenses	77	59	70
Capital Expenditure	3	100	-
TOTAL DISBURSEMENT	1,151	919	930
Net Cash Inflow	(198)	(34)	73
Begining Cash Balance	346	148	114
Cash Balance Before Bank Interest	148	114	187
Interest-Temp. Investment	0	0	0
Ending Cash Balance	148	114	187

Best Available Document

YD

SEFO

CASH FLOW - WORKINGS ON LOAN PRINCIPAL & INTEREST COLLECTIONS

	LOAN PRINCIPAL	1988 $	1989 $	1990 $	1991 $
A)	Ending Dalnces:				
	12/31/88 Good Loans	750	500	250	
	1989 new		400	270	140
	1990 new			400	270
	1991 new				500
B)	Due for Repayment				
	1989 New) 3 years			130	130
	1990 New)Repayment period				130
C)	Principal Collection				
	1988 Existing Good Loans		250	250	250
	1989 New) 70% of (B)			91	91
	1990 New)				91
			250	341	432
D)	Principal on which interest is earned for the year:				
	New 1989 (Ave Opening & Begining Bal.		200	335	205
	1990 new "			200	335
	1991 new "				250
			200	535	790
E)	Interest Collected				
	New 1989 - 70% of 16.5% of (D)		23	62	91
	On 12/31/88 balance:				
	Per Previous Year		130	113	96
	LESS: On repayment		(17)	(17)	(17)
			113	96	79
	TOTALS		136	158	170

Best Available Document

S.E.F.O. UTILIZATION OF DONOR FUNDS ($000)

	Admin. & Oper. Expenses	Financial Charges	Loan Disbursement	CIP Program	Others	TOTAL
	$	$	$	$	$	$
NBL / IDA			46			46
G O L	60					60
USAID (PVO)	89		130	66	55	340
						0
T O T A L S	149	0	176	66	55	446

S.E.F.O. UTILIZATION OF USAID(PVO) FUNDS ($000)

Staff Compensation	55					55
Rent	5					5
Utilities	7					7
Gasoline	5					5
Stationery Supplies	5					5
Repair & Maintenance	6					6
Advertising & Promotion	1					1
Travel	1					1
Communications	2					2
Prof. Services	1					1
Miscellaneous	1					1
Back Interest - NBL					55	55
Loan Disbursement:			10			10
Winston Pryce			5			5
Meyena Chair Rental			3			3
Kallay Medical			10			10
Angie's Restaurant			5			5
Jefferson Vegetable			7			[illegible]
Geo-Services						0
Cash obligated for Approved Loans			90			90
CIP Program						0
Breeders				32		32
Feeders				34		34
	$69	$0	$130	$66	$55	$340

Best Available Document

SMALL ENTERPRISES FINANCING ORGANIZATION
BALANCE SHEETS - LIABILITIES AND STOCKHOLDERS' EQUITY
DECEMBER 31, 1988 AND 1987

	UNAUDITED 1988 L$	AUDITED 1987 L$
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accrued Expenses	49,216	125,282
Miscellaneous Credits	26,716	10,814
Current portion of long-term debt	186,906	28,208
Total Current Liabilities	262,838	164,304
Long-term debt	830,758	2,511,208
Total Liabilities	1,093,596	2,675,512
Amount to be converted into Subsidy	1,443,885	-
Stockholder's Equity		
Capital Stock	852,601	752,601
Less: Treasury Stock	(250,000)	-
	602,601	752,601
Donated Capital	759,228	500,000
Capital Reserve	150,000	-
Accumulated Losses	(2,343,547)	(2,231,651)
Deficit in Stockholders' equity	(831,718)	(979,050)
Total Liabilities and Stockholders' Equity	$1,705,763	$1,696,462

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CAPITAL STRUCTURE AS AT DECEMBER 31, 1988 AND PROJECTED DECEMBER 31, 1989

SHARE CAPITAL	DEC. 31'88	INCREASE (DECREASE)	DEC. 31'89
Liberia Bank for Development and Investment	255,000	-	255,000
Netherland Development Finance Company (FMO)	250,000	(250,000)	-
National Housing and Savings Bank	155,016	-	155,016
Agricultural and Cooperative Development Bank	154,000	-	154,000
Liberia Finance and Trust Cooperation	25,000	-	25,000
Partnership for Productivity	13,585	-	13,585
Total Share Capital	852,601	(250,000)	602,601
DONATED CAPITAL			
United States Agency for International Development	759,228	-	759,228
CAPITAL RESERVE			
Balance December 31	-	150,000	150,000
REVENUE RESERVE			
Balance December 31	(2,343,547)	1,443,885	(899,662)
TOTAL CAPITAL AND RESERVES	($731,718)	$1,343,885	$612,167

SEFO 1988 PROFORMA PROFIT & LOSS STATEMENT

($000)

Gross Income	Actual 1988	Projected 1989
Projected Investigation Fee (N-7)	7	6
Penalty Interest	28	30
Commitment Fees	-0-	-0-
Interest Income on Loans (N-5)	187	276
Interest Income Temporary Investmant (N-11)	4	0
Sub-Total	226	312
Other Income Generating Activities	69	179
Miscellaneous Income	2	2
Total Gross Income	297	493
LESS Operating Expenses		
Administration and Others	326	278
Finance Charges (N-10)	89	44
CIP Program	0	77
Depreciation/Amortization	17	16
Total Expenses	432	415
Gross Income LESS Oper. Exp.	(135)	78
PVO	89	95
GOL Grant	60	100
Net Income (Loss) before Loss Prov.	14	273
Provision for Loss (N-13)	(216)	(103)
Net Income/<Loss>(after Loss Provision)	(202)	170
Foreign Exchange <Loss> /Gain	150	0
Net Profit/<Loss>(after Loss Provision)	(52)	170

APPENDIX IV

Active Loans, Post 1985

LOAN #	LOAN #	NAME OF CLIENT OR BUSINESS	TYPE OF BUS	LOAN AMOUNT DISBURSED	DATE OF FIRST DISBRSMN	LOAN BALANCE TO DATE	ARREARAGES PRINC.	INT /CHGS	TOTAL ARREARS	AMOUNT COLLECTED 1982 - 1988 PRINC.	INT /CHGS	TOTAL COLL.	DATE OF LAST PAYMENT	ACTUAL LAST PAYMENT	PROJECT ANALYST ASSIGNED

CODE CODES FOR NATURE OF PROJECT

1 AD 1 ADVERTISING
2 AU 2 AUTO REPAIRS/ GARAGE
3 BA 3 BAKERIES
4 BS 4 BEAUTY SALOON, BOUTIQUE
5 CH 5 CHARCOAL PRODUCTION & SALE
6 CA 6 CANE SPIRIT
7 CEMENT BLOCK PROD. & SALES
8 GOLDSMITH/ JEWELERIES
9 METAL WORKING
10 PIGGERY FARMING & SALES
11 POULTRY FARMING & SALES
12 PHARMACIES/ MEDICINE STORES
13 RETAIL SHOPS (PROVISION, RICE & STORES)
14 RESTAURANT/ COOKSHOP
15 TAILORING/ DRESSMAKING
16 WOODWORKING, FURNITURES, SAWMILLS & SALES
17 OTHERS: FISH, PHOTO STUDIO,

SMALL ENTERPRISES FINANCING ORGANIZATION
LOAN PORTFOLIO AT 30 - 12 - 88 (DECEMBER) ENDING

POST - 1 9 8 5 LOANS IN THE ORDER OF ARREARS AGES

LOAN #	LOAN #	NAME OF CLIENT OR BUSINESS	TYPE OF BUS.	LOAN AMOUNT DISBURSED	DATE OF FIRST DISBRSMN	LOAN BALANCE TO DATE	ARREARAGES PRINC.	INT./CHGS	TOTAL ARREARS	AMOUNT COLLECTED 1982 - 1988 PRINC.	INT./CHGS.	TOTAL COLL.	DATE OF LAST PAYMENT	ACTUAL LAST PAYMENT	PROJECT ANALYST ASSIGNED
199	199	Champs Elysees III	4	5,000	8 28 86	0	0	0	0	5,000	575	5,575	Dec-88	321	Sylvester Vankan
236	236	Meaulines Unisex Saloon II	4	17,683	7 8 87	15,102	2,579	608	3,187	1,574	3,991	5,563	Oct-88	700	Katherine Clarke
239	239	Inter Style Unisex Saloon	4	9,900	9 30 87	559	0	0	0	7,548	2,764	11,615	Dec-88	2,200	Matthew Kardor
		SUB TOTALS	3 BUS	32583		16661	2579	608	3187	15722	6050	22772			
190	190	Yahnwhere Garment *	7	17,487	6 24 86	9,228	3,558	1,561	5,119	8,257	2,484	10,743	Jun-88	200	Katherine Clarke
220	220	A.A Roberts Cement	7	4,900	3 26 87	584	584	92	676	4,316	619	4,926	Apr-88	500	Eudora Gardiner
		SUB TOTALS	2 BUS.	22387		9812	4142	1653	5795	12575	3103	15670			
195	195	Bangalee Kromah **	5	2,503	8 12 86	2,319	[illegible]	81	2,330	270	1,199	1,469	Oct/Nov-88	125	Sanniquellie
213	213	Kama's Jewels **	8	2,000	12 23 86	1,573	[illegible]	0	1,573	407	1,183	1,590	Dec-88	400	Sylvester Vankan
		SUB TOTALS	2 BUS	4583		3906	[illegible]	26	3731	677	2382	3059			
* 191	* 191	Dempster & Sons	11	4,851	7 16 86	749	749	0	749	3,762	2,566	6,468	Dec-88	100	Christopher Sinneh
181	181	King's Poultry	11	4,966	1 16 86	2,495	2,186	182	2,628	2,420	2,362	4,532	Aug-88	300	Christopher Sinneh
196	196	Williette's Poultry	11	4,900	8 14 86	2,442	2,442	247	2,671	2,550	2,077	4,635	Dec-88	300	Christopher Sinneh
211	211	Sowah Broilers	11	3,336	12 12 86	2,226	1,142	351	1,493	1,118	1,183	2,293	Sep-88	150	Christopher Sinneh
217	217	Irene's Poultry	11	2,788	7 20 87	676	370	20	486	2,162	969	3,131	Oct-88	500	Christopher Sinneh
218	218	Debblay's Farm	11	4,994	3 ? 87	4,964	4,064	240	5,104	130	2,223	2,353	Dec-88	50	Sylvester Vankan
219	219 Kasara's Poultry *		11	3,492	3 9 87	3,876	870	567	1,457	466	908	1,374	Oct-88	50	Christopher Sinneh
221	221	Jetcap Layers *	11	5,722	4 7 87	5,633	218	747	965	130	806	945	Dec-88	50	Christopher Sinneh
231	231	Roger's Poultry Farm *	11	3,679	7 7 87	2,755	756	670	1,454	924	497	1,421	Apr-88	300	Christopher Sinneh
237	237	The Bros Poultry Farm *	11	3,130	9 23 87	1,894	271	215	486	1,236	551	1,782	Jul-88	450	Christopher Sinneh
239	239	Menyeh Business Center II	11	4,900	9 30 87	991	0	0	0	3,919	1,015	4,934	Dec-88	200	Christopher Sinneh
240	240	Thank God Layers *	11	4,900	10 9 87	4,885	200	0	200	15	1,415	1,420	Oct-88	1,022	Lincoln Reeves
243	243	Fougar & Daughter II	11	3,340	7 24 88	2,874	0	0	0	1,266	749	2,015	Dec-88	201	Eudora Gardiner
246	246	Foneh Farms II	11	25,000	2 24 88	25,000	0	122	122	0	2,482	2,482	Dec-88	445	Katherine Clarke
258	258	Tucker's Poultry's III	11	4,925	6 4 88	2,912	0	0	0	2,013	662	2,675	Dec-88	275	
		SUB-TOTALS	15 BUS	84853		62563	14406	3406	17812	22290	20176	42466			
* 215	* 215	Fadnyl's Optical	12	25,000	2 9 87	15,873	0	0	0	9,977	4,755	14,732	Dec-88	1,???	Matthew Kardor
* 216	* 216	Ira-Optics	12	20,000	2 6 87	12,517	220	0	220	7,483	5,535	12,008	Dec-88	825	Katherine Clarke
184	184	D & F Medicine	12	6,990	1 31 86	5,631	2,471	200	2,671	1,359	2,709	4,068	Nov-88	120	Sanniquellie
223	223	Manpolor Medicine Store *	12	3,844	5 20 87	1,998	148	0	143	1,854	1,166	3,020	Dec-88	150	Katherine Clarke
229	229	Antah Clinic	12	4,750	6 2 87	4,328	2,174	174	2,348	422	1,783	2,205	Oct/Nov-88	300	Sylvester Vankan
235	235	Julia's Medicine Store	12	3,000	9 3 87	234	0	0	0	2,766	1,192	2,958	Dec-88	201	Lincoln Reeves
245	245	Model Pharmaceuticals	12	17,498	3 22 88	14,311	0	0	0	3,787	1,000	5,075	Dec-88	500	Katherine Clarke
252	252	Elizabeth Karame Med Store	12	4,900	4 26 88	4,076	779	164	943	824	548	1,372	Oct-88	200	Lincoln Reeves
261	261	Tho-Tho Medicine	12	9,900	7 14 88	9,741	605	402	1,007	[illegible]	[illegible]	910	Oct-88	410	
262	262	Gbertzohn Pharmacy III	12	10,000	8 17 88	9,692	766	0	766			344	Dec-88	250	

LOAN #	LOAN #	NAME OF CLIENT OR BUSINESS	TYPE OF BUS	LOAN AMOUNT DISBURSED	DATE OF FIRST DISBRSMN	LOAN BALANCE TO DATE	ARREARAGES PRINC.	ARREARAGES INT /CHGS	TOTAL ARREARS	AMOUNT COLLECTED 1982 - 1988 PRINC.	AMOUNT COLLECTED 1982 - 1988 INT /CHGS.	TOTAL COLL.	DATE OF LAST PAYMENT	ACTUAL LAST PAYMENT	PROJECT ANALYST ASSIGNED
263	263	Macauley Medicine Store	12	9,754	8 20 88	8,933	0	0	0	821	460	1,281	Dec-88	795	
270	270	Fallay's Medical	12	3,000	11 9 88	2,832	0	0	0	168	59	227	Nov-88	227	
275	275	Calmar Business	12	9,900	12 14 88	9,900	0	0	0	0	119	119	Dec-88	200	
		SUB-TOTALS	13 BUS.	128536		99298	7121	940	8061	29329	22001	51329			
198	198	Curve Center *	13	4,000	9 3 86	915	0	0	0	3,085	1,470	4,555	Dec-88	215	Eudora Gardiner
201	201	Martha Saye II	13	0	6 6 86	0	0	124	124	0	596	596	Dec-88	20	Sanniquellie
202	202	Enigul Entps III **	13	8,692	4 20 87	3,817	3,817	189	4,006	4,875	4,782	9,657	Aug-88	1,000	Katherine Clarke
228	228	Variety Incorporated II	13	0	6 12 87	0	0	516	516	0	1,439	1,439	Dec-88	100	Katherine Clarke
244	244	Vlentco Inc II	13	3,500	1 16 88	3,500	3,500	835	4,335	0	0	0	NO PAYMENT		Lincoln Reeves
248	248	Vonyee Shopping Center	13	3,000	3 7 88	2,298	296	0	296	702	724	1,426	Dec-88	205	Lincoln Reeves
257	257	Peter's Little Deal III	13	3,925	6 2 88	3,666	318	198	516	259	741	1,000	Dec-88	100	
260	260	J R Enterprises	13	20,000	7 14 88	19,095	1,906	848	2,754	905	1,505	2,410	Oct-88	1,050	
264	264	Sumbo Enterprise	13	2,500	10 20 88	2,283	31	0	31	217	188	405	Dec-88	375	
267	267	Hannah Business *	13	7,000	10 20 88	6,972	103	0	103	28	522	550	Dec-88	250	
		SUB TOTALS	10 BUS.	54617		44546	10551	2711	13262	10071	11967	22038			
* 189	* 189	Kamara Restaurant **	14	6,945	6 3 86	4,781	3,893	1,322	5,215	311	3,184	3,495	May-88	400	Matthew Kardor
186	186	Atlantic Restaurant	14	2,991	5 1 86	2,039	2,039	905	2,944	952	432	1,385	Feb-87	500	Lincoln Reeves
251	251	Le Rendez Vous Rest II	14	5,900	4 22 88	33	33	0	33	5,867	452	6,319	Dec-88	75	
266	266	White Horse	14	7,325	10 20 88	6,934	0	0	0	391	559	950	Dec 88	450	
271	271	Angie's Restaurant	14	9,900	11 10 88	9,900	[illegible]	377	377	0	0	0	NEW LOAN		
274	274	La Vie De La Belle	14	9,900	12 1 88	9,900	[illegible]	202	202	0	0	0	NEW LOAN		
		SUB TOTALS	6 BUS.	42961		35510	[illegible]	2765	8671	7451	3638	11089			
242	242	Experienced Tailor II **	15	5,437	10 12 87	5,026	5,028	478	5,503	411	1,359	1,770	Dec-88	375	Eudora Gardiner
247	247	Grace Fabric Tree	15	4,750	2 29 88	2,231	539	60	599	1,519	871	2,390	Nov-88	1,000	Matthew Kardor
249	249	Low Ma Fashions	15	5,245	3 30 88	5,245	1,098	181	1,251	0	1,358	1,358	Dec-88	300	
		SUB TOTALS	3 BUS.	15432		15502	3333	672	3583	1930	3488	5398			
* 185	* 185	L & F Hatcheries	16	37,839	5 19 86	35,333	2,307	114	2,421	2,506	8,165	10,671	Dec-88	1,500	Christopher Simneh
192	192	Sheriff Plank Depot	16	5,400	7 21 86	5,400	5,400	4,253	9,653	0	188	188	Mar-88	188	Sanniquellie
203	203	Prima Wood Supply	16	5,000	10 15 86	3,425	3,425	3,094	6,519	1,575	450	2,025	Mar-87	100	Eudora Gardiner
		SUB TOTALS	3 BUS.	48239		44158	11132	7442	18574	4081	8715	12796			
* 232	* 232	Sugarvi Consultant	17	23,853	7 10 87	13,662	0	0	0	10,191	5,341	15,532	Oct/Nov-88	8,499	Matthew Kardor
227	227	Font Prints Enterprises	17	9,700	6 19 87	5,793	5,793	535	6,328	3,907	3,349	7,256	Aug-88	5,250	Katherine Clarke
241	241	Terravilla Gardens	17	49,886	10 2 87	49,886	0	1,719	1,719	0	2,821	2,821	Dec-88	750	Matthew Kardor
255	255	Appleton & Co	17	4,308	5 26 88	4,308	4,308	641	4,949	0	0	0	NO PAYMENT		Matthew Kardor
256	256	Sheriff Agro	17	8,486	6 3 88	4,486	4,486	924	5,410	4,000	0	4,000	NO PAYMENT		
259	259	Atlantic Fisheries	17	60,000	6 4 88	30,143	19,647	1,844	21,491	29,857	1,388	31,245	Oct-88	9,985	
265	265	System Co Inc	17	9,900	10 20 88	9,700	1,023	395	1,418	0	240	240	Nov-88	240	
268	268	Menyena Chair Rental	17	5,150	10 4 88	5,150	0	2	2	0	381	381	Dec-88	381	
269	269	Winston Pryce Inc	17	9,900	10 17 88	9,418	0	0	0	482	508	990	Dec-88	990	
272	272	The Jeffersons	17	3,888	11 28 88	3,888	0	128	128	0	0	0	NEW LOAN		
273	273	GEO SERVICES	17	7,500	11 25 88	7,500	0	152	152	0	0	0	NEW LOAN		
		SUB TOTAL 11 BUSINESSES		192,491		144,054	35,257	6,400	41,657	48,437	14,124	62,561			

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LOAN #	LOAN #	NAME OF CLIENT OR BUSINESS	TYPE OF BUS.	LOAN AMOUNT DISBURSED	DATE OF FIRST DISBRSMN	LOAN BALANCE TO DATE	ARREARAGES PRINC.	ARREARAGES INT./CHGS	TOTAL ARREARS	AMOUNT COLLECTED 1982 - 1988 PRINC.	AMOUNT COLLECTED 1982 - 1988 INT./CHGS.	TOTAL COLL.	DATE OF LAST PAYMENT	ACTUAL PROJECT ANALYST LAST PAYMENT	ACTUAL PROJECT ANALYST ASSIGNED
		GEN. SUB-TOTALS 67 BUSINESSES		626,682		473,920	181,221	26,509	120,319	152,762	96,424	249,186			

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APPENDIX V

Loan Projections, 1989-91

Loan Portfolio '89 Projection	Loan Mix	Yrs.	Int rate	Ln/cat	Prin amt yrly av	Est rcvry %	Yearly cap.return	Bad Loan89 coll prin	Total yrly cap reflow
						80.0%		5.3% Col "H"	
No. prior active loans:	94.00								
Projected '89 loans:	45.00								
Total active loans:	139.00								
Category I: $0 $3,000									
Aver loan value:	2,900.00		15.5%	(NBL)					
No. of exist. loans:	8.00		Prior:	1	2,900.00	80.0%	2,320.00	121.80	2,441.80
No. of new loans:	4.00		New:	1	1,087.50	80.0%	870.00	45.68	915.68
Aver. term (yrs.):	1.00								
% total loans:	17.38								
% total loan value:	.02		20.0%						
Value '89 Cat.I loans:	11,600.00		Prior:	7	2,900.00	80.0%	16,240.00	852.60	17,092.60
Value all Cat.I loans:	34,800.00		New:	3	1,087.50	80.0%	2,610.00	137.03	2,747.03
Category II: $3000 10000									
Aver loan value:	7,250.00		15.5%	(NBL)					
No. of existing loans:	57.00		Prior:	3	2,416.67	80.0%	5,800.00	304.50	6,104.50
No. of new loans:	35.00		New:	2	906.25	80.0%	1,450.00	76.13	1,526.13
Aver term (yrs.):	3.00								
% total loans:	.41								
% total loan value:	.42		20.0%						
Value '89 Cat.II loans:	[illegible]39,250.00		Prior:	54	2,416.67	80.0%	104,400.00	5,481.00	109,881.00
Value all Cat.II loans:	652,500.00		New:	33	906.25	80.0%	23,925.00	1,256.06	25,181.06
Category III: $10,000+									
Aver loan value:	24,250.00		15.5%	(NBL)					
No. of existing loans:	29.00		Prior:	14	4,850.00	80.0%	54,320.00	2,851.80	57,171.80
No. of new loans:	6.00		New:	4	4,850.00	80.0%	15,520.00	814.80	16,334.80
Aver term (yrs.):	5.00								
% total loans:	.21								
% total loan value:	.55		20.0%						
Value '89 Cat.III loans:	145,500.00		Prior:	15	4,850.00	80.0%	58,200.00	3,055.50	61,255.50
Value all Cat.III loans:	848,750.00		New:	2	1,818.75	80.0%	2,910.00	152.78	3,062.78
						s.t.:	288,565.00	15,149.66	303,714.66

Value new loans:	376,350.00	1989 capital reqs.:	(376,350.00)
Value old active loans:	1,139,700.00	Cap. fund shortfall:	(92,635.34)
Value all loans:	1,516,050.00		

(New active loans:)
Failure + NBL:	114,100.00	
Collected NBL prin.:	80,280.00	
Collected NBL int.:	40,449.60	31% NBL: 12,539

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IIII Loan Portfolio
1990 Projections

	Loan Mix	Yrs.	Int rate	Ln/cat	Prin amt yrly av	Est rcvry % 80.0%	Yearly cap.return	Bad Loan87 coll prin 5.3% Col "H"	Total yrly cap reflow
No. prior active loans:	139.00								
Loan retired in '89:	19.00								
Projected '90 loans:	55.00								
Total active loans:	175.00								

Catagory I: $0-$3,000

Aver loan value:	2,900.00								
No. of exist. loans:	6.00		15.5%	(NBL)					
No. of new loans:	4.00		Prior:	1	2,900.00	80.0%	2,320.00	121.80	2,441.80
No. loans retired:	6.00		New:	1	1,087.50	80.0%	870.00	45.68	915.68
Aver. term (yrs.):	1.00								
% total loans:	29.17								
% total loan value:	.02		20.0%						
Value '90 Cat.I loans:	11,600.00		Prior:	5	2,900.00	80.0%	11,600.00	609.00	12,209.00
Value all Cat.I loans:	29,000.00		New:	3	1,087.50	80.0%	2,610.00	137.03	2,747.03

Catagory II: $3000-10000

Aver loan value:	7,250.00								
No. of existing loans:	84.00		15.5%	(NBL)					
No. of new loans:	42.00		Prior:	4	2,416.67	80.0%	7,733.33	406.00	8,139.33
No. loans retired:	8.00		New:	6	906.25	80.0%	4,350.00	228.38	4,578.38
Aver term (yrs.):	3.00								
% total loans:	.48								
% total loan value:	.40		20.0%						
Value '90 Cat.II loans:	239,250.00		Prior:	80	2,416.67	80.0%	154,666.67	8,120.00	162,786.67
Value all Cat.II loans:	652,500.00		New:	36	906.25	80.0%	26,100.00	1,370.25	27,470.25

Catagory III: $10,000+

Aver loan value:	24,250.00								
No. of existing loans:	30.00		15.5%	(NBL)					
No. of new loans:	9.00		Prior:	14	4,850.00	80.0%	54,320.00	2,851.80	57,171.80
No. loans retired:	5.00		New:	4	4,850.00	80.0%	15,520.00	814.80	16,334.80
Aver term (yrs.):	5.00								
% total loans:	.17								
% total loan value:	.58		20.0%						
Value '90 Cat.III loans:	218,250.00		Prior:	16	4,850.00	80.0%	62,080.00	3,259.20	65,339.20
Value all Cat.III loans:	945,750.00		New:	5	1,818.75	80.0%	7,275.00	381.94	7,656.94

Value new loans:	469,100.00								
Value old active loans:	1,158,150.00								
Value all loans:	1,627,250.00					s.t.'s:	349,445.00	18,345.86	367,790.86

1990 Cap. Reqmnts: (469,100.00)

New Capital Inflow: (119,655.00)

(New active loans:)

Disbursed NBL:	143,400.00
Collected NBL prin.:	85,113.33
Collected NBL int.:	31,275.73

31% NBL: 9,695

Int amt yrly av xxx	Total yrly int income	Fee income non-NBL 2.0%	Investig srvce chg 1.5%	Penlty & late chgs .6% cap ret)	Tot active Loan income	Bad loan accr int penalt fee (est by cat)	Total income all loans:

SEFO Loan Portfolio
1991 Projections

	Loan Mix	Yrs.	Int rate	tn/cat	Prin amt yrly av	Est rcvry % 80.0%	Yearly cap.return	Bad Loan89 coll prin 5.3% Col "H"	Total yrly cap reflow
No. prior active loans:	175.00								
Projected '90 loans:	65.00								
Loans retired '89:	20.00								
Total active loans:	220.00								
Catagory I: $0 $1,000									
Aver loan value:	2,900.00								
No. of exist loans:	5.00		15.5%	(NBL)					
No. of new loans:	4.00		Prior:	1	2,900.00	80.0%	2,320.00	121.80	2,441.80
No. loans retired:	5.00		New:	1	1,087.50	80.0%	870.00	45.68	915.68
Aver. term (yrs.):	1.00								
% total loans:	44.00								
% total loan value:	.01		20.0%						
Value '91 Cat.I loans:	11,600.00		Prior:	4	2,900.00	80.0%	9,280.00	487.20	9,767.20
Value all Cat.I loans:	24,100.00		New:	3	1,087.50	80.0%	2,610.00	137.03	2,747.03
Catagory II: $3000 15000									
Aver loan value:	9,000.00								
No. of existing loans:	116.00		15.5%	(NBL)					
No. of new loans:	51.00		Prior:	8	3,000.00	80.0%	19,200.00	1,008.00	20,208.00
No. loans retired:	10.00		New:	6	1,125.00	80.0%	5,400.00	283.50	5,683.50
Aver term (yrs.):	3.00								
% total loans:	.53								
% total loan value:	.38		20.0%						
Value '91 Cat.II loans:	239,250.00		Prior:	108	3,000.00	80.0%	259,200.00	13,608.00	272,808.00
Value all Cat II loans:	810,000.00		New:	45	1,125.00	80.0%	40,500.00	2,126.25	42,626.25
Catagory III: $15,000+									
Aver loan value:	30,000.00								
No. of existing loans:	34.00		15.5%	(NBL)					
No. of new loans:	10.00		Prior:	16	6,000.00	80.0%	76,800.00	4,032.00	80,832.00
No. loans retired:	5.00		New:	4	6,000.00	80.0%	19,200.00	1,008.00	20,208.00
Aver term (yrs.):	5.00								
% total loans:	.15								
% total loan value:	.61		20.0%						
Value '91 Cat.III loans:	300,000.00		Prior:	18	6,000.00	80.0%	86,400.00	4,536.00	90,936.00
Value all Cat.III loans:	1,320,000.00		New:	6	2,250.00	80.0%	10,800.00	567.00	11,367.00
						s.t.:	532,580.00	27,960.45	560,540.45
Value new loans:	550,850.00						1991 capital reqs.:		(550,850.00)
Value old active loans:	1,605,250.00								
Value all loans:	2,156,100.00						Capital bal/(shortfall):		9,690.45

(New active loans:)
Disbursed NBL: 176,900.00
Collected NBL prin.: 173,790.00
Collected NBL int.: 45,353.65

31% NBL: 14,060

Best Available Document