

The ADEMI Approach to Microenterprise Credit

by

A. Christopher Lewin

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Foreword

Although there are numerous evaluations and analyses of the method and impact of microenterprise credit programs, few provide a thorough, practical description of how a successful program actually works. This book, which provides a how-to perspective, is a refreshing addition to the literature on microenterprise credit programs.

The ADEMI Approach to Microenterprise Credit examines the Association for the Development of Microenterprises (ADEMI) in the Dominican Republic from two perspectives. The first part discusses the history of the program, its growth, and its impact in the Dominican context. The second part explores the day-to-day operations of ADEMI, detailing the organizational structure, the application of the credit method, the accounting system, and the systems established for control and monitoring. The appendices complement the text by providing samples of many of the documents that ADEMI uses, including loan application forms, job descriptions, and control and monitoring reports.

The author of this book, A. Christopher Lewin, has had a personal interest in ADEMI since its inception. Mr. Lewin has spent considerable time in the Dominican Republic since 1980 working on projects of the German Agency for Technical Cooperation. In 1988, he proposed to ADEMI that he write a book about ADEMI's development, philosophy, and management that could help promote the "ADEMI approach" — a development program run as a private initiative, like a regular business, providing social and economic benefits for the poor. Mr. Lewin then spent two months of his own time writing the book in summer 1989. ADEMI's Executive Director, Pedro Jiménez, the Chairman of the Board, Camilo Lluberes, and the management staff all opened their doors and files to Mr. Lewin. Without their full support and active participation, such an intimate examination of the institution and its operations would not have been possible.

GEMINI is pleased to have the opportunity to publish Mr. Lewin's document. Because of its unique content, this book should prove useful to a variety of audiences. The second part should be of particular use to practitioners, program managers, evaluators, and trainers or to anyone intimately involved with the management and implementation of credit programs.

The book is an important contribution to GEMINI's series of training materials for microenterprise finance institutions. ADEMI is an excellent example of the "financial-systems approach" to microenterprise assistance, and the experiences of ADEMI should provoke discussion and analyses that help improve access to financial services for microentrepreneurs worldwide.

James J. Boomgard
Director
The GEMINI Project

PART ONE

ADEMI: A VIEW FROM THE OUTSIDE

SECTION ONE

Introduction

The Dominican Republic, which shares the island of Hispaniola with Haiti, covers 48,442 square kilometers. Of a population of 6.9 million in 1988, more than half were living in urban areas, and one-third in the capital, Santo Domingo. The economically active population in 1988 totaled about 2.8 million, of whom 667,000, or 24 percent, were openly unemployed. This does not include an estimated 500,000 emigrants to the United States, Venezuela, and other countries. Because of the lack of a social insurance system, as in most Third World countries, only the wealthy can afford to be unemployed. It is estimated that more than 45 percent of the economically active population in urban areas is underemployed and searching for ways to eke out an existence.



THE ECONOMY AND THE INFORMAL SECTOR

Until the 1984-1985 recession, the Dominican economy and macroeconomic environment were relatively dynamic, with an average annual growth of 4.5 percent from 1974 to 1983. After the 1984-1985 recession, during which inflation surpassed 20 percent for the first time in 20 years, there was a clear cyclical recovery — gross domestic product (GDP) grew 2.6 percent in 1986 and 8 percent in 1987. The recovery was short-lived, however, as inflation surpassed 40 percent in 1988 and 60 percent in 1989, indicating a fundamental structural change in what had been a relatively stable economic environment.

Despite recent problems, however, economic conditions in the Dominican Republic have been favorable for the development of microenterprises.

- Tariffs and other measures have protected the domestic market for local producers. There has been no massive deregulation of imports; such a measure would have reduced the competitiveness of many national activities, such as clothing and textiles.
- Export activities in the free trade zones created 112,000 jobs in 1989, expanding demand for goods and services produced by microenterprises. Although in 1981 traditional exports (sugar, coffee, tobacco, and cacao) accounted for 75.1 percent of total exports, and those of the free trade zone only 3 percent, in 1988 exports from the free trade zone accounted for 36.4 percent of total exports, as compared with 22.9 percent for traditional exports.
- The tourism boom, which has created employment and generated related activity, also increased the demand for services and products of microenterprises. It is estimated that over 1 million tourists visited the Dominican Republic in 1989.
- Construction policy and the major impetus that the government has given to public works have generated much direct employment, and have had significant indirect multiplier effects on the microenterprise sector.
- Remittances from abroad from the 1 million Dominicans who have emigrated to the United States help to maintain internal demand.

According to government statistics, as of 1980, 20 percent of the population of Santo Domingo was unemployed, and 45 percent underemployed. Despite the increase in tourism and the major construction works underway since 1986, employment has increased very little. Most of the new economically active population is absorbed by the informal sector, surviving — more than living — through occasional odd jobs (known as *chiripa* in Dominican slang). This employment situation, and the economic conditions cited above, have contributed to the expansion of a microenterprise sector in

the Dominican Republic that has shown itself to be more dynamic than in other Latin American countries that suffered recession, inflation, and macroeconomic instability throughout the 1970s and 1980s.

Despite the dynamism in the Dominican economy, the financial sector in the republic does not meet the needs of most microenterprises. Small entrepreneurs have difficulty gaining access to the services of the formal financial system. Reflecting the laws of economic logic, two types of clients have access to commercial and development banks: their owners, who thereby ensure financial support for their own productive enterprises; and large clients who demand a package of financial services. The latter often gain access to inexpensive or soft credit, because they generate large deposits and purchase insurance and other financial services.

A small business that demands a single loan is unattractive to a formal sector financial institution. Only if the institution has a political interest in having small clients for show, can a small borrower acquire a loan. At present, microentrepreneurs depend on informal sources of finance, such as moneylenders.

MICROENTERPRISE IN THE DOMINICAN REPUBLIC

Approximately 50 percent of the urban labor force in the Dominican Republic earns its living in the informal sector. According to a 1988 study by the U.S. Agency for International Development (USAID), there are 150,000 microenterprises in the urban areas of the Dominican Republic. Some 66 percent of these are located in the capital, Santo Domingo.

The Association for the Development of Microenterprises (ADEMI) defines a microenterprise as an economic unit with fewer than 10 employees producing goods or services, in which the operations and administration are concentrated in the hands of one or two people, and which has the capacity to grow with a small injection of capital and technical assistance. Thus, microenterprises contribute to additional job creation. These microenterprises operate without depending on imported models, and without government subsidies or foreign aid. Their resurgence and steady growth, despite major obstacles, give meaning to the term "free enterprise." The informal owners of these enterprises may be vendors who stand shouting at the street corners to sell their products or microentrepreneurs who repair shoes, manufacture grating or brooms, sew clothes in their homes, or have small workshops in the patios of their homes.

Although there are variations in size, type of enterprise, and level of production, microenterprises are small scale and labor intensive, and in most cases the owners are

also the main operators. Capital inputs are limited, and the enterprises depend almost exclusively on local resources and markets.

Most transactions in the microenterprise sector occur outside the prevailing legal institutional framework. Owners do not pay taxes or for registrations or sanitary licenses. There is no mechanism for including their contribution in national income calculations. Nonetheless, these informal-sector businesses are indispensable to the national economy. These enterprises are not subsidized or protected by the government; they survive and grow because of demand for their products and an ability to meet financing needs through borrowing from the informal sector or from relatives or friends.

The most prominent characteristics of the urban microenterprises of the Dominican Republic are summarized below:

- There is one microenterprise for every 10 families in Santo Domingo, and one for every 12 families in the other cities.
- Sixty percent of microentrepreneurs are male and 40 percent female; 88 percent are over 26 years of age, and 57 percent are over 36 years of age.
- Of all microentrepreneurs, 97 percent work in their microenterprises and 86 percent depend on the revenues generated by their microenterprise.
- The average age of the microenterprises is four years, which suggests considerable stability within the sector.
- Each microenterprise employs an average of 2.75 persons, or approximately 14 percent (400,000 people) of the economically active population.
- Of all microenterprises, 60 percent have obtained limited financing through relatives, friends, and neighbors; 22.29 percent depend on moneylenders or finance companies.
- The microenterprise sector is made up of the following three subsectors:
 - Commerce (51 percent): Street vendors, general stores, and grocery stores.
 - Services (31 percent): Transportation, barber shops/beauty salons, and repair shops.
 - Production (18 percent): Clothes, cabinetmaking/furniture making, metallic goods.

From an economic standpoint, the most important attributes of the microenterprise sector can be summarized as follows:

- **At the macroeconomic level**, microenterprises create jobs, boost GDP, provide vocational training, and provide goods and services needed by the vast majority of the population.
- **At the microeconomic level:**
- Microenterprises use labor-intensive technology and simple, cheap equipment; therefore, each unit of capital provides the maximum number of jobs.
- Microenterprises mobilize personal resources that otherwise would not be available for the development process.
- They develop skills, because each worker tends to become involved in all aspects of production.
- Microenterprises tend to produce goods and services the poor need.
- By using more labor and secondhand equipment, and by recycling materials, microenterprises tend to use less energy and imported raw materials.
- The income from microenterprises is more evenly distributed between management and labor than it is in larger businesses.
- Microentrepreneurs tend to share the decision-making process with their workers to a greater extent than larger businesses.
- Skills related to decision making are fostered among a larger number of people in the community, along with the skills required to manage community organizations and initiate new enterprises.
- Because these enterprises are small and use simple technologies, the process of starting up a business is seen by the workers as feasible; this spurs the growth and development of new enterprises.
- Small-scale businesses provide a productive outlet for the talent and energies of enterprising and independent people, many of whom would not develop their potential in large organizations.
- Small businesses prosper by attending to the needs of limited or specialized markets that are not attractive to the large companies.
- Microenterprises inject dynamism and a competitive spirit into the economy.
- Microenterprises stimulate personal savings, promote linkages between agriculture and industry, improve rural well-being, and in general increase the level of popular participation in the economy.

Perhaps the argument that carries the greatest weight is that, for the vast majority of the poor, microenterprises are the only alternative for survival.

SECTION TWO

The Association for the Development of Microenterprises

In 1981 Stephan Gross, a former Jesuit priest, was sent by ACCION/AITEC, a nonprofit organization based in Cambridge, Massachusetts, to the Dominican Republic to work as a consultant to the Dominican Development Foundation (FDD) in a development program for Dominican farmers. In 1982, as part of a USAID study of the informal sector in Africa, Asia, and Latin America, he worked with FDD to carry out a study of the economic activities in marginal areas of Santo Domingo.

Based on this study, FDD, with the support of USAID and AITEC, decided to initiate a program for financing street vendors to facilitate their purchase of vendor-tailored tricycles. Until then, the vendors rented the tricycles — a cost that left them little profit at the end of a hard day's work. This innovative program suffered from inadequate selection mechanisms and insufficient supervision of borrowers, which contributed to high rates of arrears and the ultimate failure of the program.

Though the experiment failed, it was educational. An in-depth evaluation of the credit program, and evaluations of similar programs in other countries, convinced its supporters that there was great potential for using credit to promote the development of the microenterprise sector in the Dominican Republic. Based on the lessons learned from the vendor program, a new feasibility study was carried out. The study described tremendous demand for working capital by microentrepreneurs who, in many cases, were dependent on moneylenders. That study helped Stephan Gross, Camilo Lluberés, a prominent Dominican entrepreneur, and Pedro Jiménez, the future Executive Director of ADEMI, design a new program to meet the needs of Dominican microentrepreneurs based on the following concepts:

- The strategy and structure of the new organization were aimed at creating an efficient, entrepreneurial, and financially sound organization;
- Existing microenterprises with the potential to grow and stimulate employment would be supported with technical assistance and loans at unsubsidized interest rates;

- Second and subsequent loans would increase in size, in accordance with the productive and payment capacity of the microentrepreneur; and
- There would be permanent monitoring of the borrowers.

On December 14, 1982, the Association for the Development of Microenterprises, Inc., was formed. On February 11, 1983, ADEMI was incorporated by executive decree No. 745 under Law 520 (see Appendix A for the by-laws) and a bank account was opened with the first contributions of RD\$ 30,000 from the private sector. On April 16, 1983, the first loan was granted to microentrepreneur Raudo Castro, an artisan. This was a trial to test the mechanisms developed. On April 23, four more loans were granted, and the program became fully operational.

OBJECTIVES AND DEVELOPMENT POLICY

ADEMI's development program is aimed at creating jobs in the informal sector and providing a source of financing to urban microentrepreneurs that can replace the insufficient and costly credit available in the informal sector through moneylenders. As we saw above, the formal financial sector cannot meet the credit needs of microenterprises.

ADEMI targets microenterprises in which the operational and administrative management is concentrated in the hands of one or two persons who are responsible for the business and whose enterprise is able to grow with small capital injections and technical assistance.

ADEMI's conceptual model is based on providing credit as the principal tool for developing microenterprises. The organization has developed a methodology of financing that is far removed from the traditional welfare-oriented and charitable practices prevalent in many similar projects in Latin America. Even though it includes basic managerial assistance, the ADEMI model concentrates all its efforts on improving access to credit for microentrepreneurs. The model is based on the following assumptions:

- Credit is a priority need for the development of microenterprises;
- Microentrepreneurs are experienced in the activities in which they are engaged, know how to use credit, and therefore do not need training as a precondition to credit. Most of the microentrepreneurs have more than seven years of experience in their respective activities. Their microenterprises have been operating for more than three years, generally with loans from the informal sector;

- Microentrepreneurs can and do pay positive interest rates. Microentrepreneurs are willing to pay positive interest rates if other loan conditions, such as amounts, time limits, and guarantees, are within their reach. More than the interest rate, the microentrepreneur's problem is access to credit;
- The welfare-oriented, or paternalistic, approach has a negative effect on micro-entrepreneurs' image of themselves and their businesses. Microentrepreneurs are entrepreneurs, not marginal members of society. They display a capacity to survive in even the most precarious economic conditions; and
- Training is not a felt need of microentrepreneurs; rather, training may be a consequence, not a cause, of development. When microentrepreneurs enter the program, the volume of their operations is so small that high-level entrepreneurial skills are not required for managing the business. When their business grows as a result of capital injections, microentrepreneurs feel the need to broaden their administrative skills and spontaneously request the training they consider necessary.

The ADEMI model is based on four key principles:

- **Efficiency:** Keeping operating costs, including cost per peso loaned and cost per peso recovered, to a minimum;
- **Self-reliance:** Guaranteeing the continuity of the program by maintaining revenues above expenditures;
- **Massification:** Reaching the largest possible number of microentrepreneurs with the resources available; and
- **Effectiveness:** Creating jobs and achieving operational growth of the microenterprises (assets, production, and sales volume).

ADEMI tailors the terms of its loans to the basic needs of the microenterprises. Loans are characterized by quick disbursement, simple paperwork, small short-term amounts, and positive interest rates. The loans are accompanied by continuous monitoring of the microenterprise's development by an adviser, who also provides technical assistance in the work place. ADEMI also encourages savings as a means of reinvestment in the business, and processes all loans through local commercial banks where the borrowers go to cash their checks and make their payments.

The pillar of the ADEMI model is a system of granting larger second and subsequent loans that guarantees the microentrepreneur continued access to credit, provides an important incentive for repayment, and promotes the growth of the enterprise. The first few loans to an entrepreneur are often small short-term loans for working capital. As the enterprise develops, and the credit history of the entrepreneur

is established, larger medium-term loans to acquire fixed assets are made available. The payment period and amount for each loan depend on the category to which the borrower belongs and the line of credit that he or she has established with ADEMI.

To qualify for a loan, entrepreneurs must be over 18 years of age and have at least one year of experience in their activity. Their business must show the potential to grow, thereby creating new jobs, and the borrower must be willing to receive managerial advice from ADEMI. If possible, the borrower must offer deeds for property or machinery as loan guarantees. Each loan received must be covered by at least one promissory note made out to ADEMI, specifying the amount owed and the due date. In cases when the microentrepreneur does not have sufficient goods to guarantee the loan, a personal signature, joint surety, or personal property is put up as guarantee.

Receiving a loan implies several responsibilities on the part of the borrower. The borrower must be willing to accept the supervision and administrative assistance that ADEMI offers and may demand for the program beneficiaries. The loans, without exception, must be for working capital or acquisition of equipment and machinery. The purpose of the loan is stipulated in the contract or loan application, and must be fully adhered to by the entrepreneur. Borrowers who are in arrears on previous loans are not extended additional credit.

ADEMI BORROWERS

What kind of entrepreneurs borrow from ADEMI? The structure of urban microenterprises in the Dominican Republic is highly diversified, reflecting the ability of entrepreneurs marginalized from the formal sector to survive and take advantage of opportunity. The vast majority of microentrepreneurs live in the urban slums, or *barrios*, which account for 60-70 percent of urban areas nationwide. *Barrios* have little or no infrastructure services, poor housing, little or no community facilities, high population density, low family incomes, high unemployment and underemployment, uncertain rights to the land, high rates of malnutrition, and high mortality.

The living conditions of typical ADEMI microentrepreneurs are precarious when they enter the program. Many of them were born in the countryside and emigrated to the city as children and began to learn their trade with a microentrepreneur established in the informal sector, or working as a street vendor. In most cases, they began their businesses or activities in the home, as a secondary source of income. However, as their businesses grew, many rented another locale or expanded their homes. Most (70 percent) have a monthly income of less than RD\$ 300 (US\$ 45). Their access to

Notes: 1988 ADEMI Seminar/Workshop

ADEMI'S CONCEPTUAL APPROACH

At the 1988 ADEMI Seminar/Workshop there was a general and unanimous consensus among all the institution's staff to regard the program as a "Nontraditional Model," ratifying at the same time the continued use of this model approach, and also establishing the features that distinguish it from the "Traditional Model."

Traditional Model

1. Considers that training for the microentrepreneur is the most important need.
2. The microentrepreneur does not know how to use credit.
3. Negative real interest rate, subsidized.
4. Depends on donations and subsidies from internal and external sources. Passes on this dependency to its beneficiaries.
5. Limited number of beneficiaries served. No expansion.
6. Covers a wide range of projects offering various types of services.
7. Follows a highly welfare-oriented policy and conceives of the target group as poor.
8. Dependency on subsidies and donations does not guarantee even a limited institutional life.

Nontraditional Model

1. Considers credit to be microentrepreneur's most important need.
2. The microentrepreneur knows how to use credit so long as it is provided gradually and in larger amounts with each loan.
3. Positive real interest rate. No subsidies.
4. Considers that the sector's support institutions can be self-reliant.
5. Largest possible number of beneficiaries. Expansion.
6. Specializes in single projects with very specific services.
7. Discards the welfare-oriented approach and follows a policy of independent support for the individual initiative of the target group.
8. The conception of self-reliance guarantees it an institutional life limited to the project.

equipment, tools, and working capital is limited. Their only available source of credit is moneylenders, to whom they must pay high rates of interest (2-20 percent daily) for short-term loans of one week to 12 months.

Despite these living conditions, most of the microentrepreneurs evidence stability, regularity, and work discipline. Many have worked in different areas before establishing their present microenterprises, and almost all the ADEMI beneficiaries have 5-10 years of experience in their area of work, and an average of three years of experience running their businesses. The credit they receive from ADEMI and their commitment to it help strengthen the stability of the microenterprises, while educating and encouraging discipline among the owners.

As Table 1 shows, their activities include manufacture and sale of clothes, preparation of foods, production of furniture, running artisan workshops, and services and repairs.¹

THE GROWTH OF ADEMI

During its initial phase of development, ADEMI hired staff and developed an organizational structure and procedures. Contacts were initiated with USAID and with the Inter-American Development Bank (IDB) to obtain and channel more resources.

In its second stage of development, which continued until late 1986, ADEMI received increased support from USAID and hired new management. Several new offices were opened in secondary cities to serve microentrepreneurs outside of Santo Domingo. Several signs of growing pains emerged, however, as bureaucracy and inefficiency increased, and the timeliness of client payments deteriorated. The percentage of delinquent borrowers reached as high as 30 percent at times, and interest payments received for loans were not sufficient to cover operating costs. Even though ADEMI was receiving grants from abroad, the institution suffered some decapitalization.

In late 1986, with the replacement of a large portion of the staff, and the return of Pedro Jiménez as Executive Director, a third stage of development began. Many of ADEMI's administrative systems were formalized and implemented with professional criteria. The policies and procedures that were formulated included personnel policies, procedures for loan monitoring, procedures for loan advisers, and the relations with

¹ The sources for tables and figures in this book are ADEMI records and ADEMI data, unless otherwise noted.

ADEMI offices in the interior. A system of incentives was implemented for the loan advisers to reduce late payments and improve productivity. In addition, contacts were made to obtain new resources from the IDB and GTZ (the German Agency for Technical Cooperation). This third phase served as a period of institutional consolidation for ADEMI, and generated renewed confidence in ADEMI's future and renewed motivation of all those who worked with the institution.

TABLE 1
NUMBER OF MICROENTERPRISES ACTIVE IN ADEMI
BY AREA OF ACTIVITY AND SEX
(as of December 31, 1989)

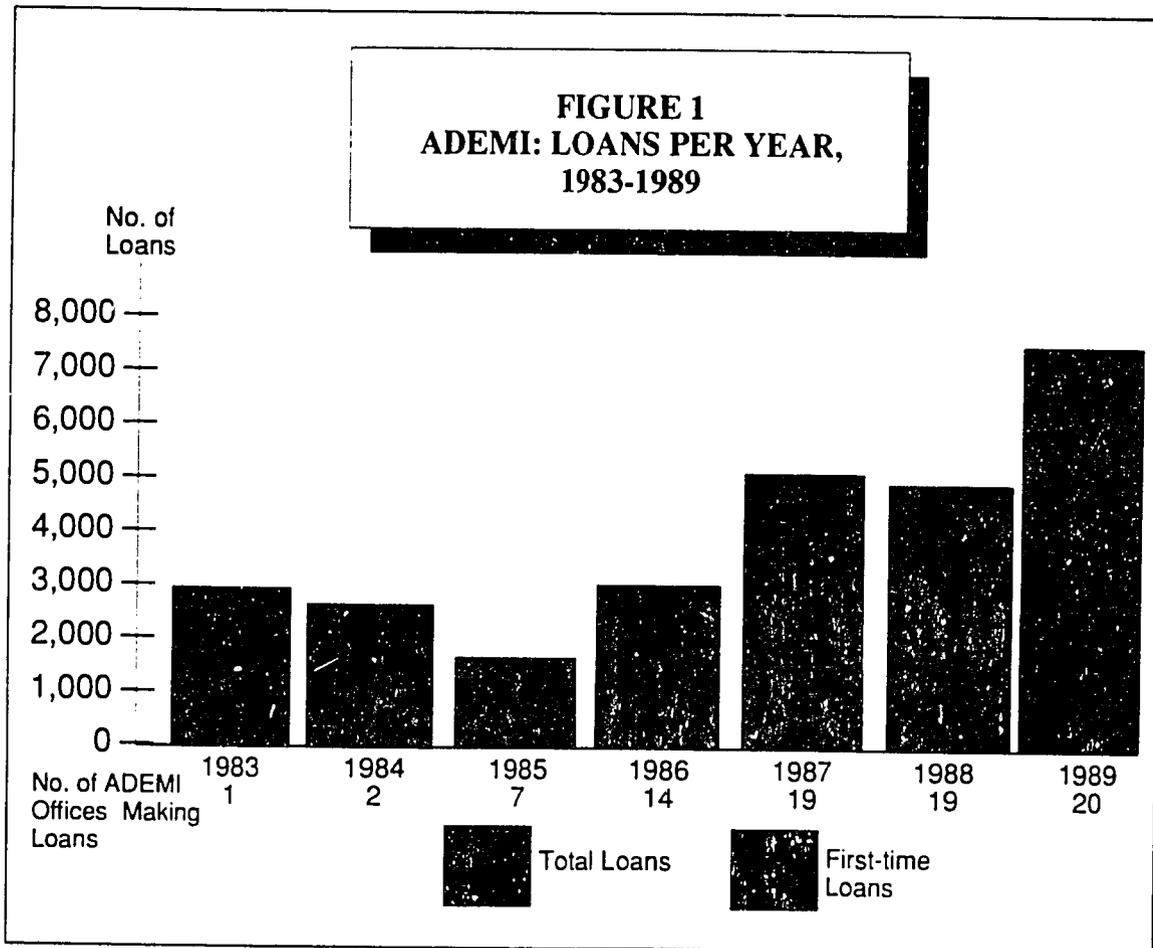
Activity	Male	% Male	Female	% Female	Total	% of Total
Food Preparation	500	62	301	38	801	16
Artisans	92	86	15	14	107	2
Clothes-making	500	53	436	47	936	19
Ceramics	32	33	64	67	96	2
Electricity and Rep.	90	100	0	0	90	2
Cabinetmaking/Carpentry	400	97	14	3	414	8
Smiths	86	100	0	0	86	2
Metalwork	1	100	0	0	1	0
Printing	53	90	6	10	59	1
Jewelry	22	96	1	4	23	0
Mechanics	91	98	2	2	93	2
Refrigeration	78	99	1	1	79	2
Serigraphy	5	100	0	0	5	0
Upholstery/Mattresses	91	92	8	8	99	2
Cobblers/Hides	220	97	7	3	227	5
Manufacture of Blocks	59	95	3	5	62	1
Marketing of Foods	128	78	37	22	165	3
Metal Mechanics	32	94	2	6	34	1
Casting of Metals	21	95	1	5	22	0
Microvendors	487	47	553	53	1040	78
Service Microenterprises	23	37	40	63	63	1
Miscellaneous (Others)	188	43	264	57	442	9
Total	3,199	65	1,745	35	4,944	100

Table 2 and Figure 1 show the number and amount of loans that ADEMI made each year from 1983 through 1989. By the end of 1989, ADEMI had made 28,335 loans for a total value of RD\$ 56,798,428; of these, 7,853 were new loans (loans to first-time borrowers of ADEMI), and 20,482 were re-loans (to borrowers who had had previous loans).

As the table shows, the largest percentage of loan activity growth was in 1986 and 1987. In 1986, when the program opened seven new offices in the interior, the number of new microenterprises financed grew by 176 percent, while the number of reloans grew by 35 percent in relation to the previous year. The program continued to grow and increase the number of offices through 1989.

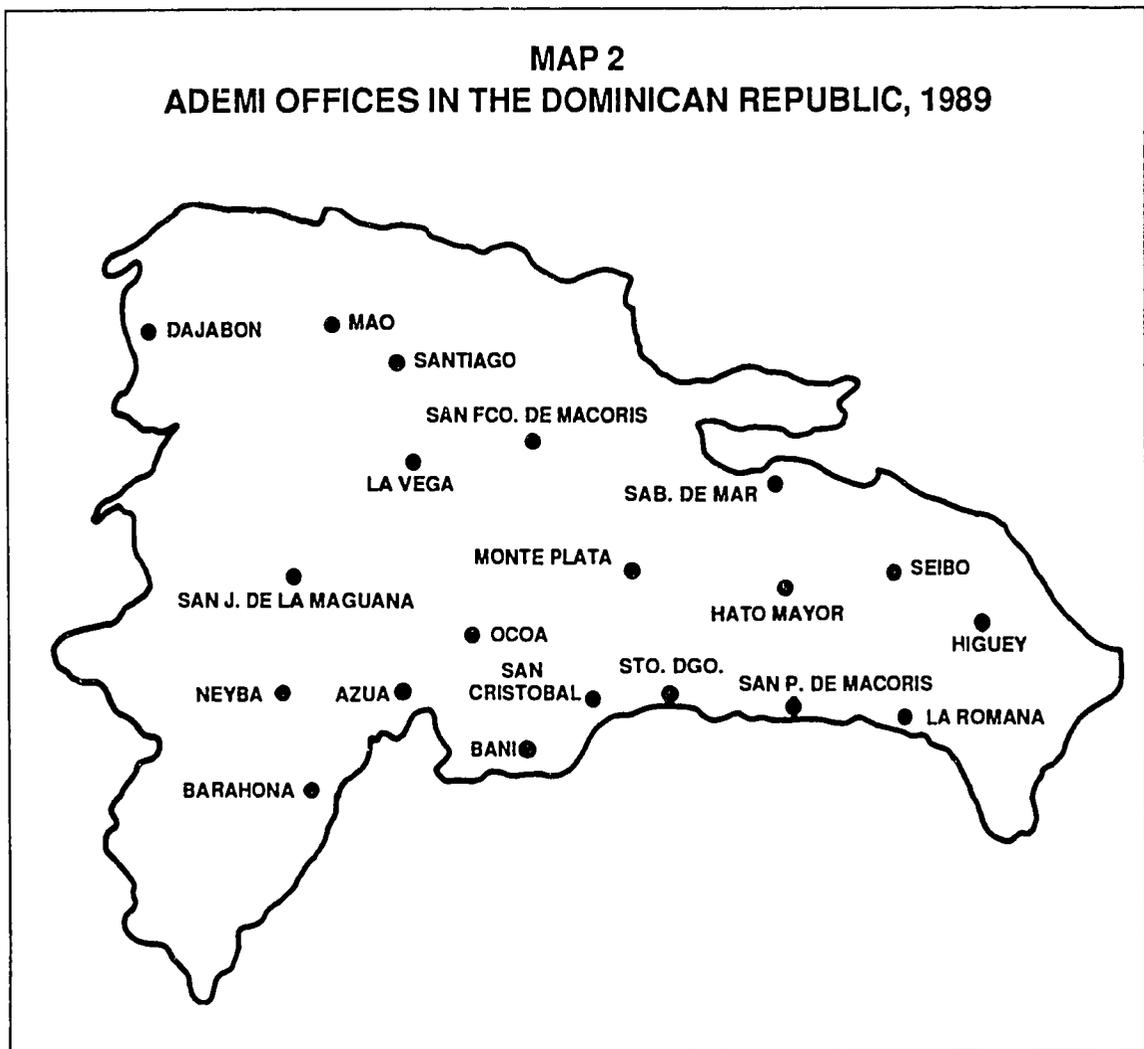
TABLE 2
ADEMI: LOAN GROWTH RATE, 1983-1989

Year	New Loans No.	Growth %	Renewed Loans No.	Growth %	Total Loans No.	Growth %	Amount Loans (RDS)	Growth %
1983	787		2,193		2,980		1,033,770	
1984	208	(74)	2,554	16	2,762	(7)	2,099,633	103
1985	457	120	1,336	(48)	1,793	(35)	2,871,600	37
1986	1,262	176	1,803	35	3,065	71	4,229,165	47
1987	1,449	15	3,703	105	5,152	68	8,547,535	102
1988	1,146	(21)	3,818	3	4,964	(4)	13,163,415	54
1989	2,544	122	5,075	33	7,619	53	24,853,310	89



This increase in loans was accompanied by a tremendous geographic expansion of ADEMI. The number of offices went from 1 to 20, and the offices were located throughout the country, as shown in Map 2, below.

ADEMI has had a policy of not opening offices in communities unless invited by local support groups or committees, to ensure community support and cooperation. These groups range from a small fishermen's cooperative, as in Sabana de la Mar, to large and powerful associations such as the Cattleman's Association of Nisibón. In most cases, ADEMI is invited by the Chambers of Commerce of the different localities. A typical agreement signed with a Chamber can be found in Appendix C. Before beginning operations in a new area, ADEMI carries out a census of microenterprises. The results of one such census are in Appendix B.



In constant 1983 prices, the ADEMI portfolio increased from RD\$ 248,961 to RD\$ 1,517,189 from 1983 to 1988. The most growth occurred in 1987 when the active portfolio, in real terms, increased by 88 percent, as shown below.

TABLE 3
LOAN PORTFOLIO, 1983-1988

Year	Current Prices	PORTFOLIO		Constant Prices	△ %
		(RD\$)	△ %		
1983	248,961	-	-	248,961	-
1984	530,222	113%	-	333,472	34%
1985	1,001,329	89%	-	513,823	56%
1986	1,657,330	66%	-	558,024	7%
1987	3,077,058	85%	-	1,050,190	88%
1988	6,008,069	95%	-	1,517,189	44%

Loan Amounts

The average loan amount in current RD\$ increased considerably from 1983 to 1988 because of inflation, which was highest in 1985 and 1986. The average loan amounts at constant prices (1983=100) dropped in 1986-1987 and rose in 1988. Taken at their value in U.S. dollars, the figures in Table 4 show a reduction in average total amounts beginning in 1985, from US\$ 572 to US\$ 422 in 1988.

TABLE 4
AVERAGE LOAN AMOUNT (in US\$)

Year	ALL LOANS			AVERAGE LOAN AMOUNT NEW LOANS			RELOANS		
	Curr. RD\$	Total Const. RD\$	US\$	Curr. RD\$	New Const. RD\$	US\$	Curr. RD\$	Renewed Const. RD\$	US\$
	1	2	3	4	5	6	7	8	9
1983	347	347	204	-	-	-	-	-	-
1984	760	478	380	-	-	-	-	-	-
1985	1,602	866	572	-	-	-	-	-	-
1986	1,380	437	424	-	-	-	-	-	-
1987	1,659	418	414	496	169	124	2,308	787	583
1988	2,652	670	422	850	214	135	3,192	806	508

Although the average amount for re-loans declined in 1988 (as measured in US\$), the average for new loans turned slightly upward. It should be noted that despite this increase, the average loan is small, reflecting the size of the microenterprises served by the program. Although the average loan amount has increased from 1983/1984, a sample of the amounts lent to 400 beneficiaries of the program who received their first loan from September to December of 1988 indicates that most ADEMI beneficiaries, when starting out in the program, are microentrepreneurs, not small businessmen. The results of the sample indicate that 49 percent of the ADEMI beneficiaries receive a first loan for less than US\$ 100, 85 percent less than US\$ 300, and 99 percent receive loans for less than US\$ 500.

TABLE 5
AMOUNTS OF NEW LOANS, 1988

Range (US\$)	Sample	Percentage	Accumulated
0 - 50	29	7%	
51 - 100	169	42%	49%
101 - 200	123	31%	80%
201 - 300	20	5%	85%
301 - 400	24	7%	92%
401 - 500	30	7%	99%
501 - more	5	1%	
	400	100%	

Efficiency

As ADEMI has expanded, its efficiency has steadily increased. Although the operating costs have steadily increased in real terms, the total amount lent has increased even more, leading to declining costs per peso lent and cost per peso recovered. The cost per peso lent is presented in Table 6. The deflated figures indicate a marked decline in the cost per peso lent throughout the life of the program. In 1988 the cost was only RD\$ 0.04 for each peso lent (US\$ 0.02 per dollar lent).

Like the cost per peso lent, the cost per peso recovered has declined over the period, from RD\$ 0.16 in 1983 to RD\$ 0.05 in 1988 (Table 6). It is important to note that as of 1988 the cost per peso recovered is very low, RD\$ 0.05, reflecting the high rates of recovery for the portfolio.

TABLE 6
COST PER PESO LENT AND RECOVERED (in RD\$)

Year	Cost per Peso Lent		Cost per Peso Recovered	
	Constant Prices	US\$	Constant Prices	US\$
1983	0.12	0.07	0.16	0.10
1984	0.07	0.06	0.09	0.08
1985	0.07	0.05	0.09	0.06
1986	0.05	0.04	0.06	0.06
1987	0.04	0.03	0.05	0.04
1988	0.04	0.02	0.05	0.03

However, the cost per job created has stayed above ADEMI's goal of US\$ 700. The figures in Table 7 show the changes in the cost per job created since 1983. These changes are due to five main factors: the increase in operating costs, the expansion of the portfolio based on reloans, the larger amount lent, the growth of loans for purchase of fixed assets, and the increased financial costs of loans from the formal banking sector.

TABLE 7
COST PER JOB CREATED

Year	Loans Disbursed (RD\$)	Jobs Created	Cost per Job Created		
			Current Prices	Constant Prices	US\$
1983	1,033,770	596	1,735	1,735	1,091
1984	2,099,633	418	5,023	3,159	2,603
1985	2,871,600	211	13,609	4,582	4,582
1986	4,744,501	1,341	3,538	1,191	1,208
1987	8,547,535	2,362	3,619	1,235	914
1988	13,162,415	1,806	7,288	1,840	1,161

ADEMI'S FINANCIAL EVOLUTION

ADEMI's growth in operations from 1983 through 1989 has been accompanied by an evolution in its financial situation. In the initial phase, in 1983-1984, the resources obtained by ADEMI through grants and loans were almost immediately transformed into loans for microentrepreneurs. By contrast, in a second period, 1985-1986, there was a high level of liquidity. In 1987 a third phase began, coinciding with a change in

the general management approach, with greater investment by increased lending and a resulting reduction in excess liquidity.

As a nonprofit institution, ADEMI is not obliged to adhere to regulations of financial institutions, such as maintaining reserves in the Central Bank or having to channel resources to a deposit insurance agency. ADEMI needs to have only 4 percent of its assets on hand to guarantee its payments. As a result, ADEMI tries to avoid high levels of liquidity, which decrease profitability. Instead, policy is to invest funds in borrowers who can use them productively and provide income to ADEMI. With these concerns in mind, as well as increasing inflation and the demand for larger loans from established borrowers, the management decided in 1985 to increase the maximum loans from RD\$ 4,000 to RD\$ 15,000, and to extend the terms from three to six months. Later, the maximum loan amount was increased to RD\$ 25,000 per loan (not necessarily per borrower) and the terms were extended to 12-15 months

Through this improvement in the structure of the balance sheet (reducing liquidity and increasing lending activity), profitability has improved. Income from interest payments has risen to such an extent that in 1988 ADEMI, for the first time, obtained profits using its own resources, not taking into account the grants received.

ADEMI's long-term survival is guaranteed by the capacity of the program to generate its own income, its effectiveness in attracting international financial resources, its financial capacity to channel resources from the national banking system, and its administrative capacity to manage the resources received.

As Table 8 shows, ADEMI has been able to borrow significant sums of money on favorable terms from several sources.

TABLE 8
ADEMI: FINANCIAL COMMITMENTS OF THE PORTFOLIO
(as of December 31, 1989)

Source	Total Debt (RD\$)	Interest per Year	Term Years	Date Begun Amort.
Banco Popular Dominicano	3,300,000	24%	-	-
Technical Secretariat of the Presidency	200,000	7%	6	1990
Technical Secretariat of the Presidency	1,050,000	5%	25	1990
Technical Secretariat of the Presidency	1,200,000	8%	9	1991
Inter-American Development Bank (IDB)	1,064,864	1%	40	1994
Inter-American Development Bank (IDB)	3,165,000	1%	40	1999

Note: ADEMI has no debts in foreign currency. All of its commitments are in RD\$.

ADEMI's effectiveness in using national commercial bank resources guarantees the program's continuity and growth. During 1987-1988, ADEMI financed the expansion of its program solely with resources obtained from public agencies and from the Banco Popular Dominicano. Thus the institution has received loans from the Banco Popular for RD\$ 1.3 million, at a rate of interest of 24 percent (preferential rate, below the prevailing commercial rate of 36 percent, and less than inflation, which is 50-60 percent). In this way ADEMI has channeled the resources of the formal banking sector to the informal sector.

Despite the financial costs of these loans, ADEMI has been able to sustain operational self-sufficiency above 100 percent, as indicated by the figures in Table 9. Since 1986 the financing program has generated interest income greater than ADEMI's operating costs.

TABLE 9
ADEMI: SELF-RELIANCE BY YEAR (as of December 31)

	1983	1984	1985	1986	1987	1988	1989
Revenues (RD\$)	53,403	133,385	335,710	605,032	1,045,561	2,513,881	5,609,465
Expenditures (RD\$)	122,928	256,302	532,645	601,004	1,036,920	1,927,028	3,866,798
Balance (RD\$)	(69,525)	(122,917)	(196,935)	4,028	8,641	586,853	1,742,667
Self-reliance	43%	52%	63%	101%	101%	130%	145%
* Excludes grants.							

Nonetheless, high inflation has led to the decapitalization of ADEMI since 1988. This situation is manifested in the indices of the ADEMI balances shown in Table 10. In 1988, for example, the earnings/equity ratio was 32 percent and the inflation rate was 57 percent, indicating a total loss in equity of 25 percent. Likewise, the earnings/current assets ratio for 1988 indicates a loss in value of 47 percent (57 percent-10 percent). As a result, and although the organization can cover its operating costs, its capacity to expand appears to depend on its ability to inject more external resources into the program.

An improvement in the profitability of operations can be obtained only by increasing interest on loans, since the revenues from grants and other sources are not directly controlled by ADEMI and no longer represent a major proportion of assets. To increase revenue from interest payments, in the beginning of 1987, ADEMI began to charge interest on the original loan amount (flat interest) instead of on the amount due (declining balance). This change has contributed to steadily rising revenues from interest. In addition, in October 1989, interest charges were increased to 2.8 percent monthly to help compensate for the dramatic costs of inflation.

TABLE 10
INDICATORS OF FINANCIAL BALANCES, 1983-1989 (thousands of RD\$)

	1983	1984	1985	1986	1987	1988	1989
Earnings Minus Grants	- 69	- 122	- 196	- 112	- 38	350	1,810
Earnings	169	104	218	547	433	468	2,133
Current Assets	259	595	1,524	2,543	3,985	5,575	1,699
Current Assets for Two Periods	-	427	1,060	2,034	3,264	4,780	-
Equity End of Period	-	169	272	491	1,052	1,485	4,270
Initial Earnings/Equity	-	62%	80%	111%	41%	32%	30%
Earnings/Current Assets	-	24%	21%	27%	13%	10%	25%
Inflation	-	24%	37%	10%	16%	57%	52%
* Official inflation figures underestimated.							

Profitability could increase further through optimal management of economic resources, which would make it possible to limit funds in cash and in banks. Efforts have begun to move in that direction. Nonetheless, this will not increase the surplus sufficiently to avoid decapitalization if inflation continues at its present rate.

Fund Raising

Despite inflationary tendencies, the program's continuity and its sustained growth are strengthened by ADEMI's capacity to attract national and international resources. The resources received throughout the program are shown in Table 11, classified by source and type. As of December 1988, the association had received RD\$ 7 million, of which RD\$ 2.1 million were in grants and RD\$ 4.9 million in loans.

It is important to point out that contrary to most similar development programs, ADEMI receives most of its grants and loans from local sources. Sixty-six percent of its external resources have been received from national public and private organizations, such as the Technical Secretariat of the Presidency, the Banco Popular, and the Máximo Gómez Foundation, among others. Some 34 percent of the resources are from international agencies, mainly IDB, GTZ, and USAID.

TABLE 11
RESOURCES RECEIVED 1983-1989 (in RD\$)

	Grants	Loans	Totals	%
<u>1983</u>				
Technical Secretariat of Presidency	150,000		150,000	63
Private Sector	88,300		88,300	37
Total 1983	238,000		238,000	100
<u>1984</u>				
IDB I	8,296	230,523	238,819	52
AID	197,721		197,721	43
Private Sector	20,150		20,150	4
Total 1984	226,167	230,523	456,690	100
<u>1985</u>				
Private Sector	1,100		1,100	0
AID	390,736		390,736	31
IDB I	8,533	371,056	379,589	30
IDB II		463,253	463,253	37
GTZ	15,000		15,000	1
Total 1985	415,369	834,309	1,249,678	99
<u>1986</u>				
IDB	12,086		12,086	1
Technical Secretariat Presidency	150,000	545,000	675,000	57
AID	496,912		496,912	42
Total 1986	658,998	525,000	1,183,998	100
<u>1987</u>				
Private Sector	150,000	500,000	650,000	36
Technical Secretariat Presidency	300,000	725,000	1,025,000	60
IDB		51,540	31,540	2
Total 1987	450,000	1,256,540	1,706,540	100
<u>1988</u>				
Technical Secretariat Presidency		1,200,000	1,200,000	55
Private Sector	35,500	800,000	835,000	39
GTZ	133,000		133,000	6
Total 1988	168,000	2,000,000	2,168,000	100
<u>1989</u>				
Private Sector		2,000,000	2,000,000	37
IDB	322,202	3,021,086	3,343,260	63
Total 1989	322,202	5,021,086	5,343,260	100

SECTION THREE

Impact of the Program

The growing imbalance between job supply and demand for employment has become one of the most pressing structural problems of recent decades in the Dominican Republic, as in most Third World countries. As noted earlier, one of ADEMI's primary objectives has been to support microenterprises with the potential to expand, thus strengthening existing jobs and creating new ones.

ECONOMIC IMPACT

According to the statistics from ADEMI's data bank presented in the accompanying table, there have been nearly 40,000 direct beneficiaries of ADEMI, and 235,000 indirect beneficiaries, for a total of 275,000 Dominicans, or 4 percent of the country's population. An employment study done by USAID in 1988 estimated that 135,000 microentrepreneurs operate in the country. ADEMI's financing program has affected 6 percent of that population.

The program's impact on ADEMI clients was evaluated in a representative survey of some 100 microentrepreneurs done in April 1989. The results of that survey are presented below. The following discussion of impact is based on the survey results and information from ADEMI's data bank.

Job Creation

From 1983 to 1989, ADEMI strengthened 31,155 jobs and helped create 8,745 new jobs. Given the instability of many informal-sector jobs, strengthening existing jobs is as important as creating new ones. For each RD\$ 6,554 that ADEMI lent, a new job was created, confirming the low investment/employment ratio typical of the microenterprise sector.

TABLE 12
SUMMARY: LOANS MADE, JOBS, BENEFICIARIES
 (as of December 31, 1988 and 1989)

	1983-87	1988	Total as of 12/31/88	1989	Total as of 12/31/89
New Projects Financed	4,333	1,146	5,479	2,544	8,023
Number of Loans	15,921	4,964	20,885	7,619	28,504
Total Amount in Loans (RD\$)	19,297,039	13,162,415	32,459,454	24,853,310	57,312,764
Average Loan Amount (RD\$)	1,121	2,652	1,554	3,262	2,043
Number of Loans Recovered	11,995	3,941	15,936	5,311	21,247
Total Recovered (RD\$)	16,379,178	10,308,333	26,687,511	21,437,067	48,124,578
Active Credit Portfolio (RD\$)	3,077,058	6,008,069	6,008,069	12,714,054	12,714,054
Overall Accumulated Savings (RD\$)	1,765,294	1,119,489	2,884,783	2,691,989	5,576,772
Savings/Loan	110	226	138	353	196
Direct Beneficiaries – Jobs					
Created	4,928	1,806	6,734	2,011	8,745
Strengthened	17,838	4,867	22,705	8,450	31,155
Total Direct Beneficiaries	22,766	6,673	29,439	10,461	39,900
Total Indirect Beneficiaries	149,290	33,365	182,655	52,305	234,960
Average Amount Lent Per Job Created	3,915	7,288	4,820	12,359	6,554

TABLE 13
CHANGES IN ASSETS, REVENUES, PROFITS, SAVINGS

Number Loans Re-ceived	Assets (RD\$)			Sales (RD\$)			Profit (RD\$)			Savings (RD\$)		
	Constant Prices		Change I-F	Constant Prices		Change I-F	Constant Prices		Change I-F	Constant Prices		Change I-F
I	F	I		F	I		F	I		F		
1	3,561	3,788	6%	3,240	3,464	7%	852	1,033	21%	170	298	75
2-5	3,604	4,327	20%	3,758	5,796	54%	737	1,610	118%	20	270	1,231
6-10	4,425	18,311	314%	3,853	7,386	92%	823	2,260	175%	13	571	4,243
11-15	5,178	24,579	375%	4,986	14,050	182%	975	3,580	267%	77	257	233
16-20	6,409	16,811	162%	5,552	11,483	107%	1,111	3,275	195%	370	936	153
Average	4,635	13,563	192%									

Base year = 1983; I = initial level, F = final level

The impact survey of 100 borrowers indicated that, beginning with the fifth loan, the microenterprises begin to generate an average of one job. The first two loans rarely create jobs. The capacity to generate employment increases as the microentrepreneur receives more loans and thus greater amounts. A microentrepreneur who has received 10 loans has generated, on average, 4 jobs; 15 loans, 12 jobs; and 20 loans, 16 jobs.

Wages

Because of the lack of information on full-time employment, part-time employment, and paid and unpaid employment, it is difficult to analyze wage levels. Nonetheless, in comparing the average wage (beginning and end) with the official minimum wage, in all cases the microentrepreneurs paid wages above the legal minimum. Microenterprises with loans from ADEMI paid wages totalling RD\$ 51.5 million from May 1987 to May 1988, which represents an average wage of RD\$ 396, equal to the minimum wage in the public sector.

Fixed Assets

An important impact of the program is the substantial increase in the fixed assets of the microenterprises that received loans. The results are even more significant taking into account that until 1988 the program did not include financing for the purchase of fixed assets.

ADEMI borrowers have increased their assets an average of RD\$ 4,635 to RD\$ 13,563 in real terms. This is equivalent to an increase of 192 percent in relation to the levels of assets the microentrepreneurs had when they joined the program. When the results are broken down by number of loans received, one notes a progressive increase in the levels of assets as the number of loans received rises.

Levels of Revenues and Profits

The change in the levels of sales/revenues for microentrepreneurs in the program has been significant. Even those microentrepreneurs who have received only one or two loans have experienced growth of 7 percent in their sales revenues in real terms. Those with 11-15 loans increased their sales by 182 percent in real terms. As with the previous indicators, the highest profit levels were achieved by those microentrepreneurs who had received 11-15 loans.

Savings

Savings, in relative terms, have increased significantly for the program borrowers. The figures in Table 13 show that this increase is greater for microentrepreneurs who have received 6-10 loans. The rate of growth in savings per borrower has actually declined in recent years. This decrease is due primarily to high inflation and the negative interest on savings deposits. The microentrepreneurs are motivated to invest their savings in inventories of raw materials and in other assets, instead of depositing them as savings. Nevertheless, ADEMI maintains its policy of opening bank accounts for each microentrepreneur, to educate them in the banking system. For the most part, the microentrepreneurs keep savings for emergencies.

SOCIAL IMPACT OF THE PROGRAM ON BENEFICIARIES

The program's social impact is reflected mainly in improved living conditions for the families and employees of the microentrepreneurs who participate in the program. Interviews with the microentrepreneurs indicate that the gains in revenue have a positive impact on their children's education and improved nutrition and housing for their families. All the microentrepreneurs interviewed pointed to their children's attendance at private rather than public schools as a qualitative improvement. The most successful microentrepreneurs have also been able to buy their own homes or rent homes in better condition. Many have purchased vehicles they use for both business and residence. Others say they have invested in a piece of land to protect the value of their savings.

An unexpected effect of the program has been that, as a microenterprise grows, the children and other relatives of the microentrepreneurs become involved in the business. In other cases, they set up their own businesses and also come to ADEMI for loans. The demonstration effect also extends to microentrepreneurs' friends and neighbors. If this happens in towns and cities where the program operates, it could be a way for ADEMI to help slow migration to the cities, by indirectly encouraging people to establish new enterprises and not leave their towns.

The program also seems to have increased the security and stability of the microenterprises. Access to a line of credit continues to give them emotional security and makes their businesses and the employees' jobs more stable, and allows them to do long-term planning.

The following quotes give some idea of what ADEMI has meant to borrowers. In addition, there are several borrower profiles in the case studies presented at the end of this section.

From having nothing I now have more than RDS 300,000 in assets. I bought my house and a car. Now I am buying a piece of land . . . My wife also set up a small business, which ADEMI is financing. (Miguel Mata)

Francisco Santos lived in one of the marginal neighborhoods of Santo Domingo and never went to school. The lack of job opportunities led him to set up a small jewelry store; in June 1983 he started out in the ADEMI program with a loan for RDS 300. At that time his monthly sales amounted to RDS 15,000. After several loans, he opened two branches. Today he has assets worth RDS 250,000 (US\$ 40,000) and sells more than RDS 200,000 monthly (US\$ 30,000). His children attend private schools, and he bought a home in residential district.

Everything I have I owe to ADEMI . . . I started off in the program with a loan for RDS 300. I didn't have employees and my wife and I worked night and day making small wicker furniture . . . We barely produced enough to get by. ADEMI reached out to us, and as I repaid my loan I obtained larger and larger loans that enabled me to buy raw materials and hire people to help me . . . I was able to rent a large locale to set up my factory and ended up with 35 full-time employees . . . The economic crisis has reduced the number of employees to 18. But my economic situation has seen a 360-degree turnaround . . . I tell you, ADEMI has been like a father to me. (Hermógenes Ulloa)

I received my first ADEMI loan in 1983 . . . RDS 200 . . . I have already received 20-some loans. I had only two employees, now I have 12 . . . I am very thankful to Pedro Jiménez, he learned of my work and encouraged me to come to ADEMI . . . If I have something I owe it to ADEMI. My children go to a private school, I bought a pick-up truck, and I have three houses. My wife helps me in the business — she's the manager. Last year we went on a Club Med vacation paid for by the business's profits. (Danilo Abreu, cabinetmaker)

SPECIAL IMPACTS OF ADEMI

Women

ADEMI does not have programs or policies tailored specifically to women microentrepreneurs. At the same time, there is no specific policy benefiting men over women. Because women make up a large portion of the microenterprise sector, and because the loan program's characteristics meet their needs, women borrowers make up over a third of ADEMI's borrowers. ADEMI's methodology eliminates many of the barriers women face in their search for access to loans, through simple and swift processing of loans, the assistance of an adviser in filling out the application, flexible guarantee requirements, availability of very small loans, access to basic managerial

assistance from loan advisers, and interest rates far lower than those charged by moneylenders.

Special Program of Credit for Education and Health

In 1989, ADEMI began a loan program for fixed assets in private primary schools and medical dispensaries. The program aimed at facilitating the expansion or construction of small schools (3-6 classrooms), and the purchase of laboratory or dental equipment for the medical dispensaries that operated in the marginal neighborhoods.

Even though education in the Dominican Republic is free and there is an Education Secretariat, there are not many public schools and they are overcrowded. Instead of having 40 schoolchildren in each class, at present there are often 100 children per classroom. As a result, the teachers can seldom give the schoolchildren personal attention and children often have to repeat a year. Consequently, parents prefer to send their children to private schools recognized by the government. The private schools have fewer students per classroom and offer more personal attention. Many of the private schools are in centrally located residential areas, and are supervised by parent committees to a greater extent than are the public schools.

In late 1989, ADEMI financed the remodeling or expansion of 40 schools, as well as the purchase of equipment for 25 medical dispensaries. The total value of the loans granted came to RD\$ 400,000, while the active portfolio comes to RD\$ 300,000, and the arrearage rate is less than 1 percent. As a result of the program's success, which has been publicized by the press and by word of mouth, ADEMI continuously receives new requests from schools, medical dispensaries, and community pharmacies.

THE LITTLE SCHOOLHOUSE OF MARIA ALTAGRACIA CARRASCO

María Carrasco was certified as a teacher 20 years ago and has taught for more than 20 years. Five years ago she received an undergraduate degree in school counseling. After working 15 years in a private school, she opened her own school in a poor neighborhood of Santo Domingo.

With her husband's support, María rented a home and made it into a schoolhouse with room for 125 students. With ADEMI support, the school was remodeled into four classrooms, accommodating 350 students who attend school in two shifts, morning and afternoon. Since the school is in a poor section of the city, the students pay RD\$ 20-25 monthly in tuition (in other parts of the city tuition payments are RD\$ 40-50 or more).

The demand is much greater than the school's capacity. Recently a new urban development went up with 450 families but no school. Every day María must turn down requests for admission. María would like to expand the school. The second floor could be expanded to accommodate two more classrooms and neighbors are planning to sell an adjoining lot. If María can pay off her loan and get another one, she will buy the land to expand the school.

Depending on available resources, the institution is planning to expand this program in the future.

Additional National and International Impacts

The program developed by ADEMI has generated a significant demonstration effect, both nationally and internationally. Nationally, ADEMI's success in its work with microentrepreneurs has been recognized by the government and the private sector. The public sector has supported the program with technical and financial resources. For example, the Institute for Technical and Professional Training (INFOTEP) contributes to the program through training courses for the advisers and microentrepreneurs. Also, the Technical Secretariat of the Presidency has donated funds and facilitated soft loans for the program. In the private sector, the Banco Popular, one of the oldest in the country, opened a permanent line of credit to ADEMI. Similarly, other local banks, such as the Banco Fiduciario Dominicano and the Banco del Progreso, have approached ADEMI to facilitate lines of credit for the program with microentrepreneurs.

The national press, including those papers with the largest national circulation, has shown great interest in following ADEMI's progress in its work with microentrepreneurs. Almost every day, stories are published on the scope of the program, or ADEMI beneficiaries are interviewed. These stories have promoted a more positive view of the informal sector and the benefits of microenterprises to the Dominican economy and employment situation. The demonstration effect generated by the program is evidenced in the acceptance of the program by the business sector. In 1989 ADEMI was selected to represent the microenterprise sector in the National Council of Businessmen.

ADEMI's operational model has attracted development institutions with microenterprise programs. Locally, organizations such as the Banco de la Mujer (ADOPEM) and the Asociación para la Inversión y el Empleo (ASPIRE) have sent technical personnel to the ADEMI offices to learn from its operating model and systems. Other organizations such as Promoción para la Mujer APEC (PROMAPEC), Mujeres Aplicadas a la Industria (MAI), and the Fundación para el Desarrollo Comunitario (FUDECO) have implemented or are considering implementation of programs jointly financed with ADEMI.

Internationally, ADEMI's operational model and loan methodology have attracted the attention of several development organizations from different countries. Organizations from 15 countries have sent personnel for training at ADEMI's offices, to adopt aspects of the ADEMI model to their own work

Borrower Profiles and Case Studies

ADEMI: MICROENTREPRENEUR PROFILE

No.: 828

Name: Enrique Pichardo Campusano

Date: 1/18/90

1. Type of Microenterprise: Metal work (decorative furniture)
2. Address: Carret. Mella #81, Km. 9, Los Trinitarios
3. Time in the Program: 4 years and 4 months
4. First Loan Amount: RD\$ 600
5. Last Loan Amount: RD\$ 20,000 (WC) + 25,000 (FA) = 45,000
6. Total Loans to date: 11
7. Total amount loaned (cumulative): RD\$ 127,300
8. Number of employees when began with ADEMI: 7
9. Number of employees at present: 17
10. Value total assets when began with ADEMI: RD\$ 10,430
11. Value total assets at present: RD\$ 204,785
12. Sales when began with ADEMI: RD\$ 3,200
13. Sales at present: RD\$ 75,400
14. Qualitative and quantitative changes:

- Adequate administrative and managerial capacity
- Purchase of land and a lot
- Purchase of one (1) vehicle, a Mazda B2200
- Better living conditions for himself and his family
- His enterprise is legally recognized

ADEMI: MICROENTREPRENEUR PROFILE

No.: 814

Name: Salvador Rosario

Date: 1/18/90

1. Type of Microenterprise: Window and door factory
2. Address: Av. San Vicente de Paul # 17, Los Minas
3. Time in the Program: 4 years
4. First Loan Amount: RDS 300
5. Last Loan Amount: RDS 25,000
6. Total Loans to date: 10
7. Total amount loaned (cumulative): RDS 99,400
8. Number of employees when began with ADEMI: 4
9. Number of employees at present: 10
10. Value total assets when began with ADEMI: RDS 5,800
11. Value total assets at present: RDS 207,905
12. Sales when began with ADEMI: RDS 4,000/month
13. Sales at present: RDS 80,000/month
14. Qualitative and quantitative changes:
 - Expansion and remodeling of the production unit
 - Modernization and increasing technical level of the production process
 - Purchase of 2 motor vehicles:
 1. Pick-up truck for internal use of the enterprise
 2. Vehicle (car) for personal use
 - Growth of assets to RDS 207,905.00

ADEMI: MICROENTREPRENEUR PROFILE

No.: 724

Name: María Altagracia Morel

Date: 1/18/90

1. Type of Microenterprise: Candy factory
2. Address: Calle F No. 11
(parallel to Las Américas), Isabelita
3. Time in the Program: 4 years and 5 months
4. First Loan Amount: RDS 300
5. Last Loan Amount: RDS 20,000 (FA) + RDS 12,000
(WC) = 32,000
6. Total Loans to date: 13
7. Total amount loaned (cumulative): RDS 59,000
8. Number of employees when began with ADEMI: 3
9. Number of employees at present: 13
10. Value total assets when began with ADEMI: RDS 1,461
11. Value total assets at present: RDS 52,706
12. Sales when began with ADEMI: RDS 5,600/month
13. Sales at present: RDS 55,000/month
14. Qualitative and quantitative changes:
 - Is buying a piece of land for RDS 12,000 for construction of her industrial plant.
 - Is able to pay off a debt of RDS 12,000 that she had contracted at interest of 20% monthly.
 - Is considerably improving her and her family's quality of life.
 - At present this enterprise operates with unsatisfied demand, which suggests that current trends will continue.

ADEMI: MICROENTREPRENEUR PROFILE

No.: 154
Name: Rafael A. Pichardo C.
Date: 1/10/90

1. Type of Microenterprise: Clothes manufacturing
2. Address: c/Simón Bolívar #73, Barrio Simón Bolívar
3. Time in the Program: 6 years and 7 months
4. First Loan Amount: RD\$ 300
5. Last Loan Amount: RD\$ 25,000
6. Total Loans to date: 20
7. Total amount loaned (cumulative): RD\$ 189,900
8. Number of employees when began with ADEMI: 7
9. Number of employees at present: 45
10. Value total assets when began with ADEMI: RD\$ 5,570
11. Value total assets at present: RD\$ 329,330
12. Sales when began with ADEMI: RD\$ 7,000
13. Sales at present: RD\$ 218,097.50
14. Qualitative and quantitative changes:

- Among the changes are the following: when he started out in the program, the workshop was installed in his own home; today the business has its own three-floor concrete building valued at over RD\$ 180,000, which he uses for production. In all he has 2 vehicles, 1 car (Datsun), and one 10-passenger vehicle, which are available to the shop; also, he needed to purchase one Onan 25 KW generator.

TEOFILO ROSARIO JIMENEZ

The story of Teófilo

Teófilo Rosario Jiménez was born in the rural area of Cevicos, Cotuí, 36 years ago. At the age of 12 he convinced his father to let him come to the capital to live with a married sister. Three days later a cousin got him a job working in the home of a family. There he scrubbed, swept, mopped the floor, and cleaned the garden, for which he received a monthly wage of 7 pesos. That was 1965.

When the revolution broke out, he returned to Cevicos until things returned to normal. When the April revolt ended, Teófilo went back to his old job. His dreams began to come true when he registered at the Estados Unidos de América secondary school. He went to night school, after finishing his housecleaning chores. In Cevicos he had not gone to school because his father, who never went, had no interest in seeing his son study.

He left his first job in 1966 when he decided to work in a small grocery store located in Caonabo with Rosa Duarte for another cousin. The cousin set up a shop, where Teófilo would also work. He earned 12 pesos a month.

The next year he got a job as a messenger with the Marién travel agency, owned by the now-deceased César Rijo. He used a bicycle until he learned to ride a motorcycle. He earned 30 pesos a month. Yet he received an extra 12 pesos for washing the cars of two architects whose office was on Pasteur street. One of them was Eduardo Selman.

On his way back from the State Secretariat for Public Works and Communications, where he had obtained his license that Friday in 1970, he stopped at the Bella Vista pharmacy on Lope de Vega street, and asked to work as a messenger for Mr. Zaky Hazoury. The following Monday he went to work at Bella Vista. He distributed medicine to the customers. Teófilo remembers meeting me as a very young man, since he brought medicine to my parents' house.

He worked there for 2½ years. In early 1974, when he was earning 120 pesos a month, he decided to leave Zaky to work with Leonel. A friend had convinced him to do a sales course at the Institute Arte y Ciencia on El Conde street, since that would be his ticket to earning more money. When the course ended, he went to work at Caribe Grolier, where he started out as a salesman and ended up as sales supervisor, under the immediate supervision of Leonel Almonte.

He was paid on commission for sales of Quillet, Cumbre, Tesoro de la Juventud, and Los Grandes Clásicos encyclopedias, the Léxico Universal dictionary, and English-language dictionaries. Although the commission was 15%, the payments were often very low. This was because management took out deductions from the commissions, equivalent to the sums that some customers owed. Traditionally large number of clients have failed to pay street vendors of encyclopedias. It all came to an end with Caribe Grolier when the salesman formed a union. The firm closed, then changed its name, and the potential unionists went back into the labor market. Teófilo had married in 1976.

On involuntarily ceasing to work for Caribe and Leonel, in 1979 he began as a salesman with Empresas Unidas, a firm owned by Luis Sánchez Noble. There he sold "object" publicity: calendars, keychains, ballpoint pens, and other articles with advertising on them.

One day, in the workshop of the Plan Arte program of the Dominican Development Foundation, it was suggested that buckles be manufactured for the leather belts they produced, and he was offered, and accepted, to serve as salesman of that program. He sold leather and ceramic goods, as well as cloth dolls, which were manufactured by the Plan Arte in Higüey, Moca, and Baní, respectively, to gift shops.

"We sold a lot," Teófilo recounts. "The problem was that we didn't produce enough, because the workshop was more for teaching; they wanted to teach people to make those things. They make very pretty and useful things. I thought that they had another plan, but then I realized that they had no entrepreneurial criteria, nor plans to expand the business."

Given these prospects, Teófilo, who lived at kilometer 7 of the Sánchez highway with his wife and two daughters, in a little room for which they paid 25 pesos monthly, decided to set up his first business. He bought miscellaneous ceramic pieces from a microenterprise owned by two friends of his, and sold them at a table, which his brother worked, that he set up in front of Radio Guarachita. Over time he increased the number of suppliers. He continued to work as a salesman for Plan Arte. Fifteen years after having been the storekeeper's helper, and then working at his cousin's store, Teófilo entered into a similar "contract" with his brother.

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A relatively goods sales volume led him take an interest in ceramics. He left the Dominican Development Foundation in mid-1981 to set up his own business. His only savings were 500 pesos from the sale that he requested of Franco Oliva, manager of the Plan Arte.

After paying off a series of debts, he used the remaining 350 pesos to buy 12 molds for pitchers, a saw, and a plywood board that he cut in two to make two tables. "I didn't even know how to hold a saw, but I worked at it and made two tables," recounts the microentrepreneur.

He installed his ceramic pitcher "factory" in his sister's yard; she lived next door to him at kilometer 7. Two weeks later he visited a newly widowed woman in Jardines del Sur, who had stopped giving ceramics classes because she was tired of teaching and disappointed in her students. Doña Dolores Gau rented him the service room, the small yard behind the house, and a small oven she had out under the covered patio. He paid 10 pesos a day. This gave him the right to use her molds and two tables of hers.

Teófilo had to overcome other obstacles. He did not know how to make, polish, and fire ceramicware. And so he decided to visit Doña Silvia, a friend who "did know about those things." She was the owner of Cerámica Quisqueyana on Avenida Mella. There he learned how to hollow out and polish the pieces.

Teófilo's entrepreneurial spirit knows no bounds. His next step is to build an industrial plant in La Isabelita, "a sector where there is practically no electricity, since it shares the same circuit with Molinos Dominicanos. The project costs 800,000 pesos, but can be implemented in two stages. I would like to obtain a FIDE loan, since that would give me a grace period while construction is underway."

The stories of Teófilo, Antonina, and Angelita, told today in this section, are an example of why poor people who would like to work should be given the opportunity to improve their economic situation. This is possible if they are given the right to receive credit, which is essential for their economic emancipation. For one who has nothing, credit is the vehicle that will enable him or her to successfully face the challenges implicit in economic inequality. To argue that loans should not be given to the poor because they have no guarantees to offer is equivalent to arguing that human beings cannot fly because they have no wings. If something distinguishes us from

the other animals, it is our capacity for innovation and creativity. That ingenuity is what has allowed humans to fly at speeds, and covering distances, never dreamed possible. Thus, to argue that we are unable to design a credit system in which the guarantee does not play a predominant role, is simply an insult to the fact that we are extraordinarily creative beings.

Even though Doña Silvia encouraged him to continue, his lack of working capital discouraged Teófilo, as he was unable to meet the demand from the same clientele he had visited years earlier as salesman for the Plan Arte. In addition, the learning process was not easy: "it took me a whole day to polish 50 pitchers, which takes a polisher less than 2 hours now." His ever more precarious financial situation led him to suspend production of ceramics and to devote himself to selling sets of china, grapefruit, and tamarind, from a stand he set up across the street from the fire station. It was not the type of business that appealed to him, but he had no alternative. The need to put food on the table came ahead of his personal preferences.

In November 1981 he decided to go back to the ceramics business, expecting good sales during the Christmas season, and he sold the stall to a sister of his for 250 pesos. This persistent microentrepreneur from Cevicos had left an inventory of more than one thousand ceramic pieces that had been fired once; they just needed an enamel finish. With the 250 pesos he bought enamel and began to fire the pieces in a kiln that a friend rented to him for 13 pesos per firing. Doña Dolores, pressured by her childrer., had put an end to the rental arrangement she had with Teófilo for the use of her space and equipment.

In December 1981 he convinced Franco Oliva of Plan Arte to give him a chance to sell his pieces at the Christmas Fair that the Foundation always celebrated in the historic fortress of Ozama. He brought in 800 pesos. The next month, taking advantage of his friendship with a young woman who worked at the Museo del Hombre Dominicano, he won the space in the Festival de la Cultura. There he brought in 950 pesos. Thirty days later he convinced José de Ferrari, who had been manager of Plan Arte, and who at that time was in charge of the Artesanía de Altos de Chavón, to get a space in the Altos de Chavón Fair, which was to be held in February 1982. There he brought in 1,200 pesos.

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Teófilo had started anew. He could do anything: he hollowed, he polished, he enameled. He did not have a kiln. After placing the pieces on a blackboard that belonged to his daughters, he carried them on his head and would take them on foot, for the firing, to a friend's house. He had sought a loan from the Dominican Development Foundation, which was rejected, since it did "not qualify."

One day Daisy, the Plan Arte teacher in charge of the cloth dolls, suggested that he turn to ADEMI, an institution that could lend him the money he needed. After requesting a loan from ADEMI, he was visited by Mr. Cortorreal, one of the institution's advisers and supervisors, who assessed the microenterprise's assets at 1,737 pesos, and told Teófilo that he could lend him 150 pesos for 15 days, with an additional commitment of new loans if he met the loan conditions.

He paid off his first loan after 13 days. Then they lent him 200 pesos, which he also paid on time. After 5 months he bought his first kiln at the Casa del Artesano for 1,800 pesos, thanks to a 1,000 peso ADEMI loan. ADEMI advanced the 2,000 pesos of the loan to have the kiln held for him and to set the price. He promised to pay the remaining 800 pesos in three months. He honored the payment in the time allotted. The suppliers delivered the kiln cursing all the way. The price had increased to 2,300 pesos, and they could not charge him the difference. In 1984, the country experienced one of the most severe currency depreciations in its history.

Three months after purchasing the first kiln, he purchased the second one and then the third one. Teófilo was selling 1,300 pesos each month. Sales continued to mount. This microenterprise, which had begun with a single employee – its owner--now had six. With the purchase of the third kiln, he rented a space in the Mi Hogar sector of the highway to Mendoza. Sales continued to increase. Incredible as it may seem, he now sells 1,200,000 pesos worth of ceramics each year. "The only reason I don't sell three times as much is because the power outages don't let us produce any more. The demand for our pieces is three times greater than what we can produce. With light we could produce everything our clients ask of us; I now have 13 kilns." Each kiln costs 18,500 pesos. This microenterprise that produces 66 different ceramic pieces, 11 times more than were produced when he began, has 33 employees, more than half of whom work by contract, earning more than 1,000 pesos monthly.

Those who work for a fixed wage earn 500 pesos monthly. The staff also includes a secretary and an accountant. His main client is La Sirena. While we spoke they were completing the packing of 8,000 pitchers that La Sirena of Santiago had ordered. His clients include some who sell ceramic pieces in Haiti and Puerto Rico.

Teófilo's microenterprise currently has the greatest capacity for firing a variety of ceramic pieces in the Dominican Republic. Only seven years ago Teófilo himself carried the pieces on his head on one of his daughter's blackboards to take them to fire at a friend's house.

His microenterprise is not larger today because in 1987 he divorced his wife and had to give her 3 kilns, half of the inventory in production, the molds, and the furniture. Teófilo was able to weather the storm thanks to a 40,000 peso loan from ADEMI in view of the circumstances. To date, ADEMI has made 23 market-rate loans to him, for a total of 222,350 pesos.

He owns a piece of land that he bought eight months ago, whose current value is 75,000 pesos. He also has 60 tareas of land in Cevicos for 12,000 pesos, on which his father is growing corn. The assets that Cortorreal assessed at 1,737 pesos six years ago are now valued at over 650,000 pesos. His children study at the private high school Horizontes Dominicanos.

When asking Teófilo if he believes that this is the country of opportunities where the people who really sweat can progress, he answered: "I believe that in this country you can work, and you must work. I am convinced that people who are intelligent and work have no reason to leave this country. Of course you need someone to help you, for in my case I have sweated, but if I had not found ADEMI, it would have been much more difficult to get started. I feel sure of myself, but I feel that some things in the country need to change. For example, the electric power fiasco has to be solved. If I didn't have my good spirit, perhaps by now I would have fallen down, for it's difficult to see a firm come to a halt because of a power outage, and have to pay 33 employees, pay 500 pesos to rent a house and, to cap it off, also pay some 3,000 pesos to the CDE. And I don't have the money to buy a 100-kilo plant to run 13 kilns." □

ARTISAN JOSE RODRIGUEZ HEDREIRA

José Rodríguez was born in Galicia, Spain, in 1934, to a peasant family. José's region was famous for its artisan work, which goes back 500 years. From childhood José Rodríguez learned ceramics and painting.

In the early 1950s, the Dominican dictator Trujillo decided to "balance" the Dominican race and offered land, credit, and assistance to interested Spanish emigrants. Given the terrible economic situation in Spain at that time and the Franco dictatorship, José Rodríguez decided to emigrate and seek opportunities in the New World.

He obtained a few hectares in Cibao and worked in agriculture until 1961. After the fall of Trujillo, he moved to Santo Domingo because of the difficult living conditions and low incomes in the countryside.

In Santo Domingo he worked several jobs, and began to paint and produce some plaster figures. Given the good market for these artisanal goods, he decided to dedicate himself fully to this activity, and also began to train his five children.

The business flourished because of the high quality of the products, which were suited to local market tastes. Sales and distribution were entrusted to vendors who worked with José Rodríguez for more than 10 years. When selling a product, the vendors would pay José.

In order to expand his production, José Rodríguez sought and obtained, in 1983, an initial ADEMI loan for RDS 300. Four years later, the most trustworthy vendor decided to emigrate illegally to the United States. He sold the goods but did not pay José. José went bankrupt, because he did not have the working capital needed to continue producing, or money to pay off his loan or feed his children.

The ADEMI adviser tried to convince José to pay off his debt in smaller installments. Yet he did not even have enough money to buy food for his family. His case was discussed by the ADEMI

board, and despite the risk entailed it was decided to give him a chance, because of the adviser's recommendations; he stated that José Rodríguez was serious, hardworking, and capable. ADEMI decided to refinance the debt and extend a new loan of RDS 1,200 for the purchase of a kiln valued at RDS 800, and the rest for working capital. José Rodríguez began to produce ornamental ceramic ware, vases, figures, painted dishes, and others. The business flourished immediately because of the growing demand for its output. José Rodríguez's artisanal work, meanwhile, was exported via intermediaries to Haiti and other Caribbean islands.

José Rodríguez no longer sells on credit, but only on a cash basis. The vendors or wholesale distributors purchase all of his production, which has increased by more than 75 percent. He does not need advertising, as his products are well known and sought after. The buyers come to his workshop; he does not need to look for them.

José purchases the raw material from an Italian wholesale firm that provides all the supplies, including local clay, coloring, and tools imported for artisans. Despite the relatively high prices as compared with other distributors, José Rodríguez prefers their products because of the high quality, which is the most important factor in his business.

In producing decorative artisan work, it is not production costs that determine market price, but rather the subjective artistic value for the buyer or potential customer. The production costs of a vase, for example, are RDS 1.25, including clay, coloring, firing (electricity), labor, depreciation, and rental of the workshop. The wholesale sales price is RDS 3.50. Current production costs come to only 35 percent of the sales price, while 65 percent is attributed to José's artistic creativity. In the store the same vase can be purchased for RDS 7.00 to RDS 8.00.

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Until two years ago, José Rodríguez worked with his five children, training them in the production of artisan pieces and painting. In view of the poor economic situation in the Dominican Republic, he decided to send his children, who also have Spanish nationality, to Spain; thus he spent all of his surplus and savings of more than RDS 50,000.

He now employs five young people, three of whom work producing artisan pieces and paintings. José trains the employees and supervises the quality of their work. While the basic training requires no more than three months, developing one's artisanal talent takes years.

José Rodríguez does not have to look for labor. Interested young people, mainly from the neighborhood, come to his shop looking for work. When he needs a worker, José uses one of the serious job-seekers for a test period and observes his performance, ability, punctuality, and honesty.

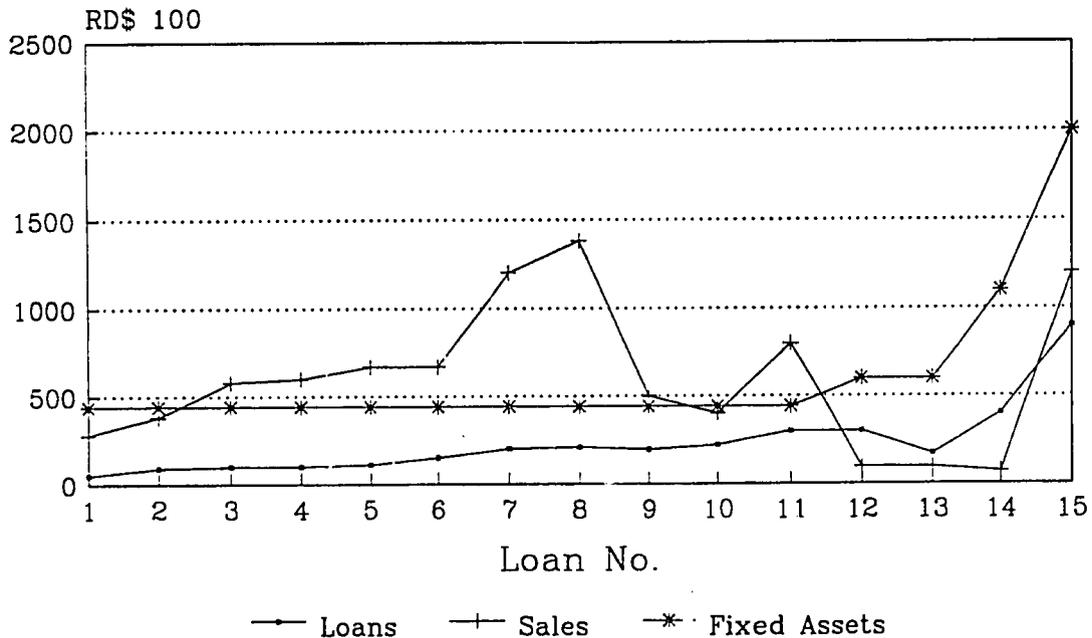
José's biggest problem is the supply of electricity. Sometimes there is power for only four to five hours a day, while the firing process takes 24

hours. At times he must rise at 3 a.m. to turn on the kiln. Often he can use only 50 percent of his installed capacity.

José does not have problems with the supply of raw materials, marketing, or competition. The raw material is supplied by a multinational corporation from the formal sector. The competition does not affect him because of the high artistic quality of his products, based on long-standing Spanish artisanal tradition.

José quickly repaid his RDS 1,200 loan. By late 1989 he had received 14 loans each larger than the previous one; the last one was for RDS 11,000. In the near future he would like to purchase a small electric generator and an additional kiln, which would enable him to triple his output. A new oven costs RDS 15,000-20,000. But he plans to buy a used one in good condition, which would cost approximately RDS 10,000. By expanding production he could employ another five or six workers, reorganizing the space in his workshop. □

THE CREDIT HISTORY OF JOSE RODRIGUEZ HEDREIRA



THE RISE, FALL, AND RISE OF YOVANNI JIMENEZ

Yovanni, an able young man 24 years of age, was born in Constanza, a small city in the mountainous zone of the Dominican Republic. When he was 11 years old he went to the capital, Santo Domingo, where he lived in his aunt's house and began to work manufacturing candy. He worked there for four years as an apprentice, and earned RD\$ 75 per week. On turning 15, he became independent and began to produce candy, first for his previous boss, and then for the market. When he was 22 years old, Yovanni Jiménez had equipment, movable goods, and a vehicle worth RD\$ 110,000. Since 1986 he has received eight ADEMI loans for a total of RD\$ 31,800.

In early 1989, Yovanni decided to try his luck abroad with three friends. He planned to purchase a falsified U.S. visa in Haiti, and to travel from Santo Domingo to Miami via Panama. He sold everything, paid off his debts, including to ADEMI, and left for Haiti. He waited one week for the visa, for which he paid US\$ 3,700, and returned to Santo Domingo unsuccessfully. A short time later he was told that his two friends who went first were arrested, one in the Santo Domingo airport and the other in Panama.

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Yovanni lost everything. He had neither equipment nor working capital to start production again. Given his good payment history, ADEMI decided to help him get his business going again. In this second stage, he received an initial loan of RDS 4,000 in mid-1989 and a second loan for RDS 11,000 in November of the same year. In five months he bought three ovens worth RDS 35,000, two used and one new.

Yovanni produces puffs made of eggs and sugar with a special finish for which different colorings are used. The inputs, including sugar, eggs, and coloring, are purchased from a distributor and a supply house with which he has a long-standing working relationship. Sometimes there are sugar shortages. Nonetheless, Yovanni always gets inputs. He sells his product to large supermarkets and small stores through a salesman, someone he trusts. While the small stores pay in cash, the supermarkets need up to 15 days to pay their bills, which implies a permanent need for working capital.

The competition does not worry him. The technique he uses in the finishing the puffs with coloring is very special. There are also other types of puffs on the market, but they are different from those made by Yovanni. Demand is far greater than production capacity. Production could be doubled or tripled with no marketing problems. Yovanni's microenterprise produces 700 packets of 24 units each day. The sales price is RDS 1.40-1.50 per packet, which implies a daily increase of RDS 1,000 to RDS 6,000-7,000 weekly. The weekly production costs include:

<u>Costs</u>	<u>RDS</u>
Eggs	1,900
Sugar	800
Coloring/Propane Gas	52
Plastic (RDS 33 daily)	198
Labor (6 workers)	630
Own salary	500
Rental of workshop	125
TOTAL	4,025

Comparing production costs with the value of sales (excluding amortization) shows a net profit of 30% to 40%. The risks the microentrepreneur faces are minimal so long as the quality and level of finishing are maintained. The raw material is local and available. He can afford the imported equipment (oven and mixer).

Yovanni's greatest problem – indeed the main problem for most microentrepreneurs – is the inadequate supply of electricity. As a result, the installed capacity cannot be fully used, nor can production levels be increased. Yovanni plans to purchase an electric generator for RDS 15,000, which would enable him to triple production; in addition, he would like to purchase the house, currently rented, for RDS 50,000. □

**LOAN APPLICATION FOR YOVANNI A. JIMENEZ B.
ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)**

LOAN APPLICATION

Name: Yovanni A. Jiménez B. Current sum requested: 8,700
 ID#: 36120-1 Term: 6 months Installments: 6
 Client member No.: 1264 Previous amount: 9,000.00
 Date: _____ Activity: Candy maker
 Loan No.: _____ Adviser: Miguel M. de Js.
 Date last loan: 7/27/89 Province: Santo Domingo

CURRENT SITUATION

	PREVIOUS	PRESENT	INCREASE
Cash on hand or in bank	4,000.00	3,000.00	(1,000.00)
Accounts receivable	6,000.00	2,600.00	(3,400.00)
Inventory finished goods	3,000.00	2,700.00	(300.00)
Inventory products in process	-	2,200.00	(2,200.00)
Inventory raw materials	2,000.00	8,100.00	(6,100.00)
Fixed assets	13,500.00	13,500.00	-
Other assets	-	-	-
Total assets	29,200.00	32,100.00	2,900.00
Short-term accounts payable	-	-	-
Long-term accounts payable	-	-	-
Total liabilities	-	-	-
Equity	29,200.00	32,100.00	2,900.00

OPERATING RESULTS

Net sales	32,000.00	32,600.00	600.00
Consumption raw materials	15,790.00	15,800.00	10.00
Wages and Salaries	2,060.00	2,100.00	40.00
Owner's salary	2,250.00	2,250.00	0
General expenses	500.00	500.00	0
Other expenses	100.00	125.00	25.00
Profit	11,300.00	11,825.00	525.00

STATISTICAL DATA

INSURED? Yes from _____ to _____ SAVINGS RDS _____ RDS\$ _____ RDS\$ _____
 Total insured RDS\$ _____
 No
 Has legal contract? Yes _____ No _____
 No. employees M (6) _____ F (2) _____ M (6) _____ F (2) _____ M (0) _____ F (0) _____

INVESTMENT PLAN

NUMBER	DESCRIPTION	UNIT VALUE	TOTAL VALUE
200	cartons of eggs	13.00	2,600.00
50	sacks of flour	140.00	7,000.00
15	sugar	89.02	1,260.00
			10,860.00

NARRATIVE SUMMARY

This productive unit continues to expand under normal conditions. Its marketing is wide-ranging, for it sells in both the local market and in the interior. At present its sales have been stable, with a relatively insignificant increase. Its liquidity and solvency are acceptable. Its future outlook is very promising, since it will be purchasing new machinery to increase production. This is the context of a loan request for the purchase of raw materials.

APPROVED _____
 ADVISER _____

SIGNATURE OF APPLICANT _____
 DATE _____ OPERATIONS MANAGER _____ LOAN COMMITTEE _____

SECTION FOUR

Critical Evaluation – Basic Problems and Perspectives

Despite the unquestionable success of ADEMI and its achievements in absolute terms, the program's impact on the Dominican economy and on urban unemployment and underemployment are not significant. For the period from May 1987 to May 1988, all microenterprises financed by ADEMI contributed RD\$ 246 million to national production, which, discounting intermediate purchases, represents a contribution in value added of RD\$ 147.6 million, measured at market prices of the same period. If the figure of RD\$ 246 million is compared with the 1987 GDP, which was RD\$ 29.5 billion, the contribution of microenterprises to GDP was some 0.8 percent.

The growing employment problem, made more complex by a distorted economic policy, unbalanced growth, and the country's history and social structure, is too large for one private, nonprofit organization to solve. Although ADEMI may have created nearly 9,000 jobs, those jobs employed less than 1.5 percent of the openly unemployed population, as of 1988.

Although the Dominican government has supported ADEMI, the government's financial support thus far has been limited to channelling modest resources lent to the government by USAID. Massive aid, on a scale that would enable ADEMI to have a significant impact on the country's unemployment, is highly unlikely because of the competition for resources, the primacy of other political interests, and the established interests of the traditional elites in the country. Nor are there any indications that the public sector will become directly involved in promoting microenterprises through a program of its own or through promotional and protective measures. The experience of state promotion of microenterprises in several Third World countries has not been positive. Furthermore, the dynamic, flexible, and efficient management characteristics of ADEMI would be extremely difficult for a public sector bureaucracy to achieve.

In view of the political and financial situation in the Dominican Republic, as well as the worsening economic crisis, ADEMI will have to depend on external financing sources to continue expanding and reaching more microentrepreneurs in the immediate

future. Also, the external contributions and donations are often restricted by administrative or bureaucratic procedures, which make it difficult to plan and to develop the organization.

GRADUATION VERSUS LARGER LOANS

Originally, a basic objective of the ADEMI program was to move the microentrepreneurs up to the formal banking system. In practice, however, this has not happened. Although a considerable number of enterprises have attained levels of assets, production, and sales volumes such that they could be considered small businesses, they continue to receive loans from ADEMI instead of from the formal banking system. In a limited number of cases, ADEMI has sought loans for its clients from one formal-sector bank, the Banco Popular, with which it has a working relationship.

Experience has shown that neither ADEMI nor the microentrepreneurs would benefit by graduation to the formal banking sector. The concept and practice of making larger second and subsequent loans enable ADEMI to improve efficiency and productivity by minimizing the time and costs of processing, which ensures consolidation of ADEMI's economic base and overall financial health. The interest received for larger loans enables ADEMI to cover the operating costs of the small loans. Such cross subsidies mean that ADEMI can finance riskier projects; apply the surplus to experimental programs, such as financing community health programs and new enterprises; and provide technical and managerial assistance to microenterprises.

In 1988, ADEMI tried to establish a guarantee fund as an intermediate step in moving the larger microentrepreneurs to the formal banking system. The attempt did not work, because of the factors mentioned above. As a result, ADEMI continues working with the small businesspersons who started out as microentrepreneurs in the program. Indeed, the improvement in revenues from 1987 to 1989 is related to the granting of large loans to a group of long-standing clients, who have received ample support. ADEMI has adopted a pragmatic attitude in the face of this development, and often breaks up the loans to a single entrepreneur, to stay within the maximum limits set.

From the standpoint of a microentrepreneur, there are several reasons to continue with ADEMI despite interest rates higher than those at a formal-sector commercial bank. Processing of loan applications in the banks is a complex, drawn-out procedure, and may take several months. The microentrepreneurs generally lack liquidity and have an immediate need for working capital. ADEMI's quick processing enables them:

to maintain and expand the production flow. Nonetheless, given the lack of liquidity as well as the fact that the banks offer credits only to their shareholders, associates, or large and well-known clients, the prospects for a microentrepreneur being taken into the system are remote.

Despite the difficulties the program faces in moving the microentrepreneurs on to the formal-sector banks, at present ADEMI is advising its borrowers to obtain legal status for their businesses as a step toward their participation in the formal sector. In this way, 40 microenterprises have become established as companies or are in the process of doing so.

Because of the structure and limitations of the formal-sector financial system, and the extraordinary growth of the informal sector and its consequent growing demand for financing, in 1988 ADEMI considered establishing a bank for microenterprise development, which would begin operation with ADEMI's assets and portfolio. This institution, which would be legally established, would be ADEMI's financial division, and would be able to accept deposits and issue financial certificates. The bank would attract local resources (savings) and obtain short- and medium-term financial resources, thereby facilitating ADEMI's independence from external resources. Current levels of inflation and other economic administrative factors that bind a high percentage of the cash of financial institutions have prevented ADEMI from pursuing this goal for the time being.

ADEMI AND THE INFORMAL SECTOR

One argument in the more theoretical debate on the urban informal sector in developing countries is on the sector's dependence on demand from the formal sector and on local purchasing power. According to one viewpoint, both factors would result in a weakened informal sector in times of inflation and deterioration of real incomes of the middle and lower classes. The recent experience in the Dominican Republic, however, has shown that despite certain adverse macroeconomic conditions, the microenterprise sector has grown considerably in the 1980s. The sector has expanded and gotten stronger during a period of devaluation of the national currency and consequent reduction of imports of goods and services, growing demand for goods and services as a result of new jobs in the free trade zones and tourism, the flow of remittances from Dominicans living abroad, and increasing unemployment in the formal sector.

The ADEMI experience shows that the informal sector is flexible and able to adapt quickly to market demand and changing conditions. Many microentrepreneurs have a line of products they can produce and sell that cover any change in taste or style.

Apparently, the real limitations faced by microenterprises are mostly exogenous to the market, such as electricity outages and the lack of water, and difficulties and delays in importing raw or semiprocessed materials.

The potential of the microenterprise sector is seen when one compares reported profits to total investment. From June 1987 to May 1988, the microentrepreneurs financed by ADEMI generated profits of some RD\$ 52 million, as compared with total investment of RD\$ 48.7 million, for a profit of RD\$ 1.07 for every peso invested. This demonstrates the capacity to generate surpluses for the reproduction of capital and growth of the enterprises.

ADEMI rewards production and investment, and shows that domestic production that is efficient can be profitable. ADEMI guarantees the microentrepreneur's continuity in a system characterized by political and economic discontinuity, and it promotes the conditions conducive to the economic well-being of microentrepreneurs.

ADEMI's own system of making larger second and subsequent loans, which involves careful selection, permanent monitoring, and follow-up with the borrowers, is a disciplinary instrument that promotes and requires self-discipline on the part of the client. It is in the borrower's interest to invest the loan in production (working capital) instead of personal consumption, because prompt repayment offers the opportunity to receive larger and larger loans. Consolidation and expansion of the business and increased income become very real possibilities for the microentrepreneur.

The concept of making larger second and subsequent loans also has an educational impact that is equally important and helps the borrowers to consolidate and insure the gradual growth of their businesses. With the increasing loan amounts, the microentrepreneurs learn little by little to improve and expand production, ensure their access to inputs, and develop their markets.

The ADEMI system acts somewhat like a filter. It is not egalitarian, but gives increasing support to those microentrepreneurs who are capable of growing and developing entrepreneurial spirit and aggressiveness. Average entrepreneurs use several relatively small loans to strengthen existing employment and increase incomes for themselves, their employees, and their families. A portion of ADEMI's clients, however, take out 15 or more loans and create new jobs. This system of offering increasing support to growing businesses is beneficial for the economy, ADEMI, and the borrowers. For the economy, it creates new jobs and increases incomes in marginal sectors of the population. The borrowers are rewarded with a credit line that enables them to build a solid, small business. In turn, those repeat borrowers form a portion of ADEMI's portfolio that provides a relatively assured income with low risk. This low-risk portion of the portfolio makes it possible to run risks with new clients, while maintaining the financial viability of program operations.

INTEREST RATES AND SELF-SUFFICIENCY

One of the most common criticisms of ADEMI nationally and internationally has to do with the positive interest rate charged by the institution. This policy is based on the attitude of ADEMI's directors who see the institution as an enterprise that needs to be financially self-sufficient to survive and continue serving the microenterprise sector. Many microenterprise programs, in the Dominican Republic and elsewhere, offer loans at highly subsidized interest rates, assuming that the poor cannot and should not pay positive rates. But the majority of microentrepreneurs, who do not benefit from these subsidized programs and need short-term credit, are dependent on moneylenders or family, or can get no credit at all.

The institutions that offer subsidized loans, especially private ones, usually depend on external support. Subsidized loans strengthen and reinforce dependency of these institutions on their respective donors, not just for expansion but for continued day-to-day operations. The dependency is reproduced not only on the economic level, but also in the mentality of underdevelopment. In addition, because the subsidized loans are not "good business," the donors restrict such financing, usually for model or pilot projects, which cannot continue unless growing subsidies are obtained over time. Therefore, the number of beneficiaries of such programs and their impact are limited, often insignificant, and not sustainable over the long term.

In contrast, ADEMI has succeeded in covering all of its operating costs with its own income and has produced surpluses. The surpluses enable ADEMI to experiment with new programs, and expand to reach increasing numbers of microentrepreneurs. This way of doing business has also enabled ADEMI to survive the current period of high inflation with relatively little long-term damage. These policies are changing the welfare-oriented character of development programs, while contributing to true economic development.

Despite these many positive attributes, ADEMI faces serious challenges in the near future. ADEMI's main problems are related to its lack of access to resources to further expand operations. Because ADEMI has no political affiliation that can pay favors, provide employment to followers, or serve as a base of political power, its access to government support will be limited in the future, unless there is a fundamental political change in the Dominican Republic. Furthermore, the weaknesses of the financial sector, such as administrative restrictions and the rapid devaluation of the Dominican currency, do not augur well for the transformation of ADEMI into a savings and loan association or a bank for attracting resources from the market. ADEMI will have to continue to depend on fluctuating external resources to expand because the surplus it generates is not sufficient to guarantee the liquidity required to respond to the growing demand. Given this dependence, long-term planning will remain difficult.

ADEMI IN PERSPECTIVE

By the year 2000, the population of the Dominican Republic will reach 10 million, twice the 1980 population. Of this population, 75 percent will reside in urban areas, if current rural-urban migratory trends continue. This swift urbanization is one of the main causes of the high unemployment rate in the country. It is estimated that by the year 2000 there will be at least 20 percent unemployed, or 800,000 Dominicans of an economically active population estimated at 4.1 million. As noted above, ADEMI, like any similar private institution, cannot begin to solve the problems of unemployment and underemployment in the urban sector.

Nonetheless, despite the limiting factors, ADEMI has sparked a fundamental economic and social process with a long-term impact. Its viable concept and methodology have shown that promoting the informal sector and microenterprise can be done based on strictly economic criteria, rather than welfare and charity criteria. This innovative approach can serve as a model for similar institutions in other Third World countries, as well as for multilateral and bilateral agencies that provide technical and financial assistance.

The obvious exogenous and macroeconomic limits that an institution such as ADEMI must face do not diminish its contribution to initiating processes that will have a positive, wide-ranging, and sometimes indirect impact, including strengthening urban employment, consolidating existing microenterprises, educating microentrepreneurs, reducing imports, recycling, and improving the use of semifinished raw materials.

**PART ONE
APPENDICES**

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APPENDIX A

**BY-LAWS: ASSOCIATION FOR THE DEVELOPMENT
OF MICROENTERPRISES, INC. (ADEMI)**

By-Laws: Association for the Development of Microenterprises, Inc. (ADEMI)

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)

THE UNDERSIGNED, CITIZENS INTERESTED IN STRENGTHENING ECONOMIC DEMOCRACY IN THE COUNTRY, HAVE DECIDED TO CONTRIBUTE TO TAKING ON THE PROBLEM OF UNEMPLOYMENT AND UNDEREMPLOYMENT BY ESTABLISHING AN AGENCY THAT PROMOTES THE DEVELOPMENT OF MICROENTERPRISES WITH THE MAIN OBJECTIVE OF INCORPORATING MARGINAL GROUPS INTO THE NATION'S ECONOMIC LIFE; SAID AGENCY SHALL BE CALLED "ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC." AND SHALL BE GOVERNED BY THE FOLLOWING:

BY-LAWS

TITLE ONE

Article 1. An association is established called "ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC." (ADEMI), which shall have a circular seal which, in the upper part, shall indicate its name, and in the lower part, Santo Domingo, D.N., R.D.

Article 2. The association is established in accordance with Law 520 of July 26, 1920, published in the Gaceta Oficial No. 3139, and it shall have the following objectives:

- To foster employment for the neediest classes of the country, so that they might seek means of permanent and honest income to increase their standard of living and facilitate their social and integration to the community. For these purposes, programs and projects shall be established based on supporting individuals and solidarity groups in which the beneficiaries shall contribute the economic resources at their disposal, i.e. work, time, and dedication, and the Association, financing and technical assistance.
- To serve as a point of contact and communication between the business community in the country, municipal authorities, the Central Government and its institutions, and the lower-income groups, in the common task of increasing the standard of living of the latter.

- The Association shall carry out programs and projects under the direct administration of or in partnership with other private agencies, municipal or governmental institutions, always working in a supervisory capacity. The Association does not pursue political or religious goals, or profit.
- The objective of the Association is to channel economic and technical assistance to the largest possible number of underprivileged people in the country. To avoid depletion of the funds raised for these purposes from the various sources, the investments shall be recoverable.

Article 3. The Association shall have legal status upon its incorporation, which will enable it to:

- a) Appear before courts.
- b) Enter into contracts; lease, possess, and purchase, free of charge or at a cost, all types of movable and immovable goods; to sell, transfer, alienate, or mortgage; to put up resources in pledge; to constitute in antichresis or in any other way encumber its movable and immovable goods.
- c) To accept and grant loans for the objectives of the Association, to issue bonds for this purpose; to guarantee said bonds with mortgages, pledges, antichreses, or any other mode allowed by law; to issue shares and coupons of shares guaranteeing them in the same manner; to raise funds in the form of loans from the private sector, from the municipal authorities of the National District, from the government, from foreign and international institutions and firms, and to accept grants from these same sources in the form of money, goods, materials, services, or personnel trained to carry out such work.
- d) The Association shall not assume economic responsibility for implementing projects until it has the resources required for said implementation.
- e) The Association shall have legal status for carrying out the activities listed above.

Article 4. The Association shall maintain its domicile in the city of Santo Domingo, National District, Dominican Republic.

Article 5. The Association is established for an unlimited time, and may be dissolved in the manner and for the causes established herein.

TITLE TWO

On the Capital Stock, Shares, Associates

Article 6. The initial capital of this association is to total FIFTY THOUSAND PESOS ORO (RD\$ 50,000.00), divided into five hundred (500) shares of One Hundred Pesos Oro (RD\$ 100.00) each. The amount of this capital is variable and may be increased through the issuance of shares incorporated into the initial capital.

The donations of members or persons outside of the association to be invested in its projects shall not form part of the capital.

Article 7. All natural or juridical persons of good repute who adhere to the clauses of these by-laws and who acquire one or more shares of RDS 100.00 may be associates.

Article 8. The shares shall be nominative in certificates that may cover one or several shares, signed by the association's Treasurer and President. The shares may be transferred to third persons with the approval of the Board of Directors. The transfer of shares shall be done through a written statement in the registers of the association, and signed by whosoever makes the transfer or his attorney. The signature of the attorney should be legalized by a Notary Public.

Article 9. The association shall have the following categories of members:

- a) Founding members
- b) Active members
- c) Affiliate members
- d) Honorary members

Each category is described below:

- a. Founding members are those persons who, when this association was established, signed these by-laws.
- b. Active members are those natural or juridical persons who join the association and assume the obligations established in these by-laws and those that emanate from the resolutions of the General Assemblies. The juridical persons will be represented in the assemblies by a natural person to whom they shall grant power of attorney.
- c. Affiliate members are all natural and juridical persons who, not participating in administration of the association, show a desire to collaborate in attaining its purposes.
- d. Honorary members are all persons who may be worthy of this distinction, in the view of the Board of Directors of the association, which shall designate them.

Article 10. The members may lose this status through voluntary separation, and may re-enter at a later date when they so desire.

Article 11. As the association is non-profit, seeking rather economic, social, cultural, and educational promotion, the associates do not have a right to the assets thereof, to dividends, or to profits of any kind.

Article 12. The association shall keep organized accounting records; a registered book of members, and a register of movable and immovable goods. The accounting books shall include all revenues of the association, with a detailed indication of their origin and use. These books should be numbered, signed and sealed on the first and last pages by the Judge of the First Instance.

TITLE THREE

On Administration of the Association

Article 13.- The association shall be administered by a Board of Directors, which shall be made up of the number of members determined by the respective Regular General Assembly. In no case may there be less than seven (7) members or more than twenty one (21); there shall always be an odd number of members.

Article 14. The first Board of Directors and alternates shall be designated by the Constituent General Assembly, and the subsequent one by the Annual Regular General Assembly and the assembly of associates.

The first Board of Directors shall serve for a term of three (3) years.

Article 15. The Board of Directors shall elect from among its members a Chairman, two Vice-Chairmen, a Treasurer, a Vice-Treasurer, a Secretary, a Vice-Secretary, and the other regular members.

Article 16. The members of the Board of Directors shall serve for terms of two (2) years, with the exception of the first Board of Directors, performing their duties until the election and taking of office of their successors. To maintain continuity of the association's programs, some of the members may be re-elected by resolution of the Board of Directors.

Only persons located in the Dominican Republic may serve as Directors of the association.

Article 17. The Board of Directors shall have the broadest powers to freely manage the business of the association, with general power to administer the goods and to take all types of judicial or extrajudicial actions, with no limitations whatsoever. Therefore, the Board of Directors may:

- a) Represent the association to third parties and before the courts of justice.
- b) Appoint and revoke the appointment of an Executive Director, who shall be the principal administrative officer, accountable to the Board of Directors and the Chairman for functioning of the association as well as to appoint and revoke all other officers and employees; to set their pay and the conditions and nature of the work they will carry out.

Likewise, it may appoint committees or commissions made up of members or non-members of the association for the purposes and with the attributes necessary.

- c) To review and approve the budget of general administrative expenditures submitted to it by the Executive Director.
- d) To enter into all types of contracts necessary for implementing the association's programs, as well as to sign all types of financial and legal documents.
- e) To open bank accounts and drafts to the same, through bank checks. The checks must be signed by the Chairman and the Treasurer of the Board of Directors, or their respective alternates.
- f) To register mortgages and privileges, and to cancel the same when appropriate.

- g) To appoint attorneys and agree on the payment of their fees; to implement rulings; to place all types of embargos; to assent; compromise; file both regular and special motions.
- h) To convene the General Assemblies of Shareholders and to set the agenda.
- i) To pass judgment on any administrative matter.

Paragraph: The Board of Directors may delegate, under its responsibility, all or part of its powers to an Executive Committee made up of the Chairman and four (4) other members of the Board of Directors and/or the Executive Director or as established by the institution's internal operating regulations.

Article 18. The Chairman of the Board of Directors shall also be Chairman of the General Assembly and of the Councils of the Board and, in case of a tie vote, shall cast the deciding vote. The Chairman will be responsible for ensuring implementation of the resolutions.

The Vice-Chairman shall replace the Chairman in all functions in case of the latter's absence or inability to serve.

Article 19. The Treasurer shall be in charge of keeping and safeguarding the association's funds, shall supervise the accounting, and shall sign the balance sheets.

The Vice-Treasurer shall replace the Chairman in all functions in case of the latter's absence or inability to serve.

Article 20. The Secretary shall keep the books of minutes and register of the association, and may issue certified copies thereof.

Article 21. The Commissioner shall be designated by the Annual Regular General Assembly, and may be re-elected. The Commissioner shall have unlimited authority to inspect the property, books, and documents of the association, and shall submit an annual report on the Financial Statements to the Assembly.

Article 22. The Board of Directors shall meet at least once a month on a regular basis and may be convened on a special basis by the Chairman. The quorum for deliberations shall be a minimum of five (5) members, so long as the Chairman or his alternate is present.

The Resolutions shall be adopted by majority vote of those present; minutes containing said resolutions shall be drawn up after each meeting.

The Chairman or his alternate may call urgent meetings of the Board of Directors through a call to convene by mail, telegraph, or telephone.

Paragraph: If the Board of Directors decides to delegate its functions to an Executive Committee that meets monthly, the meetings of the Board of Directors may be limited to a semi-annual basis.

TITLE FOUR

The General Assemblies

Article 23. The Regular General Assembly shall be convened annually at the domicile of the association on the date, day and time indicated in the call to convene that shall be sent to the associates for that purpose, signed by the Chairman and Secretary with at least fifteen (15) days advance notice, and indicating the order of business.

In order for the Assembly to deliberate, at least half plus one of the members must be present. If less than that number meet, the Board of Directors shall convene a new meeting for the same day, one hour later, which shall deliberate and render valid decisions, however many members are present. In the assembly meetings, both regular and special, agreements shall be adopted by decision of half plus one of the members present.

The associates may also meet in the Special General Assembly, when convened by the Chairman or the Commissioner in case of emergency at the request by one-third of the members. In this case, the notification shall be made by the Chairman via certified letter; he shall convene the assembly within five (5) days of having received the letter.

Article 24. As the General Assembly regularly constituted represents all associates, its deliberations and resolutions adopted in accordance with the law and these by-laws are binding on all the associates, whether absent or in dissidence.

Article 25. All associates have the right to attend the Regular or Special General Assembly, and have the right to a vote, however many shares each one may possess.

Article 26. Amending these by-laws shall require convening of the General Assembly, with at least three-fourths of the associates in attendance.

The Financial Statements shall be concluded within ninety (90) days of the end of the fiscal period, which shall be one year in duration ending December 31 every year. Said statements shall be delivered to the Board of Directors for presentation to the next Assembly.

Article 27. Dissolution of the association at the members' will shall require at least three-fourths (3/4) of the members of the association, through a resolution adopted by a three-fourths (3/4) majority of the members present.

In case of dissolution, the procedure established in Article 12 of Law 520, of July 26, 1920, shall be adhered to, and the sums obtained from the sale of the property shall be distributed among partnerships or associations that pursue goals similar to those of this association, or shall be absorbed by the government of the Dominican Republic, if they were obtained as donations from the government.

TRANSITORY PROVISION

Article 28.- The first General Constituent Council shall designate from among its members one or several who shall take responsibility for requesting incorporation of this association from the Executive branch and comply with all other formalities of publicity indicated by Law.

Article 29. The Chairman of the association is authorized to request of the Executive branch the approval of changes made to these By-laws, as well as making deposits and publications prescribed by Law.

These by-laws done and drafted in four (4) original versions, one to be deposited in the safe of the association; another to be delivered to the Secretary of State for Justice to support the effort to incorporate vis-à-vis the Executive branch; and the other two, to be deposited with the Secretariat of the Court of Commerce and that of the court of the Justice of the Peace of the First District of this Judicial area, in the city of Santo Domingo, National District, Dominican Republic, the fourteenth (14) day of December, nineteen hundred and eighty two (1982).

DR. JOSE FRANCISCO PEÑA GOMEZ
ID# 9074, Series 34

MR. HORACIO JULIO ORNES HEDED
ID# 146224, Series 1

LIC. CAMILO SUERO MARRANZINI
ID# 150582, Series 34

MR. JAIME FERNANDEZ
ID# 114172, Series 1

MR. MARINO INCHAUSTEGUI
ID# 125741, Series 1

MR. PEDRO CABA
ID# 115986, Series 1

MR. OSCAR HUNGRIA
ID# 142073, Series 1

MR. ALEJANDRO GRULLON
ID# 40156, Series 31

DR. PRAXEDES CASTILLO PEREZ
ID# 25363, Series 2

MR. PEDRO BONILLA
ID# 2850, Series 71

MR. JOSE UREÑA
ID# 11266, Series 36

MR. JOSE NAJRI
ID# 131232, Series 1

MR. ERNESTO ARMENTEROS
ID# 84602, Series 71

MR. MANUEL CACERES TRONCOSO
ID# 59955, Series 1

MR. JOSE HORACIO MARRANZINI
ID# 41075, Series 1

MRS. ENGRACIA FRANJUL DE ABATE
ID# 80069, Series 1

MR. ESTEBAN GROSS
ID# 807112, Series 1

MR. PEDRO JUAN JIMENEZ
ID# 35071, Series 54

LIC. CAMILO LLUBERES HENRIQUEZ
ID# 79226, Series 1

5 1 7 4

MINUTES: of the General Constituent Assembly of the "ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)", held the fourteenth (14) of December, nineteen hundred and eighty two (1982).

In the city of Santo Domingo, National District, Dominican Republic, the fourteenth (14) of December of the year 1982, at five o'clock in the afternoon (5:00 pm), a meeting was held in the Salón Azul of the Executives Club of Santo Domingo, Inc., on Avenida Tiradentes, 11th floor of the La Cumbre building, of those persons whose signatures appear below, for the purpose of holding the General Constituent Assembly of the "ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)."

The meeting was presided over by Mr. Camilo Llubes H. and the Secretary was Mr. Pedro Caba.

Then, the Chairman informed the other persons in attendance that the purpose of the Assembly was:

- a) To approve the by-laws of the Association for the Development of Microenterprises, Inc., which were drafted and signed by the undersigned individuals, and dated December 14, 1982.
- b) To designate the members of the Board of Directors, and
- c) Other matters.

After an exchange of opinions among those in attendance, the Assembly unanimously adopted the following Resolutions:

RESOLUTION ONE: The Assembly approves the by-laws of the "ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)" drafted and dated December 14, 1982, and signed by the following: Dr. José Francisco Peña Gómez, Lic. Camilo Llubes H., Lic. Camilo Suero Marranzini, Horacio J. Ornes Heded, Marino Inchaustegui, Jaime Fernández, Oscar Hungría, Pedro Caba, Dr. Praxedes Castillo P., Alejandro Grullón, José Ureña, Pedro Bonilla, Ernesto Armenteros, José Najri, José Horacio Marranzini, Manuel Cáceres T., Esteban Gross, Mrs. Engracia Franjul de Abate, and Pedro Juan Jiménez.

RESOLUTION TWO: The Assembly designated as members of the Board of Directors for the next three (3) years the following:

Camilo Luberes Henríquez	—	Chairman	ID #	79226,	S	1
Camilo Suero Marranzini	—	1st Vice Chair	ID #	150582	S	1
Horacio Julio Ornes Heded	—	2nd Vice Chair	ID #	146224	S	1
Marino Inchaustegui	—	Treasurer	ID #	125741	S	1
Jaime Fernández	—	Vice Treasurer	ID #	114172	S	1
Oscar Hungría	—	Secretary	ID #	142073	S	1
Pedro Caba	—	Vice Secretary	ID #	115985	S	1
Dr. Praxedes Castillo P.	—	Regular member	ID #	23563	S	2
Alejandro Grullón	—	Regular member	ID #	40156	S	31
José Urefía	—	Regular member	ID #	11266	S	36
Pedro Bonilla	—	Regular member	ID #	2850	S	71
Ernesto Armenteros	—	Regular member	ID #	84602	S	1
José Najri	—	Regular member	ID #	131232	S	1
José Horacio Marranzini	—	Regular member	ID #	41075	S	1
Manuel Cáceres Troncoso	—	Regular member	ID #	59955	S	1

RESOLUTION THREE: The General Assembly designates as Commissioner of Accounts for the first business year, Mrs. Engracia Franjul de Abate.

As she was present, she stated her acceptance of the charge entrusted to her.

And there being no further business, the Chairman adjourned the meeting and these minutes were drafted, which are signed by all in attendance together with the Chairman and Secretary, who certifies them.

DR. JOSE FRANCISCO PEÑA GOMEZ
ID# 9074, Series 34

MR. HORACIO JULIO ORNES HEDED
ID# 146224, Series 1

LIC. CAMILO SUERO MARRANZINI
ID# 150582, Series 1

MR. JAIME FERNANDEZ
ID# 114172, Series 1

MR. MARINO INCHAUSTEGUI
ID# 125741, Series 1

MR. PEDRO CABA
ID# 115986, Series 1

MR. OSCAR HUNGRIA
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MR. JOSE NAJRI
ID# 131232, Series 1

MR. ERNESTO ARMENTEROS
ID# 84602, Series 1

MR. MANUEL CACERES TRONCOSO
ID# 59955, Series 1

MR. JOSE HORACIO MARRANZINI
ID# 41075, Series 1

MRS. ENGRACIA FRANJUL DE ABATE
ID# 80069, Series 1

MR. ESTEBAN GROSS
ID# 807112, Series 1

MR. PEDRO JUAN JIRENEZ
ID# 35071, Series 54

LIC. CAMILO LLUBERES HENRIQUEZ
ID# 79226, Series 1

APPENDIX B

**STUDIES OF MICROENTERPRISES IN
NEIGHBORHOODS
OF THE SOUTHERN ZONE OF SANTIAGO**

**STUDIES OF MICROENTERPRISES IN NEIGHBORHOODS
OF THE SOUTHERN ZONE OF SANTIAGO**

(ACCORDING TO THE CENSUS OF MICROENTERPRISES DONE IN SAID ZONE)

RESULTS OF THE NUMBER OF MICROENTERPRISES AND JOBS, BY ACTIVITY

ACTIVITY	# MICROENTERPRISES	# JOBS
PREPARING FOOD	13	43
MAKING CLOTHES	23	70
MAKING SHOES	15	97
CABINETMAKING	12	45
ELECTRONICS	5	4
REFRIGERATION	5	13
UPHOLSTERY AND MATTRESSES	5	7
MECHANIC	3	18
CASTING	1	2
BLACKSMITH	4	16
CERAMICS	3	16
PHOTOGRAPHY	1	3
ARTISAN WORK	1	1
OTHERS	9	17
TOTAL	100	352

RESULTS TOTAL CAPITAL REQUIRED (RD\$) BY ACTIVITY

ACTIVITY	# MICROENTERPRISES	# JOBS
PREPARING FOOD	58,800	12
MAKING CLOTHES	98,100	20
MAKING SHOES	137,500	27
CABINETMAKING	83,000	17
ELECTRONICS	14,200	3
REFRIGERATION	10,000	2
UPHOLSTERY AND MATTRESSES	21,000	4
MECHANIC	23,600	5
CASTING	4,500	1
BLACKSMITH	14,000	3
CERAMICS	9,000	2
PHOTOGRAPHY	5,000	1
ARTISAN WORK	5,000	1
OTHERS	12,400	2
TOTAL	496,100	100

Note: Capital refers to the sum of financial resources the microenterprise needs for its operations.

**STUDIES OF MICROENTERPRISES IN NEIGHBORHOODS
OF THE SOUTHERN ZONE OF SANTIAGO**

(ACCORDING TO THE CENSUS OF MICROENTERPRISES DONE IN SAID ZONE)

**RESULTS OF THE MICROENTREPRENEURS BY
NEIGHBORHOOD WHO RESPONDED THAT YES,
THEY DO HAVE CREDIT AT PRESENT**

DO YOU CURRENTLY HAVE CREDIT?

NEIGHBORHOODS	YES	NO	NO RESPONSE	TOTAL
PEKIN	20	39	—	59
MARYLOPEZ	1	4	1	6
CAMBOYA	1	2	—	3
LOS JAZMINES	2	10	1	13
CRISTO REY	2	10	—	12
CONANI	—	1	—	1
NIBAJE	2	—	—	2
COREA	1	3	—	4
TOTAL	29	69	2	100

**RESULTS BY NEIGHBORHOOD OF USE
MADE OF CREDIT RECEIVED
MADE USE OF TOTAL CREDIT**

NEIGHBORHOODS	YES	NO	NO RESPONSE	TOTAL
PEKIN	53	3	3	59
MARYLOPEZ	5	—	1	6
CAMBOYA	2	1	—	3
LOS JAZMINES	12	—	1	13
CRISTO REY	12	—	—	12
CONANI	1	—	—	1
NIBAJE	1	—	1	2
COREA	4	—	—	4
TOTAL	90	4	6	100

**NUMBER AND CAPITAL OF
MICROENTERPRISES, BY NEIGHBORHOOD
MICROENTERPRISES**

NEIGHBORHOODS	# M.E.	%	CAPITAL (RD\$)	%
PEKIN	59	59	264,000	53
MARYLOPEZ	6	6	27,000	6
CAMBOYA	3	3	53,000	11
LOS JAZMINES	13	13	68,100	14
CRISTO REY	12	12	47,000	9
CONANI	1	1	10,000	2
NIBAJE	2	2	7,000	1
COREA	4	4	20,000	4
TOTAL	100	100	496,100	100

ANALYSIS

As can be observed in the results outlined above, some 100 microenterprises were detected, the largest number being tailors and seamstresses (23), and then shoemakers (15), preparers of food (13), cabinetmakers (12), electronics (5), refrigeration (5), and upholstery and mattresses (5), among others. The four leading activities (clothes-making, food preparation, shoemaking, and cabinetmaking) account for 63% of all the microenterprises.

According to ADEMI's credit policy, 100% of the microenterprises covered by the census are eligible to receive financing.

In the course of the field work, many small businesses were found that were not taken into account due to their nature (small neighborhood stores, beauty salons, butchers, and so forth).

The results mean that the overall demand in terms of requirements of financial resources to cover the needs for working capital comes to RD\$ 496,100; but if we use the methodology of the credit policy that governs ADEMI's work – providing larger second and subsequent loans – we can conclude on the basis of the calculations that the real availability for covering the demand for working capital for this sector in a one-year period is RD\$ 150,000 in loans.

According to the data in the study, 53% of the microenterprises are in the Pekin neighborhood; this suggests a high concentration in that area.

Some 90% of the microentrepreneurs, when asked whether they were ready and willing to receive financing from an institution working to promote development of the informal sector, said that yes they were; only 4% opposed receiving credit; and in the case of the remaining 6%, the owner was not present. In other cases microentrepreneurs were indifferent to credit.

It was determined that the average rate of interest charged by the credit institution in these neighborhoods was 5% monthly for those who answered this question. One-third of a total of 12 did not know, and only 8% of the institutions required collateral.

The rate of interest charged by the moneylenders is 22.5% monthly on average, with no guarantees. For the category others, the rate of interest could not be measured, for those microentrepreneurs have open credit with their suppliers; they account for 10% of the total covered in the census.

Four percent (4%) of all the microenterprises covered in the census receive financing from PROAPE; they complained about the operational and bureaucratic handling of the credit.

The data indicate that when the financing and technical assistance program reaches the southern part of the city of Santiago, it will strengthen some 352 precarious jobs, and create 150 new jobs.

**RESULTS FROM THE INFORMATION OBTAINED IN THE CENSUS
OF MICROENTERPRISES DONE IN THE NEIGHBORHOODS OF THE SOUTHERN
PART OF SANTIAGO DE LOS CABALLEROS, TO MEASURE THE POTENTIAL
OF THE INFORMAL SECTOR THERE**

	NEIGHBORHOOD	ACTIVITY	TIME	JOBS	CREDIT		WILLING		CAPITAL
					Yes	No	Yes	No	
1	PEKIN	CABINETMAKER	RESP. 2	1	X		X		2,000
2	PEKIN	ELECTRONICS	RESP. 3	1	XX		X		1,200
3	PEKIN	BUTCHER	RESP. 1	1		X	X		1,000
4	PEKIN	CHARCOAL	RESP. 3	1	X		X		1,000
5	PEKIN	MECHANIC	RESP. 3	9	X		X		20,000
6	PEKIN	CABINETMAKER	RESP. 1	2		X	X		5,000
7	PEKIN	BEAUTY SALON	RESP. 2	1	XX		X		300
8	PEKIN	SHOEMAKER	RESP. 3	7	XX		X		10,000
9	PEKIN	SHOEMAKER	RESP. 3	3	XXX		X		10,000
10	PEKIN	BAKERY	RESP. 3	4	XXX		X		5,000
11	PEKIN	ELECTRONICS	RESP. 3	1	XX	X			3,000
12	PEKIN	SHOEMAKER	RESP. 3	8	X		X		10,000
13	PEKIN	CLOTHES-MAKING	RESP. 3	1		X	X		1,000
14	PEKIN	BEAUTY SALON	RESP. 1	1		X		X	
15	PEKIN	SHOEMAKER	RESP. 3	2		X	X		2,000
16	PEKIN	BEAUTY SALON	RESP. 3	2	XXX		X		500
17	PEKIN	PHOTOGRAPHY	RESP. 3	3	X		X		5,000
18	PEKIN	CLOTHES-MAKING	RESP. 3	1		X	X		500
19	PEKIN	FOOD PREPARATION	RESP. 3	1		X	X		300
20	PEKIN	CLOTHES-MAKING	RESP. 3	1		X	X		300
21	PEKIN	CERAMICS	RESP. 3	1		X	X		1,000
22	PEKIN	BEAUTY SALON	RESP. 1	1		X	-		
23	PEKIN	CLOTHES-MAKING	RESP. 2	1		X	-		
24	MARYLOPEZ	REFRIGERATION	RESP. 3	4	-	-	-	Prop. No Esta	
25	MARYLOPEZ	CLOTHES-MAKING	RESP. 3	1		X	X		4,000
26	CAMBOYA	SHOEMAKER	RESP. 3	14	XX		X		30,000
27	JAZMINES	ELECTRONICS	RESP. 3	1		X	X		5,000
28	JAZMINES	BEAUTY SALON	RESP. 3	2	X		X		1,600
29	JAZMINES	REFRIGERATION	-	-	-	-	-	Prop. No Esta	
30	JAZMINES	UPHOLSTERY	RESP. 3	1		X	X		3,000
31	JAZMINES	REFRIGERATION	RESP. 3	2		X	X		2,000
32	CRISTO REY	CLOTHES-MAKING	RESP. 3	1		X	X		5,000
33	CRISTO REY	CLOTHES-MAKING	RESP. 3	1		X	X		3,000
34	CRISTO REY	CLOTHES-MAKING	RESP. 3	2	X		X		10,000
35	CRISTO REY	UPHOLSTERY	RESP. 3	2		X	X		2,000
36	PEKIN	CLOTHES-MAKING	RESP. 3	2		X	X		8,000
37	CONANI	CABINETMAKING	RESP. 2	3		X	X		10,000
38	JAZMINES	SHOEMAKER	RESP. 3	2		X	X		12,000
39	JAZMINES	SHOEMAKER	RESP. 2	2		X	X		10,000
40	JAZMINES	SHOEMAKER	RESP. 1	1		X	X		6,000
41	JAZMINES	CLOTHES-MAKING	RESP. 3	2		X	X		12,000
42	CRISTO REY	MATTRESSES	RESP. 1	1		X	X		5,000

APPENDIX C
COOPERATION AGREEMENT

COOPERATION AGREEMENT

BETWEEN : THE OFFICIAL CHAMBER OF COMMERCE, AGRICULTURE, AND INDUSTRY, INC. of the province of Dajabón, private nonprofit organization established under Law No. 42 of July 17, 1942, with its official offices at and situated at Calle 27 de Febrero esq. Duarte of said province, duly represented by its president, Mr. Manuel R. Grullón, Dominican, of age, with Personal Identification No. 4913, series 45, duly sealed, with domicile and residence in the city of Santo Domingo, D.N., which hereinafter shall be called THE CHAMBER; and the ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC., ADEMI, a private nonprofit institution organized under Law No. 520 and incorporated under decree No. 745 of February 11, 1983, situated at Calle Vicente Celestino Duarte No. 48 of the city of Santo Domingo, D.N., duly represented by Mr. Camilo Lluberes Henríquez, Dominican, with Personal Identification No. 79226, series 1, duly sealed, with domicile and residence in this city, which hereinafter shall be called ADEMI.

WHEREAS : The CHAMBER and ADEMI are interested in supporting development of the microenterprise sector in the province of Dajabón.

WHEREAS : The CHAMBER and ADEMI work to promote development of the neediest population in the zone.

WHEREAS : The best way to contribute to national development is implementing programs that benefit the province's micro-enterprise sector.

WHEREAS : Financing, Advisory Services, and Technical Assistance are decisive for developing the microenterprise sector in the zone.

BOTH INSTITUTIONS HAVE AGREED TO THE FOLLOWING:

Article 1 : The CHAMBER shall offer ADEMI logistical and moral support to have the latter expand its program of Financing, Advisory Services, and Technical Assistance to the micro-enterprise sector of the province of Dajabón, with the support of the Máximo Gómez P. Foundation.

- Article 2 :** ADEMI shall offer Financial, Managerial, and Accounting Assistance to the microentrepreneurs who use the program to be undertaken in the province of Dajabón, in coordination with the Chamber of Commerce.
- Article 3 :** ADEMI shall administer the program using the methodology and the previously established criteria .
- Article 4 :** ADEMI and THE CHAMBER shall work for the strengthening and integral development of the microenterprises and their owners.
- Article 5 :** ADEMI shall be willing to offer advisory services and technical assistance at the request of THE CHAMBER to carry out Studies, Evaluations, and for the Design of socioeconomic projects of interest to both institutions.
- Article 6 :** ADEMI and THE CHAMBER shall involve the development institutions of the province and key people in the zone in implementation of the program.
- Article 7 :** ADEMI shall provide periodic reports to the Directors of THE CHAMBER on the achievements of the program to be undertaken.

Done and signed in good faith, in two (2) originals that are identical and equally valid, in the city of Santo Domingo, National District, Capital of the Dominican Republic, the 26th day of the month of May, nineteen hundred and eighty seven (1987).

FOR THE OFFICIAL
CHAMBER OF COMMERCE,
AGRICULTURE, AND
INDUSTRY OF DAJABON

FOR THE ASSOCIATION FOR
THE DEVELOPMENT OF
MICROENTERPRISES, INC.
(ADEMI)

[signature]

[signature]

Mr. Manuel R. Grullón
President

Mr. Camilo Lluberes Henríquez
President

ADEMI: A View from the Outside

PART TWO

ADEMI: A VIEW FROM THE INSIDE

SECTION FIVE

Organizational and Operating Structure

The first part of this book describes ADEMI, its approach, and its achievements. Part Two provides a glimpse of the internal workings of ADEMI. This part should be particularly helpful for new managers of microenterprise credit programs who want to understand the "how-to" aspect of operating a program. There are frequent references to appendices that complement the text by showing forms, reports, and other examples of tools used by ADEMI in its day-to-day operations. ADEMI's methodologies, procedures, and forms are not necessarily appropriate for other credit programs. They can, however, provide a helpful framework or starting point for other organizations to design their own procedures.

ORGANIZATION

The organizational structure of ADEMI has developed along with its expanding activities and geographic coverage. As stipulated in its by-laws, ADEMI has a general constituent assembly, which includes all members. The assembly usually meets once a year; its deliberations and resolutions are binding on all members.

The assembly appoints a 15-member Board of Directors, headed by a chairperson. The members of the board are mostly entrepreneurs representing organizations in the country's private sector, including banks, trade groups, and industry. The board has the broadest powers to undertake all types of judicial and extrajudicial acts. It represents ADEMI before third parties; appoints, supervises, and recalls the Executive Director, committees, and commissions; and also approves the organization's expenditures budget. The board meets when convened.

The ADEMI board, particularly its chairperson, participates actively in the life of the institution. However, a large part of decision making is delegated to the Executive Director.

The Executive Director, who manages ADEMI, is responsible for implementing the decisions made by the board, supervising and directing the credit program, and overseeing all financial operations. The Executive Director is also in charge of relations with governmental offices and international cooperation agencies.

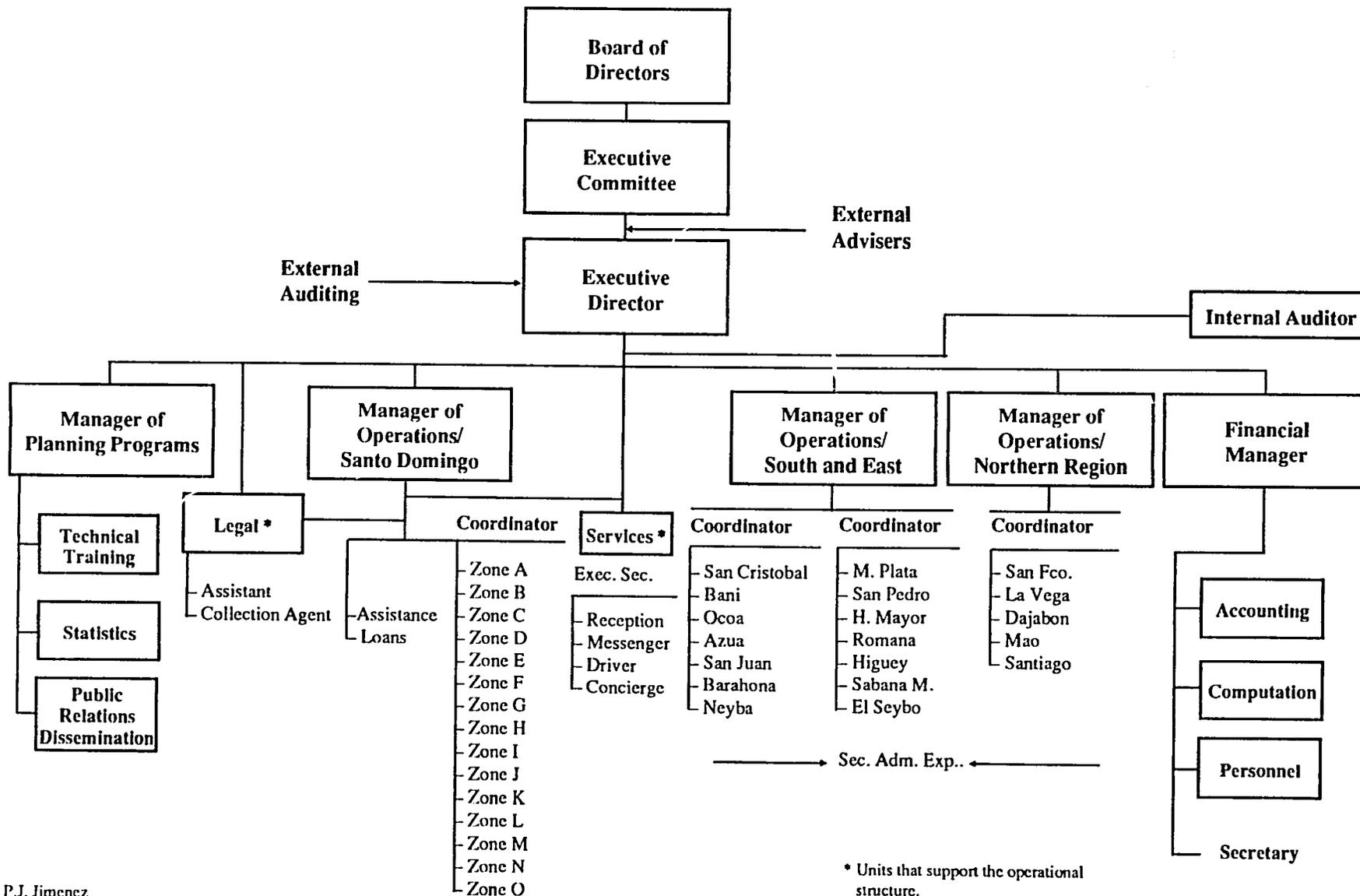
ADEMI has structured its activities geographically into three regional divisions, headed by the Manager of Operations of Santo Domingo, the manager of the northern region, and the manager of the southern and eastern regions. In each case, the respective manager supervises a coordinator, who works with a group of advisers, who in turn are responsible for managing the loan portfolio in a given area. In the offices, administrative assistants are used to support the advisers, do office work, and ensure the flow of information and communication with the main office. Currently ADEMI has 19 offices outside Santo Domingo. In the capital there is a coordinator with 16 loan advisers; in the northern region, five advisers and five assistants; and in the southern and eastern region, two coordinators, 20 advisers, and 15 assistants. In all, as of December 31, 1989, there were 68 people working directly in the activities of the credit program in the three geographically based regional divisions. Figure 2 presents the organizations chart for ADEMI.

ADEMI's administrative work is the responsibility primarily of the Executive Director and the managers. In 1988 the internal Executive Committee was established as a support unit for the association's administrative work. It is mainly in charge of staff-related decisions and policies. The Executive Committee is made up of departmental managers, the internal auditor, the Executive Director, and the chief accountant.

The field work is carried out by the three operational management offices, which are in charge of supervising loans and providing technical assistance to the microentrepreneurs, as well as coordinating the training courses and workshops for the advisers. The offices in the three regions are located in each of the towns and cities covered by the program. These offices operate with at least one adviser and one administrative assistant, who are supervised by the Regional Coordinator.

The current organizational structure, adopted in 1987, is more horizontal and functional than the previous structure. The new structure was implemented to delegate more functions and responsibilities, both administrative and operational, to the regions. That delegation of responsibilities has been largely achieved. Each adviser has been instructed to act as administrator of the office under his or her responsibility. The advisers also have considerable freedom of action in their work, particularly in selecting and approving loans. The adviser's opinion on the borrower carries more weight than any other single factor in the loan approval process.

**FIGURE 2
ADEMI: ORGANIZATION CHART**



* Units that support the operational structure.

The most outstanding characteristics of ADEMI's organizational structure can be summarized as follows:

- Simple and flexible organization;
- Horizontal decentralization; delegation of tasks; and, at the same time, integration of the staff as a whole;
- Computerized and updated operating system that allows for immediate decision making and permanent control of all ADEMI departments and operations;
- Clearly defined responsibilities;
- Administration based on objectives;
- Quick processing and minimum bureaucracy;
- Permanent feedback at all levels through formal and informal communication; and
- Policy of incentives for and recognition of employees.

PERSONNEL

Selection and Training of Personnel

As of late 1989, ADEMI had a staff of 96. Table 14 shows the distribution of personnel classified into administrative and field staff, for 1983 to 1989. The numbers indicate that the proportion of administrative staff in relation to total staff has held steady over the last three years. In 1986 the field personnel accounted for 70 percent of the institution's total staff, while in 1988 this proportion was 73 percent. It should be noted that the field staff numbers include Peace Corps volunteers and administrative assistants. The volunteers, who numbered four in 1989, provide technical assistance to microentrepreneurs in the area. The administrative assistants serve more as support staff to the regional advisers; they are not necessarily involved in direct assistance to microentrepreneurs.¹

ADEMI's staff increased by 52 percent in 1986 and 10 percent in 1988. Personnel increased, in part, because of the program's geographic expansion and the opening of regional offices. ADEMI saw the need to increase personnel to strengthen operations

1. Job descriptions for all ADEMI positions are in Appendix D, at the end of Section Seven.

TABLE 14
ADMINISTRATIVE AND FIELD STAFF, 1983-1989

	Administrative		Field		Total
	Subtotal	%	Subtotal	%	
1983	5	71	2	29	7
1984	10	50	10	50	20
1985	13	42	18	58	31
1986	15	30	35	70	50
1987	25	31	55	69	80
1988	26	26	62	71	88
1989	26	27	70	73	96

and facilitate growth. As a result, the organization has an investment in infrastructure and human resources that, it is hoped, will prove capable of absorbing the growth in loan operations in coming years without substantial additional staff. The opening of regional offices and the contracting of advisers for Santo Domingo are important factors in growth of staff. The productive capacity of the new advisers has yet to reach its potential.

The selection and recruiting of ADEMI loan advisers are done informally. When there are openings, the advisers are informed; they recommend candidates, who cannot be relatives. The coordinator and later the Operations Manager interview the proposed candidates for adviser or administrative assistant, and if they have a favorable recommendation they introduce him or her to the Executive Director. Throughout the learning process, the coordinator, Operations Manager, and Executive Director observe the candidate, and his or her performance, ability, and attitudes.

The basic requirements for working as an adviser include academic training, ability to work without a set schedule, enthusiasm for the work, and communication skills. In evaluating the candidate, the requirements established by ADEMI are taken into consideration, along with personal experience; criteria such as temperament, attitudes, and work history; and the ability to drive a motorcycle.

If the candidate meets the requirements, he or she is put through a one- to two-month training session. During this process, the candidate studies the adviser's manual and accompanies one of the advisers with ADEMI experience, learning from his or her experience and becoming acquainted with the ADEMI system, the microentrepreneurs, and the work. In the interior, the advisers must be from the same town where they will work.

During the first two weeks, the adviser/trainer, coordinator, and manager observe and evaluate the candidate, answering questions and discussing impressions. Practical experience has shown that the capability, skills, acceptance, and aptitude of the

candidate can usually be gauged in the first 48 hours of work. After the first two weeks in another town, the candidate continues with a 10-week test and learning period in his or her home city, working with another adviser. The training is not theoretical but in-service, filling out and evaluating loan requests, interviewing the microentrepreneurs, and responding to their needs. Experience has taught that the candidates who survive the first two weeks stay on as advisers.

Salaries and Incentive Pay

ADEMI's development and salary policies are based on private-sector criteria of efficiency, productivity, and profit. ADEMI does not have to distribute profits to shareholders; instead, it may use its surplus to consolidate its financial base, and also to promote and motivate staff. The salaries of ADEMI employees and advisers are tied into the private-sector pay scale, and thus are far higher than in the public sector. The basic concept and strategies of ADEMI depend on the adviser acquiring experience, skills, and accountability. Only with efficient and effective advisers can ADEMI's portfolio produce the income needed for the institution to survive. Therefore, the institution tries to hold on to the advisers and avoid high turnover. The experience of many similar private organizations, in the Dominican Republic and elsewhere, indicates that often the most capable and intelligent employees are hired away by the private sector after having gained practical experience with a nonprofit institution.

Considering the high inflation in the Dominican Republic and the competition from the private sector, social and moral incentives to do a good job must be accompanied by appropriate economic compensation. ADEMI's pay scale is determined by the employee's efficiency and the time he or she has worked with the organization. ADEMI employees receive an additional month's salary ("13th month") and other benefits such as health insurance and social security.

One of the most effective incentives for the advisers is a scale of monetary bonus payments through which they can increase their basic monthly salary by up to 50 percent. The implementation of this incentive system, based on the performance of each adviser's portfolio, is considered the factor that most contributed to reducing ADEMI's arrearage rate in 1988.

The bonus is determined by four indicators: arrearage rate, number of active microenterprises, portfolio, and total lent in the month. The values assigned to each indicator, as well as the bonus pay accrued, vary for the advisers working in the interior. If the adviser attains the levels of portfolio and total loaned specified in the scale, he or she receives a bonus of RD\$ 100 in Santo Domingo, and RD\$ 50 in the interior. A prerequisite for this bonus is attaining the levels of arrearage and active microenterprises specified. There is an additional bonus for every 1-percent reduction

of the arrearage rate below 10 percent. For example, an adviser in Santo Domingo who is in line with all of the indicators specified earns a basic bonus of RD\$ 100. If the arrearage rate on his or her portfolio is 4 percent, then the adviser earns an additional bonus of RD\$ 350.

In addition to the incentives for reducing the arrearage rate, there are incentives for increasing the number of active microenterprises. Beyond 120 and even 130 clients, the adviser earns an additional RD\$ 100 per month and RD\$ 5 for each additional microenterprise. Appendix D shows the total incentive paid to ADEMI staff in a typical month.

Critical Role of Advisers

The Executive Director dedicates much effort to strengthening ADEMI's field work and maintaining close contact with the advisers. This is one of the most important parts of his administrative work. The director regularly holds informal meetings with his advisers. These meetings keep him informed of the problems and achievements that his field staff faces daily, and enable him to take appropriate action. Communication with the Santo Domingo advisers is much more direct. Communication with advisers in the interior is maintained through periodic visits to the regional offices and monthly reports from the managers.

In addition to the regular meetings, the advisers are free to contact the director individually at his office. The same applies to the microentrepreneurs, who have access at all times to the director or any other member of the staff as necessary.

To a great extent, ADEMI's success has resulted from its efforts to stimulate, strengthen, and facilitate the work of the field staff. Each adviser has a motorcycle, his or her own office, and physical space for meetings at ADEMI's offices. During the first two hours of the morning, everybody meets either formally or informally before initiating the field work of the day.

The field staff, through their efficient and effective contact with borrowers, generate ADEMI's revenues and surplus. Each adviser is responsible for 90-140 individual borrowers. As Table 15 shows, each adviser processed, on average, 181 loans in 1989, or 15 loans per month.

ADEMI recognizes that its advisers have substantial control over the profitability of the institution. The model in Figure 3 shows the equilibrium point for the portfolio of each adviser, assuming an average portfolio of RD\$ 300,000, and an arrearage rate of 10 percent (net portfolio, \$270,000). This break-even point means that if each adviser maintains a portfolio of RD\$ 300,000, with arrears of 10 percent or less, then ADEMI will break even with its current cost structure.

NEW INCENTIVES POLICY FOR SANTO DOMINGO ADVISERS

I. Indicators		Value of Incentive (RD\$)	
a) Arrearage	≤	10%	
b) Active microenterprises	≥	90%	
c) Loan portfolio	≥	RDS 300,000 }	
d) Total loans/month	≥	RDS 75,000 }-----	RDS 100

Note: The incentive of RDS 100 for indicators c and d is conditioned on the prerequisite of having achieved indicators a and b.

ADDITIONAL SCALE OF INCENTIVES FOR REDUCING ARREARAGE

Average (%)	Value of Incentive	
	Value/Points (RD\$)	To Be Received (RD\$)
10	100.00	100.00
9	30.00	130.00
8	30.00	160.00
7	40.00	200.00
6	40.00	240.00
5	50.00	290.00
4	60.00	350.00
3	60.00	410.00
2	80.00	490.00
1	80.00	570.00
0	100.00	670.00

NEW INCENTIVES POLICY FOR ADVISERS AND ADMINISTRATIVE ASSISTANTS IN THE INTERIOR

I. Indicators		Value of Incentive (RD\$)	
a) Arrearage	≤	10%	
b) Active microenterprises	≥	90%	
c) Loan portfolio	≥	RDS 80,000 }	
d) Total loans/month	≥	RDS 30,000 }-----	RDS 50

Notes: 1) The incentive of RDS 50 for indicators c and d is conditioned on the prerequisite of having achieved indicators a and b.
2) Administrative assistants shall have a bonus equivalent to 50% of advisers' bonuses.

ADDITIONAL SCALE OF INCENTIVES FOR REDUCING ARREARAGE

Average (%)	Value of Incentive	
	Value/Points (RDS)	To Be Received (RDS)
10	75.00	75.00
9	20.00	95.00
8	20.00	115.00
7	25.00	140.00
6	30.00	170.00
5	35.00	205.00
4 (optimal point)	45.00	250.00
3	55.00	305.00
2	65.00	370.00
1	75.00	445.00
0	100.00	545.00

APPROVED

INTERNAL EXECUTIVE COMMITTEE

PRESIDENT, BOARD OF DIRECTORS

DATE: _____

**TABLE 15
AVERAGE NUMBER OF LOANS PROCESSED PER ADVISER, 1983-1989**

Year	Number of Advisers	Loans No.	Loans Value	Average Number Loans	Loans per Adviser Value (RDS)
1983	2	2,980	1,033,770	1,490	516,885
1984	10	2,762	2,099,633	276	209,963
1985	18	1,793	2,871,600	100	159,533
1986	22	3,065	4,229,165	88	120,833
1987	30	5,152	8,547,535	129	213,688
1988	34	4,964	13,163,415	108	286,161
1989	42	7,719	24,853,310	181	591,745

**FIGURE 3
EQUILIBRIUM POINT MODEL**

Revenues	RD\$
- Services, commissions, loans costs (8%)	21,600
- Annual interest	<u>81,000</u>
	102,600
Expenditures	RD\$
- Direct expenditures for advisory services	20,000
- General expenditures (30% of advisory costs)	6,000
- Expenditures of money (24% of 300,000)	72,000
- Others: transportation, training, procurement	<u>4,800</u>
	102,600

Using this model, ADEMI ensures its profitability and calculates ways to increase profits, including:

- Expanding the average portfolio of each adviser;
- Increasing the rotation of the portfolio. This model calculates an average loan term of 12 months (one rotation per year). If the portfolio rotates faster (average loan term of less than 12 months), then profitability is also improved; and
- Reducing the arrearage rate. The portion of the portfolio in arrears (10 percent) is not providing the program with income. Decreasing arrears will increase revenues.

In addition to the salary incentives discussed above, the advisers have the incentive of rapid mobility within the program. Those who stand out for the quality of their work rise to higher positions before too long. ADEMI fosters the loyalty and commitment of its advisers and employees through this system of economic and social incentives. The adviser is not a mere employee, as sometimes occurs in private industry, but a partner, a member of a big family. His or her problems and needs are addressed and taken into account. The adviser knows that the work has meaning.

THE PLANNING PROCESS

Planning of activities and investment is carried out in relation to a given objective. Minimum goals are established for each area of Santo Domingo and for the other cities where ADEMI has offices. The minimum goal is set based on discussion and evaluation of the program with each adviser. The adviser and the administrative assistant, with the support of the coordinator and Operations Manager, must define the number of new loans and reloans as well as their work plan. The overall objectives for the following year, resource requirements, and financing sources are determined in accord with zone-based planning. The annual planning process takes account of the availability of resources, but does not assign a quota per zone; rather, the plan is determined based on estimated demand, taking into consideration the activity of the current year. Monthly demand is estimated based on experience, such as the annual fluctuations in April and December when demand drops off. The 1989 projections, which form the basis of the work plan for that year, can be found in Appendix D.

Planning for each year is done annually in a three-day evaluation workshop (Thursday to Sunday) in one of the cities of the interior. In this training workshop, problems that the organization and the employees face are also addressed, training sessions are held, experiences are shared, and new work techniques are identified and explored. In addition, the workshop helps to strengthen the commitment of the advisers and other employees to the institution and vice versa. Profits are distributed (premiums and savings), and a party and cultural event are held. The workshop agenda for 1988 is in Appendix D.

SECTION SIX

The Credit Methodology

In the last five years, ADEMI has developed a financial technique, or credit methodology, to adapt to the needs of microenterprises. ADEMI's credit activities have been geared primarily to making loans for working capital to individual microentrepreneurs, especially small-scale producers.

During the first stage and up to 1986, ADEMI granted credit not only to individual microenterprises but also to solidarity groups, which are groups of people who know one another and work in more or less similar economic activities. These people come together to form groups of at least three persons to take out loans for production or trade. In contrast to the individual microentrepreneurs, the members of solidarity groups do not have a fixed place of business or activities that generate significant income. Most are street vendors and producers of foods such as sweets or fried foods. The most important factor in the solidarity groups is the degree of trust, cohesion, and friendship among the members.

Because of this experience, ADEMI determined that promotion of the most vulnerable groups such as the solidarity groups requires long-term support and monitoring, which are not economically feasible for ADEMI to provide. There are other nonprofit organizations working to improve living conditions in marginal areas that support and motivate programs such as these, which are unable to finance themselves.

Consequently, in 1986, ADEMI suspended the financing of solidarity groups. Some group members, such as those with fixed vending stands, were transferred to the microenterprise program, this time to receive individual loans. The street vendors were transferred to the financing program of the Dominican Institute for Comprehensive Development (iDDI).

The organization of the loan program is based on the loan adviser, who assumes the responsibility of a geographic zone, either in the capital city or in the interior. His or her basic function is to select the microenterprises, propose loan amounts, visit the clients regularly, and supervise their payments. Clear indicators have been established for adviser performance, including a minimum of 90 clients, with an arrearage rate no

greater than 10 percent. If these parameters are improved upon — especially if the arrearage rate is reduced — incentive payments are made. An arrearage rate of 4 percent is considered optimal. In addition, if a minimum portfolio amount is exceeded, additional compensation is paid. Thus, the advisers have clear incentives to expand their lending activity, and above all to control arrearage.

At the same time, adviser performance is permanently assessed by a coordinator and the Operations Manager for the respective area; they immediately become involved if performance is particularly poor or arrearage especially high. There is a monthly report on each adviser.

The total amounts lent accord with the methodology of making larger second and subsequent loans. Although there are no minimum amounts, in the case of a first loan for working capital, the sum is usually from RD\$ 300 to RD\$ 3,000 (US\$ 50 to US\$ 500). The amounts of the successive loans are determined by the adviser based on the microenterprise's growth and financial requirements. In the case of loans for purchasing fixed assets, the amounts loaned range from RD\$ 5,000 to RD\$ 30,000. These loans are only made to microenterprises that have been with the program for at least one year.

The terms of loans for working capital range from 1 to 12 months. The loans for fixed assets have a term of up to 24 months, with a grace period of 1-3 months. The terms are set by the amounts loaned — larger amounts have longer terms — and by the microentrepreneur's repayment capacity and cash flow.

On average, it takes 10 days to process an initial loan, from approval to disbursement. Reloans are done more quickly; their disbursement takes 48 hours in Santo Domingo, and 72 hours in the interior.

Loans for less than RD\$ 15,000 (US\$ 2,500) are approved by a committee made up of the adviser, the Operations Manager for the zone, and the Executive Director. Loans for over RD\$ 15,000 should be approved by a Loan Committee made up of the Executive Director, the Operations Manager, and the Financial Manager or Internal Auditor. Although in theory the larger loans appear to be subject to greater analysis than a small loan, in practice they are dealt with identically. Approval of the loan, whether of US\$ 50 or US\$ 10,000, is subject to the payment history of the beneficiary (repayment capacity) and the likelihood of his or her growth.

To request a loan for a given amount, the microentrepreneur must prepare documents (including financial statements) that demonstrate the way he will guarantee his financial obligations. The institution considers that this minimizes the risks entailed, while also educating the microentrepreneur in the preparation of the documentation needed to apply for bank loans.

The program charges interest and advisory service costs at 2.8 percent monthly, plus a commission of 8 percent for closing costs, paid in advance. The interest is calculated based on the whole loan, which increases the effective rate of the loans to 57 percent annually. In principle, the clients in arrears must pay interest of 0.25 percent daily; however, this rate is rarely charged, particularly in the offices outside of the capital. A widespread practice in ADEMI is that if the reason for the arrears is justified, the interest on arrears will not be charged in full. The decision to accept the justification for a payment in arrears is left up to the adviser's judgment.

TABLE 16
CONDITIONS OF THE LOANS MADE
TO MICROENTREPRENEURS, 1983-1988

Year	Minimal Amount	Maximum Amount	Interest Rate	Basis for Calculation	Maximum Term	Com-mission
1983	100	4,000	3.05 avg	whole loan		—
1984	100	4,000	3.05 % avg			—
1985	100	15,000	3.0% PM	balance due		—
1986	100	15,000	1.9% avg			6%
1987	100	25,000	2.5% avg			6%
up to 9/30/88	100	25,000	2.5% avg	whole loan		6%
from 9/30/88	100	25,000	2.5% avg			6%
from 10/1/89	300	30,000	2.8% avg			6%

There are no hidden costs to the microentrepreneur in processing an ADEMI loan. The microentrepreneur does not have to visit the offices to request a loan. Generally, microentrepreneurs interested in the program contact the adviser for their zone directly; in other cases, they may call the offices, requesting a visit from the zone adviser. Attendance at courses or orientation meetings is not required to receive loans.

BORROWER RESPONSE TO THE ADEMI METHODOLOGY

The terms and conditions of the ADEMI loan program are adapted to the microentrepreneurs' needs. Interviews of 25 microentrepreneurs to gauge their opinion on the loan program confirm that this is indeed the case. All of the interviewees stated that they were very satisfied with the program and with the treatment they received. Among the most positive aspects of the program, they mentioned the methodology of making larger second and subsequent loans and the insurance of reloans unless problems indicate that reloans are not prudent. The respondents indicated that the loans not only provide continuous access to credit, but also greater stability in their

business and a greater capacity to plan for the future. Other outstanding aspects of the program, according to the interviewees, are the ease of access to credit, the simplicity of the paperwork, and the speed with which the loans are disbursed. The microentrepreneurs compared the ease of access to ADEMI credit with the bureaucracy found in the banks and financial institutions.

As for the negative aspects of the program, only two of the interviewees (6 percent) stated that the interest rates were high. Of all the interviewees, 94 percent considered the interest rates fair. Nonetheless, while the microentrepreneurs did not offer serious complaints about the interest, 76 percent felt that the loan periods are very short. This affirmation is more common among microentrepreneurs who work in production and whose cash flow is slow, such as cabinetmakers, artisans, tailors, and seamstresses. These microenterprises are particularly affected by periodic shortages of raw materials, as well as the lack of electricity.

The advisers know the enterprises well and know when the client is having a hard time repaying the loan. When that is the case, the adviser can propose extending the period without increasing the interest. The decline in rotation of the portfolio from 1.7 in 1983 to 1.3 in 1988 reflects the extension of loan periods. However, ADEMI cannot further extend the loan period without jeopardizing its profitability. Therefore, the policy adopted by the Board of Directors is, first, to ensure the operational base, and then to gradually expand and also take more risks in the future.

THE APPLICATIONS PROCESS: STEP BY STEP

At the outset of the program, ADEMI carried out a feasibility study. To identify the first clients, ADEMI's advisers told microentrepreneurs about the program. At first, the microentrepreneurs expressed little interest or trust, because of the failure of many well-known earlier initiatives sponsored by other institutions. However, because of the program's dynamic, rapid disbursement and minimal bureaucracy, little by little those interested came to trust the institution.

ADEMI has not engaged in aggressive or mass campaigns to publicize the program, primarily because of lack of enough funds to take on the additional clients such mass appeals would produce. Until additional funds are mobilized, ADEMI will continue to rely on word of mouth to promote the program. Approximately 80 percent of ADEMI's clients are referred by other microentrepreneurs who are ADEMI clients.

A microentrepreneur's first contact with ADEMI is by phone or a visit to the office, when he or she gives the secretary or administrative assistant his or her address. The next day, the area adviser visits the microentrepreneur, describes the program and the

concept of making larger second and subsequent loans, and gives the entrepreneur the ADEMI brochure.

The microentrepreneur has 3-4 days to think about the information and ADEMI's conditions. During this period, the adviser learns about the interested person and double-checks the information. Normally, the adviser visits the microentrepreneur three or four times before bringing the loan application. The adviser learns about the area of economic activity of the microentrepreneur and knows what to ask and verify. He or she talks with other microentrepreneurs in the area, neighbors, relatives, suppliers, and customers. The second visit to the microentrepreneur is usually a surprise, to avoid any preparation on the part of the interested party (for example, temporarily setting up and installing machinery and equipment).

The adviser is free to decide whether to fill out the application right away or whether another visit is required. When the advisor decides to fill out the application, he or she informs the microentrepreneur that a definitive response will be received within 15 days.

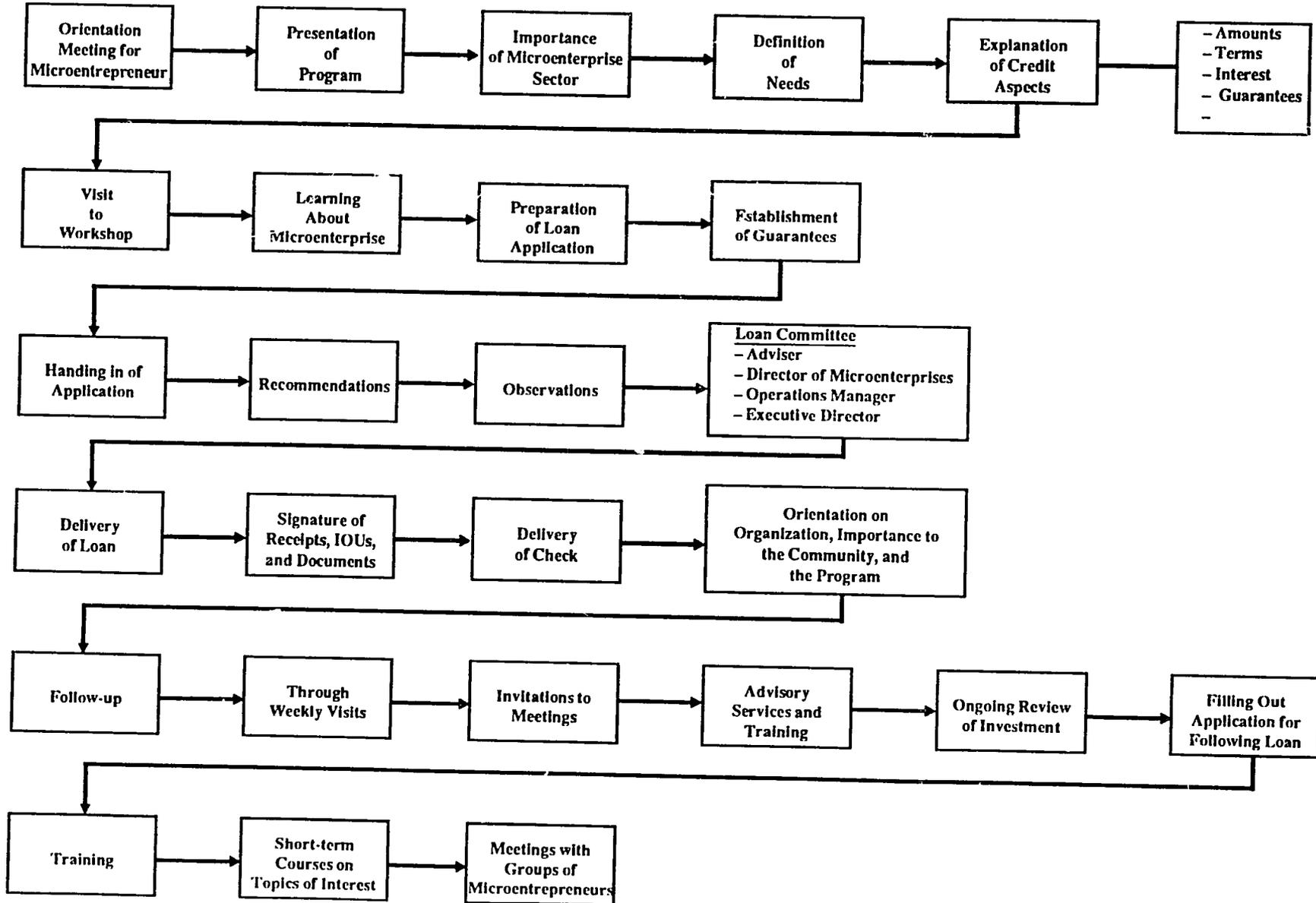
Although the advisers use a formal loan application instrument, the criteria they use for selecting loan recipients are flexible. The adviser's decision is based on a wealth of information and wide-ranging experience, which enables him or her to deduce from the microentrepreneur's manner, behavior, and the other information collected whether the entrepreneur is serious and trustworthy. Based on this assessment, the adviser decides whether to provide the loan application. One adviser may often consult another within ADEMI.

In evaluating the first loan application, the factors that determine the business's viability and profitability are taken into account. These include the ratio between income and fixed assets, profit on sales, inventory of production and raw materials in proportion to sales, investment in fixed assets, the enterprise's capital, the buyer's market, and the references of other microentrepreneurs.

Usually the microentrepreneur has a clear idea of the values of sales, equipment, and wages, but does not know how to organize the information. The adviser must get to know the microenterprise and thresh out the information needed. The application itself reflects the current situation of the microenterprise at a given moment, but the adviser must evaluate how the business is doing, its needs, and its long-term potential.

Once the loan application is filled out, it is passed on to the Area Coordinator and Operations Manager, who review and evaluate it, in terms of both size and quality. This evaluation takes into account how long the microenterprise has been in existence, the process of accumulation, the ratio between revenues and expenditure, liquidity, the use of installed capacity, congruence of the data, the need for working capital, and the payment capacity.

FIGURE 4
PROCEDURES FOR MAKING LOANS TO MICROENTERPRENEURS



Because the adviser does an initial screening of applicants and only completes application for those that he feels confident will be good ADEMI borrowers, most (more than 80 percent) of the applications are approved by the coordinator and the Loan Committee. The careful selection of clients is manifested in the low percentages (1-2.5 percent) of microenterprises that fail despite ADEMI loans. In most cases, the microenterprises in question do not go bankrupt, but change activity instead.

THE LOAN APPLICATION

The loan application is a formal instrument; it is used to evaluate the microentrepreneur and also the enterprise. In addition, it is a starting point for future evaluation and monitoring of the client's credit history.

One of the most important criteria in preparing the first loan application is the applicant's entrepreneurial and managerial capacity. This is determined prior to preparation of the application in conversations between the adviser and the microentrepreneur. Other important aspects include knowing whether the microentrepreneur is familiar with the tastes and preferences of his market, his knowledge of the competition, and how motivated his employees are. It is also important to know the microentrepreneur's psychology, attitudes, abilities, and aspirations.

To evaluate these and other factors, the adviser observes the enterprise, makes comparisons with other microenterprises in the same activity, and talks with employees, neighbors, suppliers, and clients to get further data and verify information.

The adviser fills out the application with the microentrepreneur in the workshop. The data is collected and then verified by the adviser in the following way:

Data on the Entrepreneur

- **General information on the applicant:** documents such as ID card, work history, certificates.
- **Bank account:** the applicant should present a savings book or bank account statement, if he has one.
- **Credit references:** bank or other financial institution, suppliers, and so on.

The Enterprise

- **General data and information on the business,** such as address, activity, how long in business, and by-laws.
- **Problems obtaining raw materials** based on knowledge of the area of activity (for example, shortage of imported materials such as wood and cement).
- **Purchases, per invoices.**
- **Number of employees at present:** observations.
- **Number of employees planned:** determination of the capacity for expansion evaluated and calculated jointly with the applicant.
- **Current and potential clients:** work orders, invoices, and receipts; knowledge of market.

Inventory of Machinery and Equipment

- Adviser determines the stock and condition of the machinery and equipment. The value is determined with the invoices and purchase receipts.

List of Assets, Liabilities, and Capital

- Invoices, checks, and receipts are used to determine the amount of cash in the bank, accounts receivable, movables, machinery, and equipment.
- The complete inventory of finished products and products in production is drawn up together with the applicant, at the shop.

(It is not always easy to verify a microentrepreneur's financial commitments. At times the applicant does not inform the adviser of loans made by other financial institutions or lenders. In most cases, such other commitments show up in the inadequate use of the ADEMI loan and failure of the microenterprise to grow.)

Revenues and Expenditures

- Most of the data are verified through receipts, invoices, and conversations with the applicant and his employees.

Investment Plan

- The investment plan is prepared on the basis of the microentrepreneur's intentions to expand production, evaluated and confirmed by the adviser.
- The investment plan includes not only the ADEMI loan, but also the applicant's own capital or other capital.

Evaluation

- Evaluation of the application by the adviser and Operations Manager is done with the following factors in mind:
 - Payment capacity: the sales volume and monthly profits of the microenterprise figure into the estimates, with a margin of error of 10-20 percent, and by calculating the ratio of profits to the monthly installment to be paid.
 - Prior and projected liquidity of the microenterprise, as well as the amortization of other debts.
 - The applicant's entrepreneurial capacity.
 - The projected sales volume in relation to the current volume.
 - The inventories in relation to consumption of raw materials and sales.
 - Production capacity; use of installed capacity.
 - The ratio of sales to accounts receivable, considering the branches of the production cycle.
-
-

Any subsequent applications for re-loans require less attention and less evaluation. The adviser is already intimately familiar with the microenterprise, and monitors it closely, verifying use of the first loan and the results. These re-evaluations follow the same pattern as for the first application. However, the emphasis is placed on examining the microenterprise's growth and assessing the impact of the loans, by comparing conditions before and after the loan. If there has been no development, the applicant is invited to the office, to field questions as to why this is the case. The most common causes cited for lack of growth are:

- Debt with a previous lender;
- High production costs and low profit margin;
- Very high labor costs and low productivity; or
- Lack of reinvestment due to personal and family consumption of the surplus.

In evaluating a microenterprise's growth, one must take account of the specific problems and conditions by area of activity. Artisan microenterprises, for example, have high rates of profit. Nonetheless, their market fluctuates and is cyclical; thus they face problems of liquidity and a considerable need for working capital. The liquidity problem also affects shoemakers, because the stores require 30-60 days of credit, or else pay 5 percent less for a quick payment. Experience shows that the largest and best-consolidated microentrepreneurs are less susceptible to the exploitative practices of some large stores.

If the borrower did not attain the anticipated growth goal, the adviser intervenes on a preliminary basis, evaluates the reasons, and provides advice to help solve the problems. The relations of trust with the client and the ongoing follow-up facilitate the adviser's task of identifying the microenterprise's potential, and proposing and coming to agreement with the client on an appropriate strategy for development and growth.

With the exception of the education and health program, ADEMI makes loans for fixed assets only to clients who have already received loans for working capital and have a proven ability to grow and follow through on their commitments. Consequently, evaluating a loan request for fixed assets is easier, because the client is well-known and trustworthy. Nonetheless, because fixed asset loans can be large compared to the working capital loans, their evaluation requires greater caution in determining the microenterprise's priority needs and productive capacity.

The adviser must verify current use of equipment and needs for new machinery. Often, the installed capacity is underutilized and an analysis of the business shows that it is more economical to work in two shifts rather than bringing in additional equipment. As in many countries, both microenterprises and large firms feel that the more equipment they have, the better. Other aspects that the adviser should assess

include the potential market for increased production, the applicant's managerial capacity to administer the increase, and anticipated profits.

Reloans, in accord with the concept of making larger second and subsequent loans, as well as the loans for fixed assets to more successful microentrepreneurs, require only 2-3 days from the date of the application to issuance of the check. The evaluation by the coordinator and Operations Manager is passed on to the Financial Manager to verify the availability of resources. Final approval is by the Loan Committee. Approval by the committee is almost always a formality, given the elaborate system of evaluation and selection at the different levels.²

THE DISBURSEMENT PROCESS: STEP BY STEP

The credit adviser fills out the loan application in the microentrepreneur's workplace, processes the financial statements, completes a pledge contract, and then passes the application on to the Operations Manager, who in turn analyzes and approves it. If he is not satisfied, he calls the adviser in, goes to the neighborhood himself, or sends the Area Coordinator to investigate.

Once this stage is completed, the request is passed on to the Financial Manager. After verifying the availability of funds and the financing source, the Financial Manager forwards the application to the Computation Department, to enter the client data. In the field (smaller cities) the administrative assistant should verify the adviser's information about the borrower's previous loan and how he or she is paying it off. In Santo Domingo, the person in charge of loans does this. If there is contradictory information or anomalies, the microentrepreneur's personal records are checked and corrections are made as necessary.

Finally, the Computation Department prepares the check, which is signed by the Executive Director after final review of the documents provided by the Financial Manager. With the drawing up and issuing of the check, the financial, accounting, and statistical resources are brought up-to-date based on the microentrepreneur's private records.

The first disbursement is done in a formal and ceremonial setting at the central or regional ADEMI office. The borrowers receive their check from the Executive Director or one of the managers. The borrower is told of the program's importance, his

² Several completed applications and related forms are presented in Appendix E.

or her privileged position, and the institution's demands. With the check, the borrower receives the payment stubs and signs the IOUs. A copy of the pledge contract, payment agreement, IOU, and the letter presented to new borrowers are in Appendix E.

In undertaking its credit operations, ADEMI uses the mechanisms available in the formal sector. The loans for microenterprises, once approved, are delivered in the form of checks drawn on accounts of the organization, which are kept with a banking institution. When receiving the check at the main office or in the field, the borrower signs the contract of pledge and the notarized IOUs, and receives stubs of the bank deposit, showing the date and amount due. Each month the borrower deposits the payment in ADEMI's account at the bank and goes to ADEMI to turn in a copy of the stub and withdraw the IOU corresponding to this payment. The payment information from the stub is immediately recorded in the computer system. When each payment is recorded, all the financial, accounting, and statistical records are brought up to date by the computer system, making it possible to maintain permanent and instant control of the economic and financial status of the institution and the loans.

Working through the bank achieves the following objectives:

- Ensures that the disbursements and payments are done through a banking institution, thus eliminating the need for the loan advisers or other ADEMI staff to handle cash.
- Ensures that cash is not kept in the ADEMI office, as this might result in theft.
- Continuously educates the beneficiaries about the operations and facilities offered by the formal-sector banking system.
- Educates the formal-sector banking system itself about the magnitude and creditworthiness of the informal sector; it is generally believed that "poor people don't make payments."
- Educates the informal sector not only in the use of credit, but also to save.

At the outset of the program, ADEMI required that the borrowers open a savings account in the bank and deposit a given percentage of the loan price. The reason was to teach the microentrepreneur to save, maintain discipline, and plan his or her activities, as well as to facilitate adequate accumulation of working capital. However, the high inflation in the Dominican Republic and the relatively low interest rates offered by banks for savings accounts have affected microentrepreneurial behavior. Given the rapid devaluation of the Dominican peso, the borrowers prefer to reinvest their earnings and savings in the business or in movables and immovables.

MONITORING OF BORROWERS

No later than three days after delivering the check, the adviser visits the borrower in order to verify use of the loan for purchases of raw materials or merchandise, to speak with the entrepreneur, and to advise him if necessary. From then on, advisers visit each client 2-3 times a month on average, depending on the need. There are no formal regulations for monitoring, which is done using a variety of instruments. The adviser's visit may be to verify use of the loan, remind the microentrepreneur of the payment, solve problems, or suggest an investment and development strategy. It may last from five minutes to two hours, depending on the purpose.

The adviser is free to decide how many and which microenterprises to visit. They average 4-10 visits to borrowers per day. Although the adviser is responsible for registering the payment for the borrowers, he or she should be sure that the microentrepreneurs do not identify him or her as a collection agent. The adviser should be a friend who gives advice and is trustworthy.

At the beginning of each month, the advisers receive a computerized list of installments that come due that month, on the basis of which they develop their plan of visits. To be able to plan their daily work, the advisers keep a daily list of payments, updating it as the borrowers make payments. At the end of the month, each adviser receives a report detailing all deposits made by his or her clients, as well as a detailed arrears (called "Aging of Receivables") report. If there is a discrepancy, the adviser checks with the Accounting Department and if necessary prepares a report. Examples of "Installments that Come Due" and "Aging of Receivables" reports are in Appendix E.

On occasion, the borrower is busy and does not have time to go to the office, and so asks the adviser to deposit the copy of the stub and to withdraw the IOU. Even though this practice is acceptable, ADEMI prefers personal visits, because they facilitate direct contact with the borrower. Many microentrepreneurs visit the ADEMI offices when they go downtown shopping or for other reasons, and chat with the coordinator, manager, employees, or Executive Director.

The problems detected in the course of monitoring are varied and depend on the economic activity, the characteristics of the enterprise (commercial production), the inputs, and other factors. One typical problem detected, particularly with new clients, is that the microentrepreneur asks ADEMI for a loan to pay off a debt to a lender. In one case, the adviser realized that despite having the loan, the microenterprise had not grown, as the money was not used to purchase raw materials. When the case was investigated, the borrower confessed that he had a debt of RD\$ 12,000 to a private lender to whom he had to pay RD\$ 2,400 monthly. In view of the potential of this

microenterprise, ADEMI agreed to pay off this debt. The microentrepreneur repaid ADEMI RD\$ 1,600 monthly and, after repayment, had adequate surplus to expand production.

Another typical problem is that many microentrepreneurs imitate large entrepreneurs and prefer to invest their earnings in purchases of land, houses, or equipment that they do not need. At times they neglect their need for working capital, resulting in low liquidity and greater dependence on ADEMI.

RECOVERY OF LOANS AND ARREARS

In the ADEMI system, the borrower pays the monthly installment at the bank, on the date specified on the payment stub, and delivers a copy to the ADEMI office. Only in cases of arrears is cash accepted at the office. Normally, paying with checks is not allowed, to avoid the problem of checks bouncing. In special cases of payment by check, the payment is recorded as having been made one month later.

In cases of arrears, the adviser visits the borrower to determine the cause of the delay. In most cases, the motive of the delay is a lag in production because of lack of electricity, shortage of raw materials in the market, or late payments by the microentrepreneur's customers.

During the first 30 days of arrears, the adviser talks with the delinquent borrower and tries to help him or her solve the problem. It is not in the entrepreneur's interest to see a legal proceeding begin, for he could lose his line of credit with ADEMI. The adviser tries to persuade and reach agreement with the entrepreneur about a course of action before taking recourse to coercive methods. Afterward, the adviser may refer the case to ADEMI's Legal Department or continue trying to recover the debt within the next 60 days. When 90 days have passed, the case automatically transfers to the Legal Department.

The Legal Department receives monthly reports from the advisers on loans with arrears of more than 30 days, which are categorized according to how tardy the payments are. This is verified with the Accounting Department (computations) before beginning legal proceedings.

Those who are 30-60 days in arrears are sent an initial letter recommending that they pay the amount in arrears and inviting them to come to the main office or field offices. If the borrower does not respond, he or she is sent a second letter, after which the Legal Department asks that the collection agent intervene. Once the collection agent is involved, the delinquent borrower must pay his entire debt in cash within two

days. Alternatively, a payment agreement can be entered into with the Legal Department extending the terms and reducing the installments. In general, the debtor seeks to reach some payment agreement and tries to respect his or her commitments.

In those rare cases in which the debtor neither pays or comes to the ADEMI office to reach a payment agreement, the Legal Department sends a demand for payment prior to embargo in which the debtor is given one day to come and pay the total amount in arrears. This demand is made and delivered by a clerk of court who works with ADEMI. If the delinquent borrower does not respond, the embargo process is begun through delivery of the Executive Embargo to the clerk of court, who confiscates the debtor's goods (machinery, equipment, movables) until the debt is paid. If the debt is not paid within two months, a public auction is held to sell the goods. The adviser's report to the Legal Department, and copies of the documents the Legal Department uses to recover loans, are in Appendix E.

If the delinquent borrower refuses to sign a payment agreement, the debt is recovered through the Justice of the Peace. The Contract of Pledge signed by the borrowers is deposited in the Court of the Justice of the Peace, which places its seal thereupon and proceeds with the embargo; this procedure takes 2-3 days. The contract of pledge ensures that the lender may sell the debtor's goods in case of default.

ADEMI almost never resorts to such drastic proceedings. Nearly all micro-entrepreneurs in arrears voluntarily sign a payment agreement and do everything possible to pay their debt. In addition, the advisers continually seek feasible solutions together with the coordinator, manager, and director.

The problem of arrearage is minimal. Arrears are minimized by the policy of making larger second and subsequent loans to microentrepreneurs who pay on time, and by the careful system of selection and monitoring. As a result, in 1988, of a total of almost 5,000 loans, only 43 (0.9 percent) were considered uncollectible. For the Legal Department, the loan is uncollectible only if the microentrepreneur disappeared or is insolvent.

SECTION SEVEN

Financial and Organizational Management Systems

FINANCIAL SYSTEMS

Accounting

The basis for accounting records used by ADEMI is the cumulative or accrued method, in which revenue is recognized when earned, expenses are recognized when incurred, and other changes in financial condition are recognized as they occur, without regard to the timing of the actual cash receipts and expenditure. This results in a clear picture of ADEMI's financial status.

Because ADEMI is a nonprofit institution that receives donations or loans from third parties for specific purposes and with stipulations, it manages its operations and transactions using an accounting system based on funds. In fund accounting, records are kept separately for the assets an institution receives from each donor, as well as the liabilities, revenues, and expenditure generated by each grant or loan.

Under this system, a treasury fund is maintained to be the depository of all funds. The treasury fund appears as an asset with an account called "Cash in Banks," and under liabilities with an account called "Accounts receivable or payable to other funds." The other funds appear as subaccounts.

ADEMI also manages an administration fund. This draws on the resources from the interest payments made for the loans, which are unrestricted funds, and from other unrestricted funds, and is used to administer the institution.

Although expenditures and receipts are accounted for by source of funds, it is normal in this system of accounting by funds to effect inter-fund operations. This makes it possible, if there is a lack of resources in fund "x," not to have to bring ADEMI's economic operations to a halt. For those operations in which it is not possible to turn to economic resources from specific sources, a transfer is made from

the unrestricted funds or administrative fund to the fund in need of resources. This accounting transaction is duly registered as an "Account receivable from (payable to) other Funds." Additional details on the accounting system can be found in Appendix F.

ADEMI plans its budgets cautiously when it comes to including resources subject to negotiation, in view of the long procedures required by international organizations. As an alternative source, in 1989 ADEMI obtained a line of credit from the Banco Popular Dominicano, which made it possible to begin to manage and invest resources to finance fixed asset loans to the microentrepreneurs, before obtaining the first IDB disbursement; as it received resources from the IDB, it made the corresponding transfer.

Information System

ADEMI's accounting information system is geared to meeting the information needs for rapid decision making, and for managerial and statistical control. The system successfully provides the information required in a timely manner consistent with the accounting and financial policies implemented by ADEMI. The information system is divided into the basic statements of the system and the complementary reports, which facilitate monthly control over ADEMI's activities. Figure 5 presents a diagram of the ADEMI computation system.

General Balance Sheet

The general balance shows ADEMI's economic situation; it is prepared on the basis of specific and consolidated funds. Table 17 is a summary of several annual balance sheets. A monthly balance sheet can be found in Appendix F.

The movables and equipment account for a relatively small share of ADEMI's assets because the ADEMI offices in the interior are provided by the Chambers of Commerce or other local support groups. Real growth of 161.7 percent of this item in 1987 reflects the acquisition of a mini-computer, which was financed by USAID.

ADEMI's equity (balance of funds), which was constituted by the grants received, came to 59.2 percent of all liabilities in 1983. Later, this proportion was reduced to 31.1 percent as of September 30, 1988. Within the equity, there is a distinction (already mentioned) between restricted funds (which can only be used under the conditions established by the respective source of cooperation), and unrestricted funds (which derive from unconditioned grants, and thus constitute, strictly speaking, ADEMI equity and account for 10.6 percent of liabilities as of December 31, 1987).

The restricted funds constitute resources that have limitations in the way they are used. The revolving funds are not accounted for initially under liabilities, but rather are

included in the grants account, under the profit and loss statements for each year. In this way they have contributed significantly, up to 1988, to cover ADEMI's operating costs.

TABLE 17
GENERAL BALANCE SHEETS,
December 31, 1989, 1988, and 1987

	1989	1988	1987
Assets (RD\$):			
Cash on Hand and in the Bank	1,291,333	555,932	838,738
Notes Receivable	12,479,634	5,897,097	3,022,170
Interest Receivable	3,022,212	74,234	50,598
Other Accounts Receivable	149,737	94,208	51,246
Expenses Paid in Advance	—	—	17,588
Movables and Equipment, Net	742,494	442,651	494,335
Other Assets	33,806	13,380	4,608
Total Assets	17,719,216	7,077,502	4,479,283
Liabilities and Balance of Funds (RD\$):			
Notes Payable	9,835,919	4,814,834	2,814,833
Accounts and Accruals Payable	283,280	73,262	179,718
Total Liabilities	10,119,199	4,888,096	2,994,551
Balance of Funds Commitments	7,600,017	2,189,406	1,484,732
Total Liabilities and Balance of Funds	17,719,216	7,077,502	4,479,283

Statement of Profit and Losses

The statement of profit and loss is a consolidated statement of ADEMI's economic situation. To measure the earnings of the offices in the interior, ADEMI prepares monthly profit and loss statements for each of them. Below is a summary statement of earnings for 1987, 1988, and 1989. A more detailed summary of expenditures for those periods, and a monthly statement of earnings are in Appendix F. That appendix also includes a graphic description of ADEMI's cash flow.

Personnel expenditures are the primary expense affecting trends in overall expenditures. It is estimated that personnel expenditures accounted for 17 percent of the monetary assets by the end of 1988. Personnel expenditures increased significantly in 1987 as a result of offices opening in the interior and salary hikes to make them more competitive. Nonetheless, given that at present the remunerations are guided by an incentives system, and that there is unused installed capacity, it is possible that there could be considerable growth in the loan portfolio with constant personnel costs.

FIGURE 5

GENERAL DIAGRAM OF THE ADEMI COMPUTATION SYSTEM

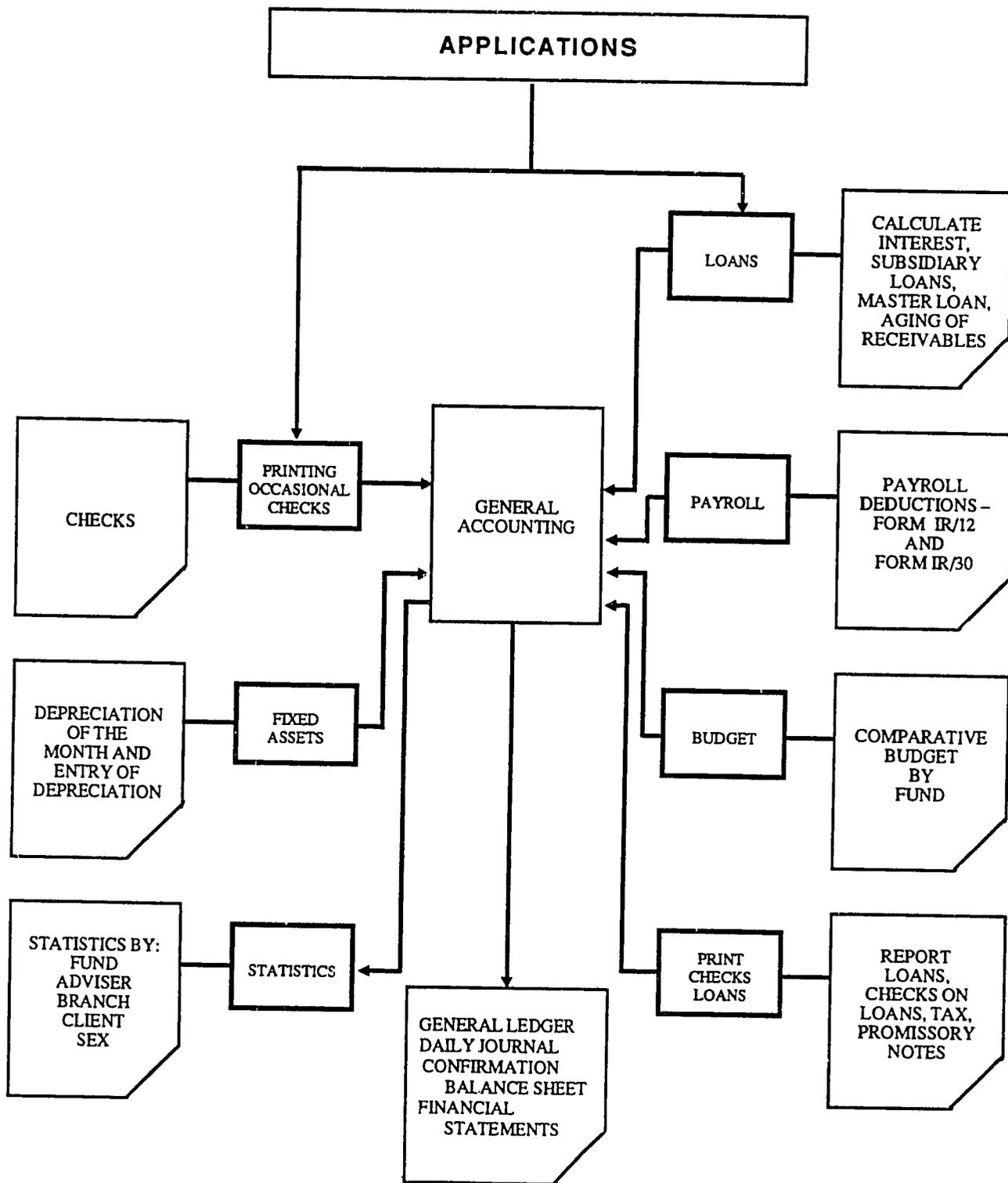


TABLE 18
STATEMENT OF EARNINGS
December 31 1989, 1988, and 1987 (in RD\$)

All Funds	1989	1988	1987
EARNINGS:			
Grant:	322,202.50	168,000.00	445,000.00
Interest on ME Loans	3,535,796.29	1,358,847.77	436,479.64
Closing Costs, Commissions, and Advisory Services	1,936,707.49	1,042,299.67	509,024.31
Arrearage	147,904.94	72,893.28	53,897.86
Other	<u>50,470.40</u>	<u>39,767.85</u>	<u>45,600.55</u>
Total Earnings	<u><u>5,993,081.62</u></u>	<u><u>2,681,808.87</u></u>	<u><u>1,490,002.36</u></u>
OPERATING EXPENSES:			
General and Administrative	<u>2,659,377.86</u>	<u>1,477,797.19</u>	<u>887,938.93</u>
Total	<u>2,659,377.86</u>	<u>1,477,797.19</u>	<u>887,938.93</u>
Financial Expenses	825,763.77	198,996.99	66,592.50
Uncollectible Accounts	298,174.27	155,721.16	44,365.45
Depreciation	<u>77,233.38</u>	<u>94,512.86</u>	<u>42,686.91</u>
Total	<u>1,201,171.42</u>	<u>449,231.01</u>	<u>153,638.86</u>
Total Expenses	<u><u>3,860,549.28</u></u>	<u><u>1,927,028.20</u></u>	<u><u>1,041,577.79</u></u>
Surplus Revenues Over Expenditures	2,132,517.84	754,780.67	448,424.57

Each month, provision is made for uncollectible loans, which fluctuate widely during the year; this is seen in the different amounts appearing in the portfolio in arrearage. At present, 0.33 percent of the loan portfolio is set aside monthly (4 percent annually) for this contingency.

Also included in general and operating expenses is depreciation of the fixed assets, using a straight-line depreciation method that extends over a period of 10 years for computer equipment and five years for vehicles. The costs of financing to ADEMI are limited, because of the payments for interest and amortization agreed upon with the sources of cooperation. The repercussion of such costs on ADEMI's profitability and liquidity is not significant.

Budget Comparison and Complementary Reports

The budget comparison statement is an instrument to control and monitor budgeted and executed funds. The complementary reports — statements of income and expenditure by office, aging of receivables, accounts receivable from clients, interest accrued per client, accounts that come due, and reports of loans disbursed in the month — are processed and issued monthly. They are another source of information for the accounting system.

Internal and External Auditing

ADEMI carries out ongoing internal auditing to improve the effectiveness and efficiency of its operations. The internal auditing of each adviser/office is done at least once each year. If there are indications of problems or deviations, an immediate review is undertaken. The Executive Director is informed in case of serious problems or irregularities requiring immediate action.

The basic auditing programs are applied to:

- Petty cash;
- Banking books;
- Checking account deposits – revenue receipts;
- Deposit stubs; and
- Confirmation of loan portfolio.

In addition to detecting problems and evaluating follow-up activities to be undertaken by the adviser, internal auditing checks the organization of the files and the documentation at the main office and field offices. The key aspects of internal auditing are:

Objectives:

- To review the internal controls established by the Institution for the loan area;
- To review loans made;
- To confirm exactly the accounting records for loans made;
- To verify implementation and effectiveness of the policies and procedures for making loans; and
- To verify compliance with the stipulations in the financing agreements signed with the institutions that provide resources for specific programs, in relation to restricted loans.

Parameters:

- Initial: From review of the loan applications approved; and
- Final: To issuing of the Internal Auditing Report.

Scope:

- Confirm that the data contained in the loan application are real and effective;
- Verify that the loan files have the necessary documentation, in accord with provisions established in the institutional rules and criteria;
- Confirm the existence of the movable and immovable goods put up in pledge for the loans;
- Verify compliance with the stipulations of the agreements signed with the agencies that provide financial support to ADEMI's loan programs;
- Confirm that all the loans made are recorded in a timely and appropriate manner; and
- Verify that the purposes for which the loans were made are being fulfilled.

In most cases, the typical problems detected by internal auditing are not very serious, and may be corrected immediately. These include errors in handling of the petty cash, limited effectiveness in collecting arrears, and mistakes in filling out the documents and forms. A common cause of problems is the poor communication between the advisers and the main office, particularly as regards keeping the records up-to-date. Sometimes, for example, the borrower has paid an amount in arrears but the information is not recorded at the main office.

Because internal auditing is an instrument for improving the effectiveness and efficiency of operations, there are almost never problems of misunderstanding or misinterpretation on the part of the advisers.

External auditing is done each year by an auditing firm of international repute. The results of external auditing are presented to the annual ADEMI assembly, and to all institutions and individuals that support the program.

Examples of reports from both an internal and external audit are in Appendix G.

MANAGEMENT SYSTEM

In addition to the financial systems outlined above, ADEMI has a system for internal control, monitoring, and communication that is an integral and essential part of its operations. Monitoring is done at all levels, including advisers, coordinators, and Operations Managers; the Accounting, Auditing, and Legal Departments; and the head office. The monitoring is based on computer programs, which make possible permanent and up-to-date control, and on regular meetings among staff.

The main instruments used for monitoring are:

The **adviser's monthly report**, which makes it possible to maintain control over the advisers' portfolios and provide continuous monitoring, comparing the status of the loans, changes, recovery, and arrearage, month by month. The report is a self-control and self-discipline instrument for the advisers, and enables them to determine the status of their portfolio at any moment. The adviser's monthly report is reviewed jointly by the coordinator and Operations Manager, making possible timely detection of problems and difficulties. Each adviser's report is then consolidated into a national report, as shown in Appendix G. The adviser's monthly reports are of limited value for the control and monitoring of the operations and portfolio for the directors and management, since the relevant and up-to-date information and data are obtained through the centralized computer system in Santo Domingo. Nonetheless, the monthly report facilitates detection of errors if there are discrepancies.

The **Regional Coordinator's monthly report**. This report describes the status of loan recovery and arrears, as well as any problems that arise. The report is evaluated by the Operation Managers and directors for decision-making purposes. If there are difficulties in a zone, such as increases in the arrears or delays in the preparation and presentation of a monthly report by the adviser, the coordinator makes a specific evaluation to detect motives and seek solutions. Examples of these reports are also in Appendix G.

Regional staff meetings were held monthly in 1987 and 1988, and have been held every two months since 1989. These meetings, which are held in different cities, include the participation of the advisers, administrative assistants, Regional Coordinator, Operations Manager, and anyone else from the central office, based on the advisers' needs and plans. In these meetings, ADEMI policies are discussed, along with logistical and operational matters, advisers' problems, training needs, and so forth. These meetings also make it possible to exchange experiences and foster a spirit of cooperation among the advisers.

The typical problems analyzed in the meeting are:

- Status of control (bank reconciliation statements);
- Productivity;
- Receipt and dispatch of correspondence; and
- Cases of problematic microentrepreneurs.

A summary of a regional meeting is also in Appendix G.

In the **annual ADEMI workshops**, experience of general concern is evaluated, along with specific aspects or problems of the work of ADEMI and its employees. The

advisers may make suggestions regarding issues such as the need for training, or for dividing the system into more zones.

The internal monitoring and control system is characterized by dynamism and consistency. Once a problem is detected, immediate solutions are sought and implemented as soon as possible. Experience picked up along the way is applied in the operational system. In this way, ADEMI can rationalize its procedures, improving both operations and productivity, and diminishing the time consumed in administrative and logistical processes.

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PART TWO APPENDICES

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APPENDIX D

**ADEMI JOB DESCRIPTIONS
AND INCENTIVE PAYMENTS**

TITLE:	EXECUTIVE DIRECTOR
DEPARTMENT:	
REPORTS TO:	BOARD OF DIRECTORS
DESCRIPTION OF FUNCTIONS:	General function of overseeing all of the operations, in addition to being in charge of inter-institutional relations.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Responsible for the sound operation of the program.• Responsible for the program vis-à-vis international and national institutions.
MINIMUM REQUIREMENTS:	<ul style="list-style-type: none">• University education at least at the level of B.A. (<i>licenciatura</i>).• Experience in development programs.• Capable of maintaining high-level relations.• Experience related to international organizations.• Administrative experience.• Communication skills.• English.

TITLE:	OPERATIONS MANAGER
DEPARTMENT:	
REPORTS TO:	EXECUTIVE DIRECTOR
DESCRIPTION OF FUNCTIONS:	General function of supervision and control of field work under the responsibility of the advisers of micro-entrepreneurs and solidarity groups.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• In charge of the operations of the advisory at the regional level.• Directly in charge of managing the advisers of beneficiaries.• Maintaining master control over all loans in arrears and the actions taken in each case.• In charge of the sound functioning of the process of applying for and receiving loans.• Supervising the advisers' activities.• Accountable to the director of the loan portfolio.• Supporting the department of advisory services in technical matters (teaching).• Organization training workshops for ADEMI staff.• Evaluating monthly the personnel under his or her responsibility, in written form, to be presented to the director and discussed with staff on an individual basis.• Designing evaluation systems (for his/her staff).• Evaluating user requests for financing.• In charge of implementing inter-institutional agreements relating to financing of microenterprises and solidarity groups.• Evaluating and participating in the approval of financing projects.

MINIMUM REQUIREMENTS:

EDUCATION:

University degree in business administration.
English desirable.

EXPERIENCE:

3 years in operations of development programs.
Administrative
Personnel management.

OTHERS:

Analytical skills in the areas of credit and finance.
Communication skills.
Excellent human relations.

TITLE:	MANAGER FOR PROGRAMMING AND PLANNING
DEPARTMENT:	
REPORTS TO:	EXECUTIVE DIRECTOR
DESCRIPTION OF FUNCTIONS:	<p>General function: To study and evaluate periodically ADEMI's development towards attaining the program's pre-established goals and objectives.</p> <p>In addition, the programming and planning manager is the central point from which programs, studies, coordination, agreements, and other initiatives emanate, geared to fostering the program's internal and institutional growth.</p>
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Maintaining the statistical records needed.• Designing systems that make it possible to evaluate the program's progress.• Implementing studies to determine new areas of impact.• Coordinating the activities for entering new areas where ADEMI may have an impact.• Participating with the director and other managers in decision-making that affects the organizational structure of ADEMI or that has to do with personnel changes.• Analyzing short-term problems of microenterprise sectors.• Analyzing the ADEMI "market" to establish forecasts and trend analyses.• Make projections of the program's portfolio.• Ensure that inter-institutional agreements regarding expansion of ADEMI are implemented.
MINIMAL REQUIREMENTS:	
EDUCATION:	University degree in economics.
EXPERIENCE:	Planning, development, and research of new programs.
OTHERS:	Knowledge of and ability to work with statistical techniques.

TITLE:	COORDINATOR OF ADVISERS, SANTO DOMINGO
DEPARTMENT:	
REPORT TO:	OPERATIONS MANAGER
DESCRIPTION OF FUNCTIONS:	General function: coordination and supervision of advisers' activities.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Programming visits to beneficiaries.• Maintaining a system for control of the number and content of visits.• Supervising the quality of field visits.• Evaluating financing projects.• Participating in evaluations of the contents of the technical assistance program.• In charge of ensuring sound functioning of technical assistance.• Identifying advisers' training needs.• In charge of practical training for aspiring advisers.• In charge of implementing inter-institutional agreements regarding technical assistance services.
MINIMAL REQUIREMENTS:	
EDUCATION:	Technical preparation in accounting and business administration.
EXPERIENCE:	In the microenterprise sector. Field work.
OTHERS:	Analytical skills. Ability for teamwork and directing personnel. Driver's license.

TITLE:	REGIONAL COORDINATOR
DEPARTMENT:	
REPORTS TO:	OPERATIONS MANAGER
DESCRIPTION OF FUNCTIONS:	General function: coordinating activities related to the growth program and to ensure the smooth operation of the local programs.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Coordinating local activity to find new microentrepreneurs.• Recommending new areas where ADEMI may have an impact.• Recommending simplified mechanisms to the Manager for Planning to make the program more flexible.• Determining the needs of the local programs, on an ongoing basis.• Coordinating, at the central office, timely satisfaction of local needs.• Maintaining relations with community organizations and members of the communities where the program is being carried out.• Promoting the program locally.• Making monthly progress reports.• Participating in quarterly evaluations of personnel working in the interior.

TITLE:	INTERNAL AUDITOR
DEPARTMENT:	
REPORTS TO:	EXECUTIVE DIRECTOR
DESCRIPTION OF FUNCTIONS:	General function: Review of the accounting and financial operations to verify the authenticity, precision, and agreement with established policies and procedures.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Performing detailed auditing of revenues and expenditures.• Reviewing bank reconciliations.• Overseeing compliance with the by-laws and regulations.• Verifying the financial statements in terms of both contents and presentation of accounts.• Examining the accounting records.• Overseeing petty cash operations.• Examining the internal Control System.• Supervising the payroll payment operations, and dispatch and receipt of fungible materials.• Verifying compliance with established payment procedures.• Controlling the assets through the accounting records and physical possession.• Periodically monitor the advisers' loan portfolios.
MINIMAL REQUIREMENTS:	
EDUCATION:	Degree in accounting.
EXPERIENCE:	
OTHERS:	Understand the needs of a non-profit institution.

TITLE:	ADVISER
DEPARTMENT:	
REPORTS TO:	OPERATIONS MANAGER
DESCRIPTION OF FUNCTIONS:	General function: Providing technical assistance in business administration, accounting, and training to microentrepreneurs, through periodic visits to their shops. Also responsible for writing project proposals for financing.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Visiting the clients every two weeks to provide programmed technical assistance.• Undertaking promotion and publicity drives to make the program known to new clients.• Assisting the client to fill out his or her loan application, and to receive and evaluate such applications.• Participating in periodic evaluations of the program's impact on microenterprises.• Disseminating and defending the ADEMI program, with its policy changes.• Administering his loan portfolio; follow-up and supervision of loans.
MINIMUM REQUIREMENTS:	
EDUCATION:	Technical training in accounting, business administration, or economics.
EXPERIENCE:	At least some experience with the micro-enterprise sector.
OTHERS:	Teaching skills. Driver's license.

TITLE:	ADMINISTRATIVE ASSISTANT
DEPARTMENT:	OFFICE OF OPERATIONS MANAGER
REPORTS TO:	PROVINCIAL ADVISER
DESCRIPTION OF FUNCTIONS:	General function: In charge of channelling documentation needed for delivering loans. Receiving and processing the payment documentation, keeping the office files up-to-date, and having custody of the corresponding legal documents.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Maintaining the client's credit history in his file.• Receiving loan payments and recording them.• Preparing and forwarding to the central office the documents corresponding to the insurance of users of the program.• Delivering the promissory notes to the clients.• Preparing the deposits and life insurance policies.• Preparing the advisers' reports.• Receiving and giving information to new users.• Handling the petty cash.• Preparing legal documents.• Administering the general files and files of the users of the respective office.• Keeping the bank balances up-to-date (reconciliation).
MINIMUM REQUIREMENTS:	
EDUCATION:	Graduated as secretary with high marks in file maintenance.
EXPERIENCE:	
OTHER:	Excellent human relations. Good appearance. Basic training in the management of files and documents.

TITLE:	FINANCIAL MANAGER
DEPARTMENT:	
REPORTS TO:	EXECUTIVE DIRECTOR
DESCRIPTION OF FUNCTIONS:	General function: To perform financial analysis of ADEMI's activities for the Executive Director, as well as supervising the operation of ADEMI's accounting and administrative systems.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Monthly analysis of:<ul style="list-style-type: none">– revenues– expenditures– self-reliance– liquidity– composition of liabilities– composition of assets– rate of return.• Specific analyses of:<ul style="list-style-type: none">– purchase of fixed assets– review of interest rates– implications of growth.• Periodical analyses of:<ul style="list-style-type: none">– review of projections of self-reliance.• Participating in ADEMI's financial planning.• Supervising compliance with the internal accounting systems.• Supervising compliance with ADEMI's financial policy.
MINIMAL REQUIREMENTS:	
EDUCATION:	University title in finance or the equivalent. BASIC computer programming.
EXPERIENCE:	Accounting, auditing, related sciences.
OTHERS:	

TITLE:	DIRECTOR OF ACCOUNTING
DEPARTMENT:	
REPORTS TO:	FINANCIAL MANAGER
DESCRIPTION OF FUNCTIONS:	General function: supervision of the Accounting Department and certification of the accounting documents for an institution such as ADEMI.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Supervising the functions of recording and closing of ADEMI's transactions.• Controlling the funds from donors and their use.• Authorizing petty cash disbursements.• Approving requests for disbursement of funds and transfers among bank accounts.• Making monthly estimates of the needs for funds.• Supervising the loan operations (issuance and delivery) and custody of the negotiable documents.• Reviewing the payrolls.• Maintaining control over changes in medical insurance, income taxes, life insurance, incoming and outgoing staff, etc.• Preparing financial statements and specific reports.
MINIMUM REQUIREMENTS:	
EDUCATION:	Must be authorized accountant. Basic English.
EXPERIENCE:	5 years (minimum) in a similar post.
OTHERS:	Understand the needs of a non-profit institution.

TITLE:	ASSISTANT ACCOUNTANT
DEPARTMENT:	
REPORTS TO:	IN CHARGE OF ACCOUNTING
DESCRIPTION OF FUNCTIONS:	General function: to manage the accounting information for one or more ADEMI funds.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Recording deposits, checks, daily entries, and other accounting documentation, on the computer.• Keeping the bank books.• Preparing bank reconciliations, payment requests to suppliers, transfers, etc.• Keeping the secondary auxiliary books of interest receivable, accounts payable, etc.• Confirming lists of notes receivable with the file of notes.• Preparing IR-2, IR-9 sworn statements, calculations, benefits.• Preparing reports on disbursement requests.• Preparing daybook entries regarding: bank charges, depreciation, amortization, expenditures, etc.• Reviewing issuances of loans.
MINIMUM REQUIREMENTS:	
EDUCATION:	Degree in accounting.
EXPERIENCE:	
OTHERS:	

TITLE:	DIRECTOR OF LOANS
DEPARTMENT:	
REPORTS TO:	OPERATIONS MANAGER
DESCRIPTION OF FUNCTIONS:	General function: responsible for channeling the documentation needed for delivering a loan. Receiving and processing the payment documentation, and custody of the corresponding legal documents.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Keeping the client's credit history in the file.• Receiving the loan payments and recording them.• Disbursing insurance applications to the company.• Managing the promissory notes.• Preparing the following documents:<ul style="list-style-type: none">– Deposits– Life insurance
MINIMUM REQUIREMENTS:	
EDUCATION:	Technical training in accounting. Typing.
EXPERIENCE:	
OTHERS:	Basic training in management of files and documents. Excellent human relations skills.

TITLE:	ATTORNEY
DEPARTMENT:	
REPORTS TO:	
DESCRIPTION OF FUNCTIONS:	General function: legally representing ADEMI in all institutional actions that so require, both at the main office and at its offices in the interior.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Presenting complaints against delinquent borrowers.• Notarizing contracts in which ADEMI is involved.• Assisting users who turn to the Legal Department.• Preparing legal documentation required for loans.• Drawing up payment agreements with delinquent borrowers.• Executing surrender and embargos as necessary.
OTHER REQUIREMENTS:	
EDUCATION:	Attorney-notary public.
EXPERIENCE:	Commercial law.

TITLE: COLLECTION AGENT

DEPARTMENT:

REPORTS TO: IN CHARGE OF COLLECTION DEPARTMENT

DESCRIPTION OF FUNCTIONS: The general function is to take notices to delinquent borrowers and to collect the amounts of the arrears.

DUTIES AND RESPONSIBILITIES:

- Delivering correspondence on payments of delinquent borrowers.
- To serve as ADEMI agent in collecting directly from delinquent borrowers.
- Directly supporting the Collection Department in all activities.

MINIMUM REQUIREMENTS:

EDUCATION:

EXPERIENCE: Preferably, to have worked as a policemar.

OTHERS: Driver's license.

TITLE:	EXECUTIVE SECRETARY
DEPARTMENT:	
REPORTS TO:	EXECUTIVE DIRECTOR
DESCRIPTION OF FUNCTIONS:	General function: Directly supporting the program's various division.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Preparing the reports and documents for donor institutions.• Receptionist for Executive Director and the program's management offices.• In charge of program's general files.• Typing and word processing of all types of technical documents.• Serving as secretary in the Board meetings.• Managing the rest of the services staff, such as receptionist, messengers, and cleaning staff.
MINIMUM REQUIREMENTS:	
EDUCATION:	Graduate as Executive Secretary with high marks in typing, shorthand, and filing. English: at least the minimum acceptable for typing work and for receiving phone calls.
EXPERIENCE:	
OTHER:	Good presentation. Good human relations. Writing skills.

TITLE:	SECRETARY/RECEPTIONIST
DEPARTMENT:	
REPORTS TO:	EXECUTIVE SECRETARY – IN CHARGE OF SERVICES AND MAINTENANCE
DESCRIPTION OF FUNCTIONS:	The general function is that of secretary for all the departments, receptionist, and archivist.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Typing for all the departments.• Receiving new clients and giving them information.• Managing petty cash.• In charge of general files and files of microentrepreneurs.• Preparation of legal documents for the lawyer.• Answering phone calls.
MINIMUM REQUIREMENTS:	
EDUCATION:	Graduated as secretary with high marks in typing and filing.
EXPERIENCE:	
OTHERS:	Excellent human relations. Good presence.

TITLE:	STATISTICIAN
DEPARTMENT:	
REPORTS TO:	OFFICE OF MANAGER FOR PROGRAMMING AND PLANNING
DESCRIPTION OF FUNCTIONS:	General function: Analyzing data generated by the program for evaluating fulfillment of its objectives.
DUTIES AND RESPONSIBILITIES:	<ul style="list-style-type: none">• Organizing schemes of statistical information for easy analysis.• Making monthly reports on fulfillment of the program goals (statistics on the portfolio).• Input of statistical data into computer for later analysis.• Designing and carrying out analysis of variables that can improve management of ADEMI.• In charge of the files of the program's statistical reports.• Preparing monthly and quarterly statistical tables.
MINIMUM REQUIREMENTS:	
EDUCATION:	University degree in statistics.
EXPERIENCE:	
OTHERS:	Skill in using tools of basic analysis, tabular analysis, regressions, and correlations, varianccs. Basic computer programming skills.

INCENTIVE PAYMENTS

**ADEMI
PERSONNEL WITH RIGHT TO INCENTIVE BONUS PAYMENTS
MONTH OF _____ 1989**

OFFICE	ADVISER	NO. ACTIVE MEs	AMOUNT (RDS) LOANED	ACTIVE PORT-FOLIO	AMOUNT (RDS) IN ARREARS	% I	TOTAL INCENTIVES
Santo Domingo	Fremio Melo	119	146,700	646,261	67,504	10%	200
Santo Domingo	Andrés Ramírez	123	157,632	476,531	49,833	10%	200
Santo Domingo	Andrés Ramírez	120	89,050	460,775	38,617	8%	260
Baní	Víctor M.R.	100	77,248	162,632	12,369	8%	165
Barahona	Alexis Guilliani	110	32,600	92,476	9,695	10%	125
San Juan	Roque García	106	54,200	142,560	3,897	3%	355
Azua	Carlos Custodio	114	50,300	151,008	12,977	9%	145
Azua	Juan Tejada	107	41,750	111,676	6,421	6%	220
San Pedro	Jorge Matos	113	32,100	215,358	20,687	10%	125
La Romana	Felipe Sierra	91	83,100	240,525	19,284	8%	165
La Romana	Gabriel Gálvez	99	40,500	140,777	8,210	6%	220
Hato Mayor	Víctor Mercedes	127	19,900	88,477	6,971	7%	140
El Seybo	Alfredo R.P.	99	18,150	78,794	7,093	9%	95
Higüey	Manuel Avila	104	24,964	92,567	6,583	7%	140
Sabana de la M.	Rafael González	126	40,750	166,809	16,009	10%	125
Dajabón	Arismendy A.	133	53,100	129,075	1,842	1%	495

TOTAL

3,175

ADMINISTRATIVE ASSISTANT

Baní	Bertha Tejada	Administrative Assistant	82.5
Barahona	Rosario Lugo	Administrative Assistant	62.5
San Juan	Miguelina Guerrero	Administrative Assistant	177.5
Azua	Bellanirys Montaña	Administrative Assistant	182.5
San Pedro	Laura Alejo	Administrative Assistant	62.5
La Romana	Belkis Beras	Administrative Assistant	192.5
Hato Mayor	Andrea Reyes	Administrative Assistant	70.0
El Seybo	Práxedes Marmol	Administrative Assistant	47.5
Higüey	Cecilia de Jesús	Administrative Assistant	70.0
Sabana de la Mar	Luz María Polanco	Administrative Assistant	62.5
Dajabón	Ramona Gómez	Administrative Assistant	247.5
TOTAL AMOUNT INCENTIVE PAY (RDS)			1,257.5
GENERAL TOTAL INCENTIVE PAY (RDS)			4,432.5

OBSERVATIONS

*Advisers Fremio Melo and Andrés Ramírez received incentive bonuses for the month of April, but they were not paid out, because they were under observation (review).

SUBMITTED BY

DIR. STATISTICS _____

OPERATIONS MANAGER _____

OPERATIONS MANAGER _____

APPROVED

EXECUTIVE DIRECTOR _____

FINANCIAL MANAGER _____

APPENDIX D
PLANNING PROJECTIONS

MODEL FOR PLANNING ACTIVITIES FOR 1989

I. SUMMARY: PROGRAM TO FINANCE NEW MICROENTERPRISES, 1989

A. ZONES	1st stage (Jan.-June)	2nd stage (July-Dec.)	Total 1989
Santo Domingo	158	193	351
Baní	18	19	37
Barahona	22	25	47
San Juan de la Maguana	54	55	109
Azua	18	35	53
Ocoa	9	19	28
San Cristóbal	45	51	96
Neyba	89	42	131
San Pedro de Macorís	40	56	96
La Romana	33	35	68
Hato Mayor	10	13	23
Ei Seybo	15	16	31
Higüey	11	21	32
Monte Plata	44	53	97
Sabana de la Mar	40	50	90
San Francisco de Macorís	27	27	54
Dajabón	11	12	23
La Vega	27	32	59
Mao Valverde	11	19	30
Santiago	130	128	258
Villa Altagracia	88	49	137
Total microenterprises	812	950	1,850
B. Funds Lended (RDS)	<u>950,400</u>	<u>1,052,150</u>	<u>2,002,550</u>
C. NEW JOBS (a)	1,218	1,425	2,643
JOBS STRENGTHENED (b)	2,436	2,850	5,286
JOBS IMPACTED (c)	3,654	4,275	7,929

- (a) New jobs estimated at 1.5 per microenterprise
 (b) Jobs strengthened (made for stable) estimated at 3 per microenterprise.
 (c) Jobs impacted includes the microentrepreneur who owns the shop.

Notes:

Average loans for new microenterprises are for RDS 1,082 per unit.

It is estimated that the portfolio for new loans will grow by a factor of 1.5 more than the RDS 2,002,550 estimated.

II. TABLE OF PROJECTED GROWTH OF THE PROGRAM FOR FINANCING MICROENTERPRISES FOR 1989

	Accumulated as of 12/31/88	Estimated Growth, 1989 (New)	Projected Accumulated as of 12/31/89	% Growth Jan. 1989
NO. ACTIVE M.E.	3,320	1,850	5,170	56%
NO. LOANS MADE	20,885	5,388	26,273	26%
TOTAL DISBURSED (RDS)	32,459,454	21,422,650	53,882,104	66%
ACTIVE PORTFOLIO (RDS)	6,008,069	4,000,000	10,008,069	67%
JOBS CREATED (NEW)	6,734	2,773	9,507	41%
JOBS STRENGTHENED	22,705	5,550	28,255	24%
TOTAL EMPLOYMENT IMPACT	29,439	8,323	37,762	28%
POPULATION BENEFITED*	182,655	41,615	224,270	23%

* Average of 5 dependents per family.

MODEL FOR PLANNING ACTIVITIES FOR 1989

III. PROJECTED JOBS 1989

	JOBS		
	Number of New Projects	New (A)	Strengthened (B)
SANTO DOMINGO	351	527	1,053
BANI	37	56	111
BARAHONA	47	70	141
SAN JUAN	109	164	327
AZUA	53	79	159
OCA	28	42	84
SAN CRISTOBAL	96	144	288
NEYBA	131	196	393
SAN PEDRO DE MACORIS	96	144	288
LA ROMANA	68	102	204
HATO MAYOR	23	34	69
EL SEYBO	31	46	93
HIGUEY	32	48	96
MONTE PLATA	97	145	291
SABANA DE LA MAR	90	135	270
SAN FCO. DE MACORIS	54	81	162
DAJABON	23	35	69
LA VEGA	59	88	177
MAO VALVERDE	30	45	90
SANTIAGO	258	387	774
VILLA ALTAGRACIA	137	205	411
TOTALS	1,850	2,773	5,550

(A) New employment estimated based on 1.5 per microenterprise.

(B) Jobs strengthened (made more stable) based on 3 per microenterprise.

IV. ANTICIPATED RESULTS 1989

NEW MICROENTERPRISES	1,850
NUMBER OF RELOANS	5,388
TOTAL LOANS	7,338
TOTAL AMOUNT LOANED (RD\$)	21,422,650
COMMISSIONS (RD\$)	1,713,812
INTEREST (RD\$)*	2,250,000
PORTFOLIO AS OF 12/31/89	10,008,069
ARREARAGE (OVER 30 DAYS) AS OF 12/31/89**	6%
JOBS CREATED	2,773
JOBS STRENGTHENED	5,550
POPULATION BENEFITED	8,323
CAPITAL REQUIRED (RD\$)	3,800,000

* Projected in function of an average portfolio of 7.5 million for 1989.

** 600,000 total amount in arrears as of 12/31/89.

Notes:

These are the projected results for 1989. See Table II, which indicates percentages of anticipated growth and anticipated accumulated results by the end of the period.

PROJECTION FOR 1989: MICROENTERPRISES

NATIONAL CONSOLIDATED					
MONTH	No. NEW M.E.s	No. RELOANS	AMOUNT (RD\$) NEW M.E.s	AMOUNT (RD\$) RELOANS	TOTAL
January	103	318	109,100	1,246,900	1,356,000
February	136	372	139,150	1,451,800	1,590,950
March	157	383	165,350	1,438,800	1,604,150
April	167	405	174,400	1,483,800	1,658,200
May	165	458	180,250	1,695,100	1,875,350
June	172	491	182,150	1,774,300	1,956,450
July	167	484	181,400	1,696,800	1,878,200
August	154	467	167,150	1,632,000	1,799,150
September	136	504	147,450	1,742,600	1,890,050
October	163	523	182,700	1,839,200	2,021,900
November	207	594	236,900	2,026,300	2,263,200
December	123	389	136,550	1,392,500	1,529,050
TOTAL	1,850	5,388	2,002,550	19,420,100	21,422,650

APPENDIX D
WORKSHOP AGENDA

**1988 ADEMI SEMINAR/WORKSHOP
(AMERICO LUGO TRAINING CENTER,
SAN CRISTOBAL, D.R.)**

****AGENDA****

THURSDAY, DEC. 8, 1988

2:00-6:00 pm : ARRIVAL AT CENTER, ROOM ASSIGNMENT
6:30-7:30 pm : DINNER
7:30 pm : ORIENTATION MEETING

FRIDAY, DEC. 9, 1988

7:00 am : BREAKFAST
8:00 am : ISSUE 1: PARABLE OF THE SADIU
Moderator: P.J. Jiménez
9:00 am : PRESENTATION OF CASE STUDIES FROM ZONES
Caliche - R. Feliz
Barahona - A. Guilliani
Monte Plata - G. Fabián
10:30 am : BREAK
11:00 am : PRESENTATION OF CASE STUDIES FROM ZONES
Sab. de la Mar - R. González
Dajabón - A. Alvarez
12:00 noon : LUNCH
2:00 pm : ISSUE 2: ADEMI'S CONCEPTUAL APPROACH
Moderator: R. Martínez
2:30 pm : PRESENTATION OF CASE STUDIES FROM ZONES
Baní - Bertha Tejeda
Hato Mayor - Andrea Reyes
S.Fco.Macoris - Mary Almánzar
4:00 pm : BREAK
4:30 pm : FINANCIAL AND ADMINISTRATIVE MATTERS
- J.J. Guzmán
5:30 pm : FREE
6:30 pm : DINNER
7:30 pm : ST. SAVINGS - SYSTEM AND POLICY
- R. Urraca
- R. Martínez

SATURDAY, DEC. 10, 1988

7:00 am : BREAKFAST
8:00 am : ISSUE 3: OBSTACLES TO ECONOMIC ACTIVITY
(DR. M. YUNUS)
Moderators: M. Cortorreal
II. Betances
9:00 am : LEGAL SYSTEMS AND ASPECTS
- R. Ricart
10:00 am : BREAK
10:30 am : ISSUE 4: DESCRIBING A MANAGER
Moderator: Tania Caraballo
11:00 am : OPERATIONS AND LOGISTICS
- R. Martínez
- C. García
- M. Pérez
- L. Amador
12:30 pm : LUNCH
2:30 pm : ADEMI 1989 STRATEGIC PLAN
- P. Jiménez
3:30 pm : WORK IN GROUPS
4:30 pm : BREAK
5:00 pm : PRESENTATIONS IN GROUPS - ASSEMBLY
6:00 pm : EVALUATION OF WORKSHOP
6:30 pm : FREE
7:30 pm : DINNER
8:30 pm : CLOSING SESSION - RECEPTION

SUNDAY, DEC. 11, 1988

7:00 am : BREAKFAST
8:00 am : DEPARTURE FROM CENTER

APPENDIX E
COMPLETED LOAN APPLICATIONS



APPENDIX E

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)
 LOAN APPLICATION

Date: 8/8/83 Adviser: M. José Cortorreal Client Number: 318
 Province: _____
 Locale: _____

ENTREPRENEUR	THE ENTERPRISE
Name: <u>Teófilo José Rosario Jiménez</u>	Name: <u>Taller Carolina</u>
ID#: <u>168223</u> Series: <u>1st</u>	Address: <u>Calle 21 de Enero No. 12, Villa Duarte</u>
Nickname: _____	Activity: _____ Time operating: _____
Address: <u>Calle 21 de enero No. 19, Villa Duarte</u>	Legal status: <u>-</u>
Owns: _____ Rents: <u>x</u> How long: <u>6 mos.</u>	Control system: _____ Yes: _____ No: <u>x</u>
If rented, name and address of owner: _____	Details: <u>There is none.</u>
Phone #: _____	Who owns the enterprise? <u>Owned by applicant.</u>
Place of birth: _____	Do you have problems obtaining raw materials? <u>No.</u>
Date: _____ Age: <u>32 years</u>	_____
Dependents: <u>4</u> Civil status: <u>married</u>	How do you buy? _____
Education: <u>1st year secondary</u>	Cash: _____
Trade, profession: <u>artisan</u>	Credit: _____
Experience in area: <u>4 years</u>	Operating capacity: _____ Current: <u>60%</u>
Do you depend economically on the business? Yes: <u>x</u> No: _____	No. employees:
Monthly income (personal) _____	Full-time M F Wage
Other sources of income: _____	Current 2 300.00
In your absence, who will represent you? <u>Juana Gabina de José</u>	Projected 1
Who told you about ADEMI? <u>The Adviser</u>	If your production increases, will you be able to find enough clients? <u>Yes.</u>
Relationship with banks or financial entities	How? <u>Contacts and exhibitions</u>
Savings acct. #: Bank: _____	Where? <u>Sto. Domingo and interior</u>
Savings balance: _____	MOST IMPORTANT CLIENTS:
Checking acct. #: Bank: _____	<u>Airport bookstore, International Airport Las Américas</u>
Credit references: _____	<u>Club Med. Ambar Tres, Atarazana No. 3</u>
_____	_____
1. Name: <u>Distribuidora Mi Tienda</u>	MOST IMPORTANT POTENTIAL CLIENTS:
Address: <u>Benito Gonzalez No. 164</u>	<u>Mercantil Importadora El Conde, Ferretería Sureda</u>
Telephone: <u>682-1974</u>	_____
2. Name: _____	_____
Address: _____	_____
Telephone: _____	_____

CLOSEST RELATIVE:

1. Name: _____ Relationship: _____

**SECOND LOAN
ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)**

LOAN APPLICATION

Name: _____	Teófilo José Rosario	Current sum requested: _____	\$200.00
ID#: _____	168223-1	Term: _____	Installments: _____
Client member No.: _____	318	Previous amount: _____	\$150.00
Date: _____	8/29/83	Activity: _____	Ceramics
Loan No.: _____	02	Adviser: _____	Ignacio
Date last loan: _____		Province: _____	

CURRENT SITUATION

	PREVIOUS	PRESENT	INCREASE
Cash on hand or in bank- Accounts receivable		70.00	70.00
Inventory finished goods			
Inventory products in process			
Inventory raw materials			
Fixed assets	76.00	126.00	50.00
Other assets			
Total assets			
Short-term accounts payable			
Long-term accounts payable			
Total liabilities			
Equity			

OPERATING RESULTS

Net sales	_____
Consumption raw materials	_____
Wages and Salaries	_____
Owner's salary	_____
General expenses	_____
Other expenses	_____
Profit	_____

STATISTICAL DATA

INSURED? Yes _____ from _____ to _____ SAVINGS RDS _____ RDS _____ RDS _____
 No _____ Total insured RDS _____

Has legal contract? Yes _____ No _____

No. employees M () F () M () F () M () F ()

INVESTMENT PLAN

NUMBER	DESCRIPTION	UNIT VALUE	TOTAL VALUE
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

NARRATIVE SUMMARY

It appears from the data that sales fell, but this was actually not the case, since the previous project was prepared based on one month and this one based on 17 days. So, there was a relative increase.

APPROVED _____ ADVISER _____ DATE _____
 SIGNATURE OF APPLICANT _____
 OPERATIONS MANAGER _____
 LOAN COMMITTEE _____

MOST RECENT LOAN
ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)

LOAN APPLICATION

Name:	Teófilo José Jiménez	Current sum requested:	RDS 5,500.00
ID#:	108223-1	Term: 2 months / Installments:	2
Client member No.:	318	Previous amount::	30,000.00
Date:	5/11/89	Activity:	Ceramics
Loan No.:	023	Adviser:	Fremio
Date last loan:	May 1988	Province:	D.N.

CURRENT SITUATION

	PREVIOUS	PRESENT	INCREASE
Cash on hand or in bank	12,000.00	4,000.00	(8,000.00)
Accounts receivable	22,000.00	14,000.00	(8,000.00)
Inven. finished goods	20,000.00	50,000.00	30,000.00
Inventory products in process	50,000.00	50,000.00 --	0--
Inventory raw materials	16,000.00	19,000.00	3,000.00
Fixed assets	226,000.00	226,000.00 --	0--
Other assets	80,000.00	180,000.00	100,000.00
Total assets	426,000.00	543,000.00	117,000.00
Short-term accounts payable	22,000.00	79,083.37	57,083.37
Long-term accounts payable	15,000.00	25,000.00	10,000.00
Total liabilities	37,000.00	104,083.37	67,083.37
Equity	389,000.00	438,916.63	49,916.63

OPERATING RESULTS

Net sales	90,000.00	103,000.00	13,000.00
Consumption raw materials	40,153.00	45,892.22	5,739.22
Wages and Salaries	20,300.00	22,888.00	2,588.00
Owner's salary	9,692.00	9,692.00	--0--
General expenses	400.00	800.00	400.00
Other expenses	200.00	400.00	200.00
Profit	18,755.00	23,327.78	4,572.78

STATISTICAL DATA

INSURED? Yes from ___ to ___ SAVINGS RDS\$5,000 RDS\$2,000.00 RDS\$3,000.00
 No Total insured RDS _____

Has legal contract? Yes No

No. employees M (21) F (1) M (33) F (1) M (12) F (0)

INVESTMENT PLAN

NUMBER	DESCRIPTION	UNIT VALUE	TOTAL VALUE
	Wages and salaries		5,000.00

NARRATIVE SUMMARY

The inventories, fixed assets, and other assets are three areas in which, due to growth of 38.4% and 32%, lead to a (cyclical) short-term lack of liquidity, for the following reason: All of the production is ready to be delivered, but the cash may not come until 10 to 15 days later, which is how long it takes to replace inventory.

APPROVED _____ ADVISOR: Fremio
 SIGNATURE OF APPLICANT: Teófilo José Jiménez DATE: 5/11/89
 OPERATIONS MANAGER: Cortoreal R.M.
 LOAN COMMITTEE: _____

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)

APPLICATION FOR LOAN
FOR FIXED ASSETS

Date: 2/16/89 Adviser: FREMIO MELO Client Number 318
Province: Natl. Dist.
Place: Santo Domingo

ENTREPRENEUR

Name: TEOFILO JOSE JIMENES ID#: 168223 Series: 1
Nickname: _____ Address: Carretera de Mendoza, Esq. Calle Cuarta, Mi hogar, R.D.
Telephone: 595-5665

If rented, name and address of owner: Doesn't know address

Place of birth: Cotuí Date: 11/31/51 Age: 38 years

Dependents: 4

Civil status: single Education: 1st year secondary

Trade, profession: Artisan

Experience in field: 10 years

Are you or your business covered by an insurance policy? Yes _____ No X

Name and insurance company _____

Policy No. _____

Relations with banks or financial agencies: YES

Account No. 01-33843 Name of Bank: Popular

Credit references:

1. Name: LIBORNO, S.A.

Address: Activo 20-30, Alma Rosa Telephone: _____

2. Name: CERAMICA FINA ARTESANAL

Address: _____ Telephone: _____

THE ENTERPRISE

Name: TALLER CERAMICA CAROLINA

Address: Calle Mendoza, Esq. Cuarta, Mi hogar, R.D.

Activity (branch): Ceramics Time in operation: 10 yrs

Control system: Yes: X No: _____

Specify: Accounting by Mr. Alfredo Mateo

Who does the enterprise belong to?: Sole proprietor.

Are there problems obtaining raw materials?: Yes: _____ No: X

Where do you obtain raw material? Liborno, S.A

How do you make your purchases?

Cash 70 %

Credit 30 %

No. employees:	Full-time	M	F	Salary
Present	<u>22</u>	<u>21</u>	<u>1</u>	<u>20,800.00</u>
Projected	_____	<u>30</u>	<u>2</u>	<u>28,000.00</u>

REFERENCES

1st ADEMI loan:	Date:	<u>8/8/83</u>
	Amount:	<u>150.00</u>
Number of loans received:		<u>23</u>
Total last loan:		<u>30,000 + 45,000 = 75,000</u>
Total accumulated RDS:		<u>172,350</u>

INSTALLED CAPACITY AND CAPACITY USED

- Refer to an 8 hour shift and a 5.5 day work week
- Indicate the measurement of volume, units, meters, tons, etc.
- Indicate how many shifts are worked per day: 1 shift
- Indicate number days worked monthly: 24 days Per year: 288 days

CAPACITY	PRESENT	WITH PROJECT
1. Installed	<u>14,400 ceramic pieces</u>	<u>20,000.00 pieces</u>
2. Used	<u>12,000 " "</u>	<u>17,000 " "</u>
3. Percentage	<u>83%</u>	<u>85%</u>
4. Indicate what machine or section defines the capacity:	<u>2 ELECTRIC GENERATORS</u>	

CURRENT SITUATION

	PREVIOUS	PRESENT	INCREASE
Cash on hand or in bank	<u>5,000</u>	<u>12,000</u>	<u>7,000</u>
Inventory finished goods	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>
Inventory products in process	<u>60,000</u>	<u>50,000</u>	<u>10,000</u>
Inventory raw materials	<u>12,000</u>	<u>16,000</u>	<u>4,000</u>
Short-term accounts receivable	<u>5,000</u>	<u>22,000</u>	<u>17,000</u>
Long-term accounts receivable	<u>—</u>	<u>—</u>	<u>—</u>
Fixed assets	<u>226,000</u>	<u>226,000</u>	<u>0</u>
Other assets	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	<u>318,000</u>	<u>426,000</u>	<u>108,000</u>
Short-term accounts payable	<u>25,000</u>	<u>22,000</u>	<u>(3,000)</u>
Long-term accounts payable	<u>5,000</u>	<u>15,000</u>	<u>10,000</u>
Total liabilities	<u>30,000</u>	<u>37,000</u>	<u>(7,000)</u>
Equity	<u>288,000</u>	<u>389,000</u>	<u>101,000</u>

OPERATING RESULTS

Net sales	<u>65,000</u>	<u>90,000</u>	<u>25,000</u>
Consumption raw materials	<u>29,250</u>	<u>40,153</u>	<u>10,903</u>
Wages and Salaries	<u>20,526.19</u>	<u>20,800</u>	<u>273.80</u>
Owner's salary	<u>7,526.30</u>	<u>9,692</u>	<u>2,165.70</u>
Other expenses	<u>342.09</u>	<u>600</u>	<u>257.91</u>
Profit	<u>7,355.42</u>	<u>18,755</u>	<u>11,699.58</u>

* ONE LOT IN EL ISABELITA — SEE ANNEX

STATISTICAL DATA

	PREVIOUS RDS <u>1,200</u>	PRESENT RDS <u>5,000</u>	INCREASE RDS <u>3,800</u>
Savings:			
Number of employees	M <u>21</u> F <u>1</u>	M <u>21</u> F <u>1</u>	M <u>0</u> F <u>0</u>
Insured: Yes _____ No <u>x</u>			
From _____ to _____			
Sum insured in RDS _____			
Has legal contract: Yes <u>x</u> No _____			

STATEMENT OF ANTICIPATED RESULTS

ITEM	FIRST MONTH
Net sales	127,500.00
Consumption raw materials	<u>56,670.00</u>
Expenditures:	
Rental	700.00
Water	20.00
Electric	580.00
Transportation	2,600.00
Telephone	30.00
Workers' wages	26,000.00
Owner's salary	5,000.00
Other expenses	1,000.00
Profit	<u>34,900.00</u>

CALCULATION OF PAYMENT CAPACITY (IN RDS)

	FIRST MONTH	DURING LOAN PERIOD
1. Net profit (1)	<u>34,900</u>	<u>34,900</u>
2. Plus: Expenses not occurring as disbursements (depreciation and amortization of assets)	—	—
3. FLOW OF RESOURCES (1 + 2)	<u>34,900</u>	<u>34,900</u>
4. Principal installment of this loan	<u>2,500</u>	<u>2,500</u>
5. Amortization other loans*	<u>2,500</u>	<u>2,500</u>
6. TOTAL PAYMENTS PRINCIPAL (4 + 5)	<u>5,000</u>	<u>5,000</u>
7. Amount disposable after loan payment (3 - 6)	<u>29,900</u>	<u>29,900</u>

Note (1): Based on the Total Net Profit, which appears in the Statement of Projected Profit and Losses

* : Only includes amortization on principal (capital)

SECOND LOAN

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)

LOAN APPLICATION

Name: ANGELITA PEREYRA Current sum requested: _____
 ID#: 11038 Term:/ Installments: _____
 Client member No.: 851 Previous amount: RDS 1,000.00
 Date: 3/23/88 Activity: Seamstress
 Loan No.: 02 Adviser: Dato Pagán
 Date last loan: _____ Province: _____

CURRENT SITUATION

	PREVIOUS	PRESENT	INCREASE
Cash on hand or in bank	47.00	500.00	453.00
Accounts receivable	1,500.00	800.00	(700.00)
Inven. finished goods	1,000.00	700.00	(300.00)
Inventory products in process			
Inventory raw materials	2,000.00	1,000.00	(1,000.00)
Fixed assets	13,500.00	13,500.00	0
Other assets	0	0	0
Total assets			
Short-term accounts payable	0	0	0
Long-term accounts payable	0	0	0
Total liabilities			
Equity			

OPERATING RESULTS

Net sales	2,800.00	3,700.00	1,100.00
Consumption raw materials	1,000.00	1,500.00	500.00
Wages and Salaries	690.00	690.00	0
Owner's salary			
General expenses	50.00	50.00	0
Other expenses	300.00	300.00	0
Profit	760.00	1,360.00	800.00

STATISTICAL DATA

INSURED? Yes from _____ to _____ SAVINGS RDS - _____ RDS 5.00 RDS 5.00
 No Total insured RDS _____
 Has legal contract? Yes _____ No _____
 No. employees M () F (3) M () F (3) M () F ()

INVESTMENT PLAN

NUMBER	DESCRIPTION	UNIT VALUE	TOTAL VALUE
	Fabric		2,000.00
			2,000.00

NARRATIVE SUMMARY

This microenterprise has an installed capacity that would enable it to quadruple its present levels of production. At this time it is expanding its market as part of a general sustained growth strategy.

APPROVED _____ ADVISER _____
 SIGNATURE OF APPLICANT _____ DATE _____
 OPERATIONS MANAGER _____
 LOAN COMMITTEE _____

SEVENTH LOAN

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)

LOAN APPLICATION

Name: Angelita Pereyra Linares Current sum requested: RDS13,000.00
 ID#: 11038-Series 71 Term: 8 months/Installments: 8
 Client member No.: 851 Previous amount: RDS 10,000.00
 Date: 3/23/88 Activity: Seamstress
 Loan No.: 07 Adviser: Carlos Reyes
 Date last loan: 7/12/81 Province: Santo Domingo

CURRENT SITUATION

	PREVIOUS	PRESENT	INCREASE
Cash on hand or in bank	100.00	500.00	400.00
Accounts receivable	2,000.00	3,000.00	1,000.00
Inven. finished goods	3,800.00	5,000.00	1,200.00
Inventory products in process	0	12,000.00	12,000.00
Inventory raw materials	4,000.00	6,000.00	2,000.00
Fixed assets	25,000.00	43,425.00	18,425.00
Other assets	-	-	-
Total assets	34,900.00	69,925.00	35,025.00
Short-term accounts payable	-	3,000.00	3,000.00
Long-term accounts payable	2,000.00	-	-
Total liabilities	2,000.00	3,000.00	1,000.00
Equity	32,900.00	66,925.63	34,025.00

OPERATING RESULTS

Net sales	9,000.00	12,600.00
Consumption raw materials	2,800.00	4,000.00
Wages and Salaries	2,000.00	1,800.00
Owner's salary		
General expenses	600.00	839.00
Other expenses	300.00	400.00
Profit	3,300.00	4,561.00

STATISTICAL DATA

INSURED? Yes from 7/22/87 to 7/22/88 SAVINGS RD \$500 RDS100 RDS400
 Total insured RDS _____
 No _____
 Has legal contract? Yes _____ No _____
 No. employees M (1) F (15) M (1) F (21) M (-) F (6)

INVESTMENT PLAN

NUMBER	DESCRIPTION	UNIT VALUE	TOTAL VALUE
400	Yards of cotton	18.00	7,200.00
500	Prints	16.00	6,000.00
	Other materials	1,000.00	14,200.00

NARRATIVE SUMMARY

The entrepreneurial capacity and dynamic spirit that this microentrepreneur (and her husband) have injected into this microenterprise have become two key elements in the growth of this productive unit. The latter is expressed not only in increased employment, but also in the pace of growth of investment (see fixed assets).

The loan amount requested is for the purchase of raw materials and to cover accounts payable in the next 10 days.

APPROVED _____ ADVISER _____
 SIGNATURE OF APPLICANT Angelita Pereyra de B. DATE 3/23/88
 OPERATIONS MANAGER _____
 LOAN COMMITTEE _____

RECENT LOAN FIXED ASSETS

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)

APPLICATION FOR LOAN

FOR FIXED ASSETS

Date: 4/11/89 Adviser: Carlos Reyes Client Number 0851
 Province: Sto. Dom.
 Place: Los Minas

ENTREPRENEUR

Name: ANGELITA PEREYRA LINARES ID# 11038 Series: 71
 Nickname: _____ Address: C/Pablo Neruda Edif. I
Apartment I-5 Telephone: _____
 If rented, name and address of owner _____
 Place of birth: Cabrera (Nagua) Date: 1/27/1954 Age: 35 years
 Dependents: 8
 Civil status: married Education: Secondary
 Trade, profession: Designer
 Experience in field: 5 years
 Are you or your business covered by an insurance policy? Yes No _____
 Name and insurance company: Social Security
 Policy No. 010-273-249
 Relations with banks or financial agencies: _____
 Account No. - Name of Bank: -

Credit references:

- Name: Almacenes Merambux
 Address: Avenida Duarte No. 83 Telephone: 689-1844
- Name: Mueblería Wendy
 Address: Avenida Duarte Telephone: _____

THE ENTERPRISE

Name: Angy Modas
 Address: C/Pablo Neruda Edif. I, Apartment I-E
 Activity (branch): Seamstress Time in operation: 10 yrs
 Control system: Yes: No: _____
 Specify: Bookkeeping
 Who does the enterprise belong to?: Sole proprietor.
 Are there problems obtaining raw materials?: Yes: _____ No:
 Where do you obtain raw material? _____
 How do you make your purchases?
 Cash 75 %
 Credit 25 %

No. employees:	Full-time	M	F	Salary
Present	<u>24</u>	<u>2</u>	<u>22</u>	<u>\$3,670.00</u>
Projected	<u>10</u>	<u>2</u>	<u>8</u>	<u>2,000.00</u>

REFERENCES

1st ADEMI loan:	Date:	<u>5/21/85</u>
	Amount:	<u>1,000.00</u>
Number of loans received:		<u>08</u>
Total last loan:		<u>\$ 18,000.00</u>
Total accumulated RDS:		<u>\$ 60,100.00</u>

INSTALLED CAPACITY AND CAPACITY USED

- Refer to an 8 hour shift and a 5.5 day work week
- Indicate the measurement of volume, units, meters, tons, etc.
- Indicate how many shifts are worked per day: 2
- Indicate number days worked monthly: 132 Per year: 1,584

CAPACITY	PRESENT	WITH PROJECT
1. Installed	<u>50 doc./week</u>	<u>60 doc./week</u>
2. Used	<u>40 doc./week</u>	<u>50 doc./week</u>
3. Percentage	<u>80%</u>	<u>83.33%</u>

4. Indicate what machine or section defines the capacity: _____

CURRENT SITUATION

	PREVIOUS	PRESENT	INCREASE
Cash on hand or in bank	<u>600</u>	<u>300</u>	<u>(300.00)</u>
Inventory finished goods	<u>11,832.00</u>	<u>15,060.00</u>	<u>3,228.00</u>
Inventory products in process	<u>7,800.00</u>	<u>1,800.00</u>	<u>(600.00)</u>
Inventory raw materials	<u>4,200.00</u>	<u>19,250.00</u>	<u>15,050.00</u>
Short-term accounts receivable	<u>16,132.00</u>	<u>8,020.00</u>	<u>(8,112.00)</u>
Long-term accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
Fixed assets	<u>43,925.00</u>	<u>74,925.00</u>	<u>31,000.00</u>
Other assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>74,925.00</u>	<u>74,925.00</u>	<u>31,000.00</u>
Short-term accounts payable	<u>5,000.00</u>	<u>8,000.00</u>	<u>3,000.00</u>
Long-term accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,000.00</u>	<u>8,000.00</u>	<u>3,000.00</u>
Equity	<u>38,925.00</u>	<u>66,925.00</u>	<u>37,268.00</u>

OPERATING RESULTS

Net sales	<u>16,520.00</u>	<u>21,476.00</u>	<u>4,956.00</u>
Consumption raw materials	<u>5,240.00</u>	<u>6,812.00</u>	<u>1,572.00</u>
Wages and Salaries	<u>3,670.00</u>	<u>4,771.00</u>	<u>7,101.00</u>
Owner's salary	<u>1,100.00</u>	<u>1,430.00</u>	<u>330.00</u>
Other expenses	<u>525.00</u>	<u>682.00</u>	<u>157.00</u>
Profit	<u>5,985.00</u>	<u>7,781.00</u>	<u>1,796.00</u>

STATISTICAL DATA

	PREVIOUS			PRESENT			INCREASE		
	RDS 300.00			RDS 1,265.00			RDS 965.00		
Savings:	M	2	F 22	M	2	F 22	M	0	F 0
Number of employees									

Insured: Yes _____ No x
 From _____ to _____
 Sum insured in RDS _____
 Has legal contract: Yes x No _____

STATEMENT OF ANTICIPATED RESULTS

ITEM	FIRST MONTH
Net sales RDS	27,000.00
Consumption raw materials	10,642.00
Expenditures:	
Rental	
Water	
Electric	
Transportation	200.00
Telephone	
Workers' wages	5,000.00
Owner's salary	716.00
Other expenses	600.00
Profit RDS	9,842.00

CALCULATION OF PAYMENT CAPACITY (IN RD\$)

	FIRST MONTH	DURING LOAN PERIOD
1. Net profit (1)	9,842.00	11,810.40
2. Plus: Expenses not occurring as disbursements (depreciation and amortization of assets)	-	-
3. FLOW OF RESOURCES (1 + 2)	9,842.00	11,810.40
4. Principal installment of this loan*	2,083.33	2,083.33
5. Amortization other loans*	2,250.00	2,250.00
6. TOTAL PAYMENTS PRINCIPAL (4 + 5)	4,333.33	4,333.33
7. Amount disposable after loan payment (3 - 6)	5,508.67	7,476.67

Note (1): Based on the Total Net Profit, which appears in the Statement of Projected Profit and Losses.
 * : Only includes amortization on principal (capital)

DATA ON FINANCING REQUESTED

Loan total	\$25,000.00	Fixed investment	\$30,000.00
Working capital: \$		Total to be paid:	\$2,708.33
Interest:		Capital	\$2,083.33
Grace period:	month	Total period	12 mos.
	installments of RDS	Payment period:	12 mos.
12	installments of RDS	totalling RDS	
		totalling RDS	32,499.99

GUARANTEES

Pledge RDS _____ Immovables RDS _____

PROJECT OBJECTIVES

The fundamental objective is to expand the microenterprise unit to enhance productivity.

(COMMENTS)

Miss Angelita Pereyra has been considered one of our most prosperous microentrepreneurs, because she has been honest in her dealing with credit from ADEMI; the excellent rationalization of resources that she request has been key to the success that she has achieved. Rapid growth of the market is becoming a major headache at this time.

[signature of the microentrepreneur]

APPROVED: _____ ADVISER _____

COORDINATOR _____ OPERATIONS MANAGER _____ LOAN COMMITTEE _____

DATE: _____ DATE: _____ DATE: _____



MOST RECENT LOAN

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)

LOAN APPLICATION

Date: 5/21/89 Adviser: Dato Pagán Client Number: 318
 Province: _____
 Locale: _____

ENTREPRENEUR	THE ENTERPRISE
Name: <u>Angelita Pereyra L.</u>	Name: <u>Andy Modas</u>
ID#: <u>11038</u> Series: <u>71</u>	Address: <u>Calle Pablo Neruda Edif. I, Apto. 1-E</u>
Nickname: _____	Activity: <u>Seamstress</u> Time operating: <u>6 years</u>
Address: <u>Calle Pablo Neruda Edif. 1, Apto. 1-E</u>	Legal status: <u>-</u>
Owens: <u>x</u> Rents: _____ How long: <u>6 mos.</u>	Control system: Yes: <u>x</u> No: _____
If rented: Name and address of owner _____	Details: _____
Phone #: _____	Who owns the enterprise? <u>Partnership (spouses)</u>
Place of birth: <u>Cabrera (Nagua)</u>	Do you have problems obtaining raw materials? <u>No.</u>
Date: <u>1/27/54</u> Age: <u>31 years</u>	_____
Dependents: <u>8</u> Civil status: <u>married</u>	How do you buy? _____
Education: <u>Secondary</u>	Cash: _____
Trade, profession: <u>Fashion designer</u>	Credit: _____
Experience in area: <u>1 year</u>	Operating capacity: _____ Current: _____
Do you depend economically on the business? Yes: _____ No: <u>x</u>	No. employees:
Monthly income (personal): <u>300</u>	Full-time M F Wage
Other sources of income: <u>1,400 - rental-</u>	Current <u>3</u> <u>480.00</u>
In your absence, who will represent you? <u>César Blake Ozuna-husband-, Angelita Hernández</u>	Projected <u>4</u> <u>400.00</u>
Who told you about ADEMI? <u>Dra. Gonzala Pereyra, member</u>	If your production increases, will you be able to find enough clients? <u>Yes.</u>
Relationship with banks or financial entities	How? There is a store, and with vendors.
Savings acct. #: Bank: <u>Popular</u>	Where? <u>Sto. Domingo, other towns.</u>
Savings balance: _____	MOST IMPORTANT CLIENTS:
Checking acct. #: Bank: _____	<u>Agustina Brito Victoria García</u>
Credit references:	<u>Janina Azar</u>
1. Name: <u>Almacenes Merengue</u>	_____
Address: <u>Av. Duarte Esq. F. Hquez. y C.</u>	_____
Telephone: <u>689-1844</u>	_____
2. Name: <u>ISARTORI</u>	MOST IMPORTANT POTENTIAL CLIENTS:
Address: <u>C/ 30 de marzo #45</u>	<u>Almacenes Merengue</u>
Telephone: _____	<u>Sales to the public</u>
	<u>(in store owned by applicant)</u>

CLOSEST RELATIVE:

1. Name: Gonzala Pereyra Relationship: ADEMI member, client of Cortorreal

**INVENTORY OF FIXED ASSETS
ANGY MODAS - ANGELITA PEREYRA**

DESCRIPTION	BRAND	MODEL	SERIES	COST
Upright industrial sewing machine	Consew	215	P36523	1,800.00
Upright industrial sewing machine	Singer	-	AF947345	1,500.00
Upright industrial sewing machine	Singer	96.40	AP555301	1,500.00
Upright industrial sewing machine	Singer	96.40	AE223328	1,500.00
Upright industrial sewing machine	Juki	DDL-227	C227-22669	1,800.00
Ind. sewing mach.for hems	Columbia	-	21-56	2,000.00
Ind. sewing mach. for hems	---	-	10101	900.00
Simple sewing mach.	Bay Lock	-	EA605	900.00
Cutting machine	Moseyh-NR	-	223826	500.00
Family sewing mach.	Necchi	515	0225571	900.00
Family sewing mach.	Hero	-	785307	200.00
				13,500.00

DOCUMENTS TO SUPPORT LOAN APPLICATIONS

PLACE THIS CERTIFICATE WHERE IT CAN BE SEEN

INSPECTOR
No.

DOMINICAN REPUBLIC
SECRETARY OF STATE FOR FINANCES
GENERAL OFFICE OF INTERNAL
REVENUE

FORM NO. 1082
APPROVED BY THE
COMPTROLLER GEN.
OF THE REPUBLIC
No. 136494
1987-88 ISSUE

DATE
3/6/89

CERTIFICATE LICENSE ISSUED TO CESAR BLAKE AND ANGELITA PEREYRA
NATIONALITY DOM. TEL. ID# 121108, SERIES 001, SEAL YEAR 19__ No._____,
IN ACCORDANCE WITH THE LAW OF LICENSES, TO UNDERTAKE THE BUSINESSES
DESCRIBED BELOW AND WITHIN THE LIMITS OF SANTO DOMINGO, D.N.

ADDRESS: C/PABLO NERUDA, EDIF. 1-A, APTO. L., LOS TRES BRAZOS, D. EXPIRES: 2/28/90
BUSINESSES SEC. SUB.-SEC. NO. LET. AMOUNT RDS

SEC ACAP NUM LET.

FANTASIA WITH STOCK OF \$10,000	Art. 30	75.00
annex to the sealed sworn statement of \$5.00 #1844222.		
[stamp]		
COL 5, LOS MINAC Place issued	TOTAL CHARGED	RDS 75.00
	SURCHARGE FOR PENALTY (ART. No. 22)	
	SURCHARGE FOR PENALTY (ART. No. 33)	
	SURCHARGE	
	TOTAL TAXES AND CHARGES	75.00

PER DECLARATION Number 246744 Date: 10-2-84
PER NOTIFICATION Number _____ Date _____

TAX PAID PREVIOUSLY \$
DATE PREVIOUSLY PAID

FORM No. 333235 DATE 3/7/89

PREVIOUS CERT. 1535 CODE 105 CERTIFICATE
PREVIOUS FORM 1082 No. 116110 RNC No. No. 1535
DATE THIS PAYMENT 3/6/89 CODE 0.50-7

Collection agent or Municipal Treasurer

DOCUMENTS TO SUPPORT LOAN APPLICATIONS

<p>FORM NO. 910-J. App'v'd. by the Comptroller General of the Republic COLLECT. No 1 03</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> <p style="text-align: center;">REGISTER 91881</p> </div> <p>TYPE: PUBLIC CHASSIS: RT40-421970 CAPACITY: 6 PASS. PLATES: RDS OTHERS: RDS 5.00 PEONS: RDS 2.00 TOTAL: RDS 7.00 OWNER: CESAR BLAKE OZUNA ID#1121108-1 ID# or PASSPORT No.: RES: PABLO NERUDA EDIF. 1 APTO. 1-E LOS TRES BRAZO</p> <p>_____</p> <p style="text-align: center;">[signature]</p> <p>Approved by: _____</p>	<p>Dominican Republic SECRETARY OF STATE FOR FINANCES GENERAL OFFICE OF INTERNAL REVENUE</p> <p>ANNUAL VEHICLE REGISTRATION J017841</p> <p>SERIES XX MARK AND YEAR: TOYOTA DOORS: 4 EMPTY WEIGHT: COLOR: BLUE PRIOR TAGS: 101-1704 1985 QUANT. REGISTRATION: 417374</p> <p>1987 ISSUE: PEDRO J. CACERES 6/22/88 COL#3 Date issued:</p>	<p style="text-align: center;">INTERESTED PARTY</p> <p>COLLECT. No. 3 TAGS: I414-566 EXPIRE: 3/31/89</p> <p>1968 POWER: REGISTERED: RDS</p> <div style="border: 1px solid black; height: 80px; width: 100%; margin-top: 20px;"></div> <p style="text-align: center;">Intern. Rev. Ofcl.</p>
--	---	--

R.N.C. No.

**THE COMMISSION ESTABLISHED BY LAW NUMBER 49 OF
THE 24 OCTOBER 1974, EXTENDS THIS:**

EXPORTER'S LICENSE

No. 5048

To: _____ CESAR BLAKE OZUNA _____

To Export: _____ CLOTHING IN GENERAL _____

Santo Domingo, D.N.
August 9, 1988
FOR THE COMMISSION [signature] _____

IMPORTANT

THIS LICENSE IS VALID SOLELY TO EXPORT THE PRODUCTS
INDICATED ON THE OTHER SIDE; MAY ONLY BE USED BY THE
PERSONS WHOSE NAMES APPEAR BELOW IS NON-TRANSFERABLE
AND SHALL AUTOMATICALLY BE REVOKED FOR ANY ALTERATION
MADE.

_____ [signature] _____

CESAR BLAKE OZUNA

_____ [signature] _____

ANGELITA PEREYRA DE B.

SECRETARIA DE ESTADO DE FINANZAS
DIRECCION GENERAL DEL IMPUESTO SOBRE LA RENTA
SANTO DOMINGO, D.N.

AL-No.188.-

CERTIFICATION

DATE: 3/28/89

The undersigned, Local Income Tax Agent of Santo Domingo,

CERTIFIES: That, MR. BLAKE OZUNA CESAR

of Dominican nationality, domiciled and residing at La Pablo Neruda Edif. 1 Apto. 1-E, Los Tres Brazos

Bearer of Personal Identification Card No. 121108, Series 1

No. RNC: _____ No. ISR: 5-01-80787-8

Presented his Sworn Declaration for 1988 and paid the corresponding tax, having declared in the same that during the year he received income of 3rd category type, and that his equity is RDS 39,700.00.

This certification is issued at the request of the interested party in Santo Domingo, Capital of the Dominican Republic, the twenty-eighth (28) day of the month of March, nineteen hundred eighty nine (1989).

[signature]
Lic. Albi Danilo Peña.
Local Agent

Seal R.I.
No. 2477020
for RDS 1.00
ADP/ncts.

[stamp]

[stamp]

CDFGT78U

ADEMI Recommendation to Obtain an Export License for a Microentrepreneur



ADEMI

ASOCIACION PARA EL DESARROLLO DE MICROEMPRESAS, INC.
VICENTE CELESTINO DUARTE NO. 48, TELEFONOS 689-9184, 686-0890
ZONA DE LA ATARAZANA, SANTO DOMINGO, D.N.
APARTADO POSTAL No. 2887

CONSEJO DIRECTIVO

Camilo Lluberes H.
Presidente

Mariano Mella
1er. Vice-Presidente

Horacio Ornes Heded
2do. Vice-Presidente

César Narita
Tesorero

Engracia Frattul
Vice-Tesorero

Jaime R. Fernández
Secretario

VOCALES

Nicolás Casanovas

Roberto Saladín

Roberto Martínez

Andrés Freitas

José Hatim Frappier

Práxedes Castillo

José Horacio Marranzini

Manuel Cáceres Trancoso

Marino Incláustegui

Mariana Gómez Fraico

Luis González Fabra

Carlos Desprede

Wilson Road

Pedro J. Jiménez
Director Ejecutivo

July 14, 1988

Messrs.
CEDOPEX
City.

Dear Sirs:

We hereby state that Miss Angelita Pereyra Linares de Blake, Bearer of Personal Identification Card No. 11038-71 and/or Mr. César Blake Ozuna, Personal Identification Card No. 121108-1, belong to this Institution as of May 30, 1985, and it is ME-0851.

They have taken out seven (7) loans with us, for a cumulative total of RDS 37,600.00. They have a good payment history.

Sincerely,

[signature]

Lic. José J. Guzmán
Financial Manager and Administrator

JJG/apa

APPENDIX E
LOAN DISBURSEMENT DOCUMENTS

**MEETING FIRST LOAN TO ADEMI
MICROENTREPRENEURS**

AGENDA

1. INTRODUCTIONS
2. WHAT IS ADEMI?
3. ECONOMIC ACTIVITIES THAT WE FINANCE
4. END-USE THAT SHOULD BE MADE OF LOANS
5. TERM OF LOANS. WHY SHORT-TERM.
6. LARGER SECOND AND SUBSEQUENT LOANS
7. INTEREST RATE AND CLOSING FEES
8. PAYMENT SYSTEM
9. FUNCTIONS OF ADVISER
10. OPENING SAVINGS ACCOUNT
11. DELIVERY OF THE LOAN
 - a) Signing of the loan documents
 - b) Delivery of CK, letter from Director, sale of poster, delivery of deposit slips, etc.



**ASOCIACION PARA EL DESARROLLO
DE MICROEMPRESAS, INC.**
VICENTE CELESTINO DUARTE No. 48, Telephone 689-9184
ZONA DE LA ATARAZANA, SANTO DOMINGO, D.N.
APARTADO POSTAL No. 2887

Sir/Madam

Dear friend:

The Association for the Development of Microenterprises, Inc. (ADEMI) is proud to have you as a Client-Member, and so extend you a cordial welcome. We are the "Permanent Credit Line" for your Enterprise, and thus we urge you to stay up-to-date on your payments to ADEMI.

We would like to inform you that the interest you pay for the loan is used to cover the costs of the services we give you. We are not an institution seeking profit; rather, we want you to improve your income and obtain greater earnings so as to contribute to the development of your business, family, and country.

Always pay on time, because in that way you are helping yourself and other Dominicans who also need help. If you do not follow through with ADEMI, this will cause economic losses, and ultimately legal action. The institution's policy for those who fall behind in payments is as follows:

DELAY

From 1 to 30 days
More than 30 days

COST TO YOU

Payment of late fee to ADEMI
Legal prosecution

In addition, other possible negative consequences are:

- a) Reduction of amount of following loan.
- b) No increase in the following loan.
- c) If the delays are repeated, definitive expulsion.

As you can see, growing with us will depend on you and your enterprise.

Hoping that this will be the beginning of a wide-ranging and fruitful relationship,

Sincerely yours,

[signature]

Pedro J. Jiménez
Executive Director

CONTRACT OF PLEDGE WITHOUT SURRENDER

The _____ day () of the month of _____, of the year Nineteen hundred and eighty nine (), before me, JUANA CESA DELGADO DE MARTINEZ, JUSTICE OF PEACE OF THE FIRST DISTRICT OF THE NATIONAL DISTRICT

The ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI) has appeared, a private entity established pursuant to Law 520, on non-profit Associations in the Dominican Republic, and whose aim is to foster employment for the neediest classes in the country, offering financial and technical assistance through programs with individuals and/or groups, with its main domicile at Calle Vicente Celestino Duarte No. 48, Zona de Atarazana, Santo Domingo, National District, and in this city of Santo Domingo on the street Vicente C. Duarte No. 18, Dominican Republic, represented by its Executive Director Mr. (Ing.) Pedro J. Jiménez, Dominican, of age, married, ID # 35071-54, who hereinafter shall be called the FIRST PARTY or ADEMI, acting as Executive Director, and MARCELO PAREDES, Dominican, of age, married, bearer of Personal Identification Card No. 5875, series 59, domiciled at Calle Manuela Diez No. 88, Urb. María Auxiliadora.

T

who hereinafter shall be called the SECOND PARTY or DEBTOR; the above-mentioned individuals have, before me, sworn and attested to the following:

ARTICLE ONE: ADEMI, through this document, EXTENDS to the DEBTOR, who accepts, a loan for the sum of TWENTY FIVE THOUSAND PESOS ORO 00/100 (RD\$ 25,000.00) under the conditions of this contract, whose funds will be made available to the DEBTOR in a single disbursement, after signature of the Notarized IOU which is part of this contract.

ARTICLE TWO: Both parties, i.e. ADEMI and THE DEBTOR, agree that the means by which the funds are to be transferred from the FIRST PARTY "ADEMI" to the SECOND PARTY "THE DEBTOR", for a total sum specified in article one, as well as the form, amounts, periods, and number of installments in which the DEBTOR shall pay the appropriate sum(s) to the FIRST PARTY "ADEMI", are set forth in IOUs signed by the SECOND PARTY "THE DEBTOR" payable to the FIRST PARTY "ADEMI" during the period in which this contract is in effect, which will be marked with the note: All in accordance with the contract dated _____ day () of the month of _____, of the year _____.

ARTICLE THREE: Given and accepted the stipulations of article two, all the payments shall be made on the date(s) indicated and without notification at the Main Office in the National District and in the rest of the country at the offices of the localities or municipalities where ADEMI is operating. The FIRST PARTY "ADEMI" reserves the right to accept the payment of quotas and interest payments prior to and/or after their due date. Likewise, to assess the SECOND PARTY "THE DEBTOR" additional sums for late payment, if this is deemed appropriate.

ARTICLE FOUR: The parties understand that if the SECOND PARTY "THE DEBTOR" fails to make a payment, this contract shall be lawfully terminated, without need for a prior formality or notification, and in consequence, the SECOND PARTY "THE DEBTOR" Mr. MARCELO PAREDES shall lose the benefit of the payment period and conditions for payment of the mentioned sum, and the pledge shall be executable without surrender as provided for through this contract. The SECOND PARTY "THE DEBTOR" shall make interest payments up until such time as the payment of said installment in arrears is made.

ARTICLE FIVE: The FIRST PARTY "ADEMI" reserves the right to accept the payment of any installment after it comes due, without this implying that it waives the term and execution resulting from nonperformance by the SECOND PARTY "THE DEBTOR".

ARTICLE SIX: The SECOND PARTY "THE DEBTOR" is obliged and committed to use the funds arising from this contract to the following investment plan: FIXED ASSETS. In case of nonperformance of this obligation, the SECOND PARTY "THE DEBTOR" shall not enjoy the benefit of the time period for payment and any conditions and payment facilities accorded by all its legal consequences; the FIRST PARTY "ADEMI" may execute the pledge without surrender as provided for in this contract.

ARTICLE FOURTEEN: The parties ADEMI and THE DEBTOR select their respective domiciles as follows: ADEMI with its principal domicile in the Zona Colonial Casa marked with number 48 of Calle Vicente C. Duarte in the city of Santo Domingo, National District, Capital of the Dominican Republic. The Second Party THE DEBTOR in the house marked with the number 88 of Manuela Diez street, sector of María Auxiliadora of the city of Santo Domingo; in whose domiciles all notifications made are accepted. In the other provinces of the country where ADEMI offices are located, the parties make a formal selection of domicile, where they shall operate under the competence of the justices of the peace of the respective jurisdiction for execution of this contract.

ARTICLE FIFTEEN: If because of market fluctuations or any reason the value of the goods put up in pledge should decline by ten percent (10 percent) or more, THE DEBTOR is obliged to provide ADEMI with a supplement of the surety to fully cover the reduction in value of the pledge. If within twenty-four hours said supplementary pledge has not been produced to ADEMI's full satisfaction, THE DEBTOR shall lose the benefit of the time period allowed for payment and the total debt shall become demandable, and ADEMI may execute the pledge with no prior formalities.

ARTICLE SIXTEEN: The SECOND PARTY "THE DEBTOR" states: That the effects put up as surety are insured against theft and similar acts by the _____ Insurance Company through Policy No. _____, respectively, dated _____, which has been handed over to ADEMI as a collateral guarantee, and THE DEBTOR commits himself/herself to maintain it in effect so long as said Policy is required.

ARTICLE SEVENTEEN: That if any of the cases provided for by Article 186 of Law 6186, and contained in the last part of Article 218 of said Law should come to pass, the DEBTOR shall lose the benefit of the time period for payment granted thereto as a result of the sum loaned, the interests due on the sum, as well as any other accessory shall be demandable immediately and with full legal force, with no need for any notification, and the pledge provided for in the contract shall be executable.

DONE AND SIGNED: in the place and on the date indicated, in two original versions, each of four (4) pages signed by the parties and Justice of Peace, who certifies and attests that they are identical and equally valid; all in accordance with Law No. 6186 of February 12, 1963 and its modifications, and to be governed by the provisions of the same.

FOR THE ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI):

First Party: EXECUTIVE DIRECTOR

Second Party: THE DEBTOR

DRA. JUANA CESA DELGADO DE MARTINEZ
JUSTICE OF PEACE OF THE 1ST DISTRICT

REGISTERED UNDER No. _____ FOLIO _____ OF _____
BOOK _____ OF THE _____ FIRST _____ DISTRICT COURT,
THE _____ DAY OF THE MONTH _____
NINETEEN HUNDRED AND _____

SIGNATURE

PAYMENT AGREEMENT

DOCUMENT NO. _____

In the city of Santo Domingo, National District, Dominican Republic, the twenty-second of July, 1988. Before me, Mr. _____ Attorney, Notary Public of those of the number of the National District, with my domicile in this city and office open to the public at _____, No. _____; the following have appeared before me, Mr. SOCRATES PUJOLS, Dominican, of age, bearer of Personal Identification Card No. 252310, Series 1, and the ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI), duly represented by its Executive Director, Mr. Pedro J. Jiméneez, Dominican, of age, married, bearer of Personal Identification Card No. 35071, Series 54, domiciled in and resident of this city; and they have stated that the motive of their appearance before me is to certify this Agreement, through the authentic Notarial IOU contained in the following:

ARTICLE ONE: That in addition to the Contract of Pledge without Surrender, dated _____ between Mr. SOCRATES PUJOLS, ID# 252310, Series 1, domicile CALLE CAMBRONAL No. 215/Ciudad Nueva and the ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI), the parties have reached the following "PAYMENT AGREEMENT" covering the sum of \$4,569.00 which Mr. SOCRATES PUJOLS recognizes as a debt of his to ADEMI, and he hereby commits himself to paying the sum of the debt as follows:

- 30 DAY OF THE MONTH OF AUGUST OF THE YEAR 1988 RD\$ 913.80
30 DAY OF THE MONTH OF SEPTEMBER OF THE YEAR 1988 RD\$ 913.80
30 DAY OF THE MONTH OF OCTOBER OF THE YEAR 1988 RD\$ 913.80
30 DAY OF THE MONTH OF NOVEMBER OF THE YEAR 1988 RD\$ 913.80
30 DAY OF THE MONTH OF DECEMBER OF THE YEAR 1988 RD\$ 913.80
DAY OF THE MONTH OF _____ OF THE YEAR _____ RD\$ _____
DAY OF THE MONTH OF _____ OF THE YEAR _____ RD\$ _____
DAY OF THE MONTH OF _____ OF THE YEAR _____ RD\$ _____
DAY OF THE MONTH OF _____ OF THE YEAR _____ RD\$ _____
DAY OF THE MONTH OF _____ OF THE YEAR _____ RD\$ _____
DAY OF THE MONTH OF _____ OF THE YEAR _____ RD\$ _____

ARTICLE TWO: Said payment shall be made to the LEGAL ASSISTANT at the ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI), without any need for any legal requisition or protest.

ARTICLE THREE: This Notarial IOU is done with the broadest legal guarantees, with Mr. SOCRATES PUJOLS placing as guarantee all of his present and future movable goods.

ARTICLE FOUR: Both parties choose, for the purposes of this Notarial Agreement, the following domicile: Calle Vicente Celestino Duarte No. 48, Zona Colonial, Santo Domingo, National District.

Appearing at the signing of this Notarial IOU as fully qualified witnesses were Messrs.: SOBEYA MEJIA and MIGUEL ARTURO GOMEZ, Dominicans, of age, bearers of Personal Identification Cards Nos. 351015, Series 1, and 251144, Series 1, both up-to-date, with domicile and residence in this city.

Done and signed in my office, the same day, month, and year mentioned above and in the presence of the parties appearing, to whom I have read in full and after its approval in full it is signed by said parties appearing before me and with me, I notarize and certify and I attest.

FOR THE ASSOCIATION FOR
THE DEVELOPMENT OF
MICROENTERPRISES, INC. (ADEMI)

Pedro J. Jiménez

DEBTOR

COPY OF IOU

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC.

LOAN No.: 89-1033 MEMBER: TEOFILO JOSE JIMENEZ ID# 168223 00 No. 01-01-0318
 No. LOAN TAKEN: 22 DATE: 3/6/89 AMOUNT RDS 50,000.00 INTEREST AND COMMISSION: 19,000.04
 GROSS TOTAL TO PAY: 69,000.04 (—) WITH/ADVANCED 4,000.00 NET SUM TO PAY: 65,000.04
 No. OF PROMISSORY NOTE: 89-1033-01 VALUE INSTALLMENT: 5,416.67 DUE: 4/6/89
 APPROVAL: ADVISER: _____ FREMIO MELO _____

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC.

DATE: 3/6/89 No. 89-1033-01
 I OWE AND I SHALL PAY TO: ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC.
 THE SUM OF: FIVE THOUSAND FOUR HUNDRED SIXTEEN AND 67/100
 SUM RECEIVED IN CHECK NO. 20959
 TO MY COMPLETE SATISFACTION AND I COMMIT MYSELF TO PAY ON THE DATE INDICATED.
 FOR THE GOOD FAITH FULFILLMENT OF THIS PAYMENT I OFFER IN PLEDGE ALL OF MY BELONGINGS THAT I
 HAVE OR MAY COME TO HAVE, WITH THE HOME EXEMPTION AND ANY OTHER LAW THAT MAY FAVOR ME.
 ALL IN ACCORDANCE WITH THE CONTRACT DATED OF THE MONTH OF OF THE YEAR _____
 CITY _____ 6 OF APRIL, 1989.
 FOR RDS ***5,416.67 ID # 168223 001 SERIES _____
 SEAL NO. _____
 NAME: TEOFILO JOSE JIMENEZ
 GUARANTEE LOAN No. 01-01-0318-22

APPENDIX E
FORMS FOR RECOVERING LATE PAYMENTS

**ADEMI
LOAN PORTFOLIO
INSTALLMENTS THAT COME DUE 8/1/89 TO 8/31/89**

ADVISOR: ABEL ANTONIO CRUZ

PAGE 1

DE-PR-CLTE	NAME	LOAN	INSTALL- MENT	DATE	PRINCIPAL	INTEREST	TOTAL
01-01-0031	ERIDANIA TAVERAS DE SAMBRANO	89-3268	02/12	16/08/1989	1666.67	500.00	2166.67
01-01-0077	JOSE RAFAEL GONZALEZ	89-2165	03/12	03/08/1989	1250.00	375.00	1625.00
01001-0079	JUANA YAPUR	89-2308	03/12	05/08/1989	2083.33	625.00	2708.33
01-01-0127	JOY WILSON, S.A./FCO. WILSON	89-1325	05/12	16/08/1989	9166.67	2750.00	11916.67
01-01-0132	RAFAEL FRANCISCO TAVAREZ	88-4492	09/12	21/08/1989	583.33	175.00	758.33
01-01-0218	MARINO PACHECO SANDOVAL	89-2162	03/05	03/08/1989	1100.00	137.50	1237.50
01-01-0397	ESTEBAN RAMON RODRIGUEZ	89-3705	01/18	13/08/1989	1388.89	625.00	2013.89
01-01-0397	ESTEBAN RAMON RODRIGUEZ	89-3711	01/18	13/08/1989	277.78	125.00	402.78
01-01-0406	JORGE CARIDAD	89-1586	04/08	04/08/1989	1500.00	300.00	1800.00
01-01-0413	TULIO ANTONIO DE JESUS	88-3224	11/12	08/08/1989	416.67	95.00	511.67
01-01-0414	JOSE GUEZADA	89-1744	04/08	10/18/1989	750.00	150.00	900.00
01-01-0440	HILDA BAEZ CASTRO	88-3940	10/10	21/08/1989	500.00	125.00	625.00
01-01-0527	GUILANO MONTILLA PINALES	88-3972	10/12	25/08/1989	1500.00	450.00	1950.00
01-01-0595	RAFAEL VALERA	89-4003	01/07	21/08/1989	285.71	50.00	335.71
01-01-0599	CRISTIAN MEJIA GOMEZ	89-4096	01/08	25/08/1989	3125.00	625.00	3750.00
01-01-0600	CRISTIAN MEJIA GOMEZ	89-0804	06/12	16/08/1989	1666.67	500.00	2166.67
01-01-0614	RAFAEL PENSO SHULTER BRAND	89-0995	05/08	01/08/1989	375.00	75.00	450.00
01-01-0625	LUIS ANTONIO TORRES	89-3298	02/08	22/08/1989	1250.00	250.00	1500.00
01-01-0747	FERNANDO SUAREZ/PRISCILA R	88-3801	10/12	14/08/1989	641.67	192.50	834.17
01-01-0747	FERNANDO SUAREZ/PRISCILA R	89-0404	07/12	11/08/1989	250.00	75.00	325.00
01-01-0765	MANUEL DE JESUS JAVIER	89-3031	02/12	13/08/1989	1250.00	375.00	1625.00
01-01-0765	MANUEL DE JESUS JAVIER	89-3033	02/12	13/08/1989	2083.33	625.00	2708.33
01-01-0767	MARCELO HOLGUIN	88-4262	09/10	09/08/1989	600.00	150.00	750.00
01-01-0783	RAFAEL LEONARDO MAINA	89-3867	01/07	17/08/1989	428.57	75.00	503.57
01-01-0833	FRANCISCO RUBEN TEJADA	89-3324	02/18	23/08/1989	1111.11	500.00	1611.11
01-01-0908	RAFAEL NICOLAS CRUZ	88-3917	10/12	20/08/1989	833.33	250.00	1083.33
01-01-0970	ARGENTINA VALEYRON DE SUREDA	89-3960	01/12	20/08/1989	2916.67	875.00	3791.67

**ADEMI
LOAN PORTFOLIO
SUMMARY AGING OF RECEIVABLES , 3/31/89**

PAGE 32

DEPT.: MICROENTERPRISES
ADVISOR: GUILLERMO RONDON

LOAN	CLIENT	BALANCE	ARREARS AND NOT COME DUE	INSTALL- MENTS	1 TO 30	31 TO 60	61 TO 90	90 TO 120	MORE THAN 120
87-1113	0182 GREGORIA UREÑA POLANCO	5,889.72	5,889.72	9	.00	.00	.00	.00	5,889.72
88-1259	0199 TORIBIO FELIX	1,635.14	1,635.14	5	.00	.00	.00	.00	1,635.14
88-3498	0232 LUCIANO NUÑEZ RAMIREZ	20,000.00	5,000.00	2	2,500.00	2,500.00	.00	.00	.00
88-2218	0255 MILCIADES ANTONIO VALDEZ	1,999.97	15,000.00	0	.00	.00	.00	.00	.00
88-3856	0255 MILCIADES ANTONIO VALDEZ	7,500.00	1,999.97	0	.00	.00	.00	.00	.00
88-2903	0310 CARMELO MIESES SORIANO	5,000.00	7,500.00	0	.00	.00	.00	.00	.00
89-0825	0310 CARMELO MIESES SORIANO	10,000.00	5,000.00	1	1,250.00	.00	.00	.00	.00
88-2155	0585 PABLO MIESES SORIANO	5,000.00	1,250.00	1	1,250.00	.00	.00	.00	.00
89-0098	0643 SATURNINO ESTEVEZ Q.	2,706.66	3,750.00	1	40.00	.00	.00	.00	.00
88-1700	0724 MARIA ALT. MOREL DE NUÑEZ	3,333.30	40.00	0	.00	.00	.00	.00	.00
88-4496	0724 MARIA ALT. MOREL DE NUÑEZ	9,375.00	2,666.66	0	.00	.00	.00	.00	.00
89-0498	0984 ALFREDO MODESTO CHALAS	300.00	3,333.30	1	1,875.00	.00	.00	.00	.00
88-3846	0998 BELARMINIO DE JESUS GIL R.	1,250.00	1,875.00	1	312.50	.00	.00	.00	.00
89-0601	1156 SERGIO AGUSTIN OSCAR GOMEZ	2,571.43	7,500.00	0	.00	.00	.00	.00	.00
88-0227	1199 RAMONA E. GUTIERREZ DE PEÑA	276.00	300.00	1	.00	.00	276.00	.00	.00
88-1114	1199 RAMONA E. GUTIERREZ DE PEÑA	2,625.00	312.50	5	.00	.00	.00	525.00	2,100.00
88-1995	1200 FRANCISCO A. MORENO MIESES	653.51	937.50	2	.00	.00	.00	500.00	153.51
88-1819	1239 JOSE ALT. MARCELO AGUSTIN	2,000.00	2,571.43	2	500.00	500.00	.00	.00	.00
88-4048	1239 JOSE ALT. MARCELO AGUSTIN	4,500.00	276.00	2	750.00	750.00	.00	.00	.00
89-0237	1242 ANGEL SALVADOR ALCANTARA PER	4,166.66	2,625.00	0	.00	.00	.00	.00	.00
89-0994	1242 ANGEL SALVADOR ALCANTARA PER	3,000.00	.00	0	.00	.00	.00	.00	.00
89-0059	1268 WILSON MEDINA SANTANA	3,750.00	4,166.66	0	.00	.00	.00	.00	.00
88-2417	1324 NELSON GUILLERMO CLASE TAVER	6,666.64	3,000.00	0	.00	.00	.00	.00	.00
88-2510	1395 VICTOR HERNANDEZ MUÑOZ	1,384.00	3,750.00	0	.00	.00	.00	.00	.00
88-3417	1398 ROMULO A. VALERIO RODRIGUEZ	15,000.00	6,666.64	0	.00	.00	.00	.00	.00
			1,384.00	0	.00	.00	.00	.00	.00
			15,000.00	0	.00	.00	.00	.00	.00

Name of Adviser: G. RONDON Zone: J

Microenterprises in arrears of _____ to _____ days

M.E. # 255 Name MILCIADES ANT. VALDEZ Telephone: 594-3413
 Activity: Artisan work Present Address: Manzana 5, Edif. 3, Apt. 3A, Villa Olímpica
 No. _____ Sector: _____
 Loan No.: 89-1751 + 1752 Amount in arrears RD\$ 10,833.34 with 60 days arrears
 Date by which client promised to pay: day _____ month NO PROMISE year _____

Causes of the arrears:

- a) (ACCOUNTS RECEIVABLE NOT COLLECTED)
- b) _____
- c) _____
- d) _____
- e) _____

M.E. # 310 Name CARMELO MIESES Telephone 596-7819
 Activity: Artisan work Present Address: Av. 25 de Febrero No. 78, Ens. Las Américas
 No. _____ Sector: _____
 Loan No.: 89-0825 + 88-2903 Amount in arrears RD\$ 5,456 with 60 days arrears
 Date by which client promised to pay: day _____ month 7 year 89

Causes of the arrears:

- a) RECESSION IN THE ARTISAN SECTOR
- b) _____
- c) _____
- d) _____

M.E. # 585 Name PABLO MIESES SORIANO Telephone _____
 Activity Artisan work Present Address: Av. 25 de febrero No. 41
 No. _____ Sector: Las Américas
 Loan No.: 88-2155 Amount in arrears RD\$ 3,070.00 with 60 days arrears
 Date by which client promised to pay: day _____ month NO PROMISE year _____

Causes of the arrears:

- a) Habitually delinquent.
- b) _____
- c) _____
- d) _____
- e) _____

M.E. # 1242 Name ANGEL SALVADOR ALCANTARA Telephone _____
 Activity Tailor Present Address: Av. 25 de febrero
 No. _____ Sector: Las Américas
 Loan No.: 89-023710994 Amount in arrears RD\$ 2,233.34 with 30 days arrears
 Date by which client promised to pay: day _____ month NO PROMISE year _____

Causes of the arrears:

- a) HAS NO JUSTIFIED CAUSES
- b) _____
- c) _____
- d) _____
- e) _____



**ASOCIACION PARA EL DESARROLLO DE
MICROEMPRESAS, INC.**

VICENTE CELESTINO DUARTE No. 48, TELEPHONE 689-9184
ZONA DE LA ATARAZANA, SANTO DOMINGO, D.N.
APARTADO POSTAL No. 2887

1 - 30 days

G.F.-01

ME No. 0009

Sir/Madam:

May 5, 19 88

SOCRATES PUJOLS

City _____

Dear Sir:

The Association for the Development of Microenterprises, Inc. (ADEMI), an agency organized in accordance with the laws of the Dominican Republic, duly represented by its Executive Director, Mr. Pedro J. Jiménez, hereby informs you that in our books your Loan No. 89-1510 shows a pending balance of a payment of RDS 1,523.00, with 30 days in arrears.

Thus, we would be most thankful if you would come up to date on your payments in the next five days.

Sincerely,

[signature]

Lic. José Joaquín Guzmán
Financial Manager

JJG:/ar

Note: If this note is received after having made payment, consider it a thank you letter, rather than a friendly reminder, which has been our intention.

RECEIVED BY: _____



**ASOCIACION PARA EL DESARROLLO DE
MICROEMPRESAS, INC.**

VICENTE CELESTINO DUARTE No. 48, TELEPHONE 689-9184
ZONA DE LA ATARAZANA, SANTO DOMINGO, D.N.
APARTADO POSTAL No. 2887

30 - 60 days

G.O. 2

ME No. 0009

June 6, 19 88

Sir/Madam

SOCRAIES PUJOLS

City

Dear Sir:

The Association for the Development of Microenterprises, Inc. (ADEMI), entity established in accordance with the laws of the Dominican Republic, duly represented by the Executive Director, Mr. Pedro J. Jiménez, hereby informs you that even though you were sent a payment reminder, and having exhausted other friendly means, you have not made payment for your Loan No. 88-1510 which shows a pending balance of RDS 3,046.00, with 60 days arrears.

Thus we formally invite you to pass by our offices, located at the address on this letterhead, the 10th of June, 19 88, at 3:00 p.m., for the purpose of normalizing your payment situation, for otherwise we would have to empower our attorneys to pursue the sum in debt by compulsory means, with the damages that such an action would involve: interest payments, court costs, professional fees, etc.

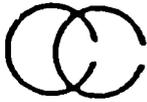
Sincerely,

[signature]

Lic. Manuel Cortorreal
Operations Manager/
Santo Domingo

MC/

Received by: _____



Legal Office

LIC. JOSE CRISTOBAL CEPEDA MERCADO

M.E. No. 60-90 days
009

July 6, 1988

Sir/Madam:

SOCRATES PUJOLS

City.-

Dear Sir:

We hereby inform you that the ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI) has empowered us to seek through legal channels to collect on their Loan No. 88-1510 for a value of FOUR THOUSAND FIVE HUNDRED SIXTY NINE 00/100 (RDS 4,569.00), which is a debt that you owe to said institution.

If within two (2) days you do not pass by our office located at Calle Vicente Celestino Duarte No. 48, Zona Colonial, to pay said sum, the collection shall be done by the corresponding legal channels, proceeding with all remedies available to us by Law, such as Embargo, Criminal Complaint, Losses and Damages, etc.

Awaiting your most prompt and positive reply, we are

Very sincerely yours,

[signature]

Mr. José C. Cepeda Mercado
Attorney

[signature]

Mr. Reynaldo J. Ricart
Attorney

For the appropriate purposes, you may call:
533-9300, 532-1044, and 532-1064
686-0890(91) 689-9184(85) ADEMI

Act No. 383

VOLUNTARY SURRENDER

Before me, DR. CARLOS ML. RUIZ MARTINEZ, Lawyer and Notary of those of the number of the National District, bearer of Personal Identification Card No. 32511, series 25, with professional practice open to the public at calle 16 de Agosto No. 68, San Carlos, this city; M.E. 0015 CARLOS BAEZ, Dominican, of age, bearer of Personal Identification Card No. 345123, series _____, domiciled at calle PINA #15 of the Ciudad Nueva sector, HAS APPEARED freely and voluntarily, and has stated to me under the most august oath, in presence of M. ZORAIDA GOMEZ, Dom. ID# 101510, Series 1 and ALFONSO RAMIREZ, Dom. ID# 215398, Series 1, _____, the following:

FIRST: That the reason for appearing before me, Lawyer and Notary Public, is to consign, through this authentic document, that he voluntarily surrenders to the ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI) as a grant in payment of the debt contracted with said institution, on the 18th of October, 1987, whose total amount is 5,458.00, the following goods:

- 1 green Nedoca refrigerator
- 1 dining room set with 4 mahogany chairs
- 1 set of wicker living room furniture
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

SECOND: That said Voluntary Surrender is done spontaneously, with no pressures of any kind, to the creditor agency, ADEMI.

In Santo Domingo, National District, Capital of the Dominican Republic, the twelfth (12) day of the month of JANUARY, 19 89.

DR. CARLOS ML. RUIZ M.
ATTORNEY

CARLOS BAEZ
DEBTOR

ZORAIDA GOMEZ
WITNESS

ALFONSO RAMIREZ
WITNESS

ACT No. 1025

M.E. 0009

DEMAND FOR PAYMENT PRIOR TO EMBARGO

In the city of Santo Domingo, National District, Capital of the Dominican Republic, the tenth (10) day of the month of September, of the year nineteen hundred eighty eight (1988).

ACTING at the request of the **ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)**, an entity organized in accordance with the laws of the Dominican Republic, with its domicile and main offices at calle Vicente Celestino Duarte #48, Zona Colonial, duly represented by its Executive Director, Mr. Pedro J. Jiménez, Dominican, of age, married, bearer of Personal Identification Card No. 35071/54, duly sealed, domiciled and residing in this city, who has as attorneys-at-law Mr. José Cristóbal Cepeda Mercado and Mr. Reynaldo J. Ricart, Dominicans, of age, married, bearers of Personal Identification Card Nos. 44746/47 and 254194/1st, respectively, with their professional offices open to the public at calle Primera esq. Pedro A. Bobea, Apartment #5, Edificio Arbaje I, Urbanización Bella Vista, which is where my enjoiner permanently chooses to maintain his domicile for all purposes and legal consequences of this act.

I, SALVADOR ARTURO AQUINO, Regular Clerk of the Court of First Instance of the National District, Dominican, of age, bearer of Personal Identification Card No. 24964/12, domiciled at Calle "D" #39, La Francia Nueva, Villa Duarte.

EXPRESSLY and in virtue of the previous summons, I have come to this same city, to calle CAMBRONAL #251, CIUDAD NUEVA, which is where Mr. SOCRATES PUJOLS maintains his residence and domicile, and once there speaking personally with _____, who said he/she is the _____ of the debtor, and in consequence I **SERVE NOTICE OF** a complete and textual copy of the Notarial Promissory Note signed by the debtor on the 22 of July, 1988. which reads textually as follows:

In the city of SANTO DOMINGO, D.N., Dominican Republic, the twenty-second (22nd) day of the month of JULY of the year Nineteen hundred and _____, Before me, Notary Public of those of the number of _____, with my domicile open to the public in this city, on _____ street, have appeared Messrs. SOCRATES PUJOLS, Dominican, of age, bearer of Personal Identification Card No. 252310-1st, and the **ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)**, duly represented by its Executive Director, Mr. Pedro J. Jiménez, Dominican, of age, married, bearer of Personal Identification Card No. 35071/54, domiciled and residing in this city; and these individuals have stated to me that the motive for their appearance is to officially record this **AGREEMENT**, through an authentic Notarial Promissory Note that contains the following:

ARTICLE ONE: That in addition to the Contract of Pledge without Surrender, dated _____ between Mr. Socrates Pujols, Personal Identification Card No. 252310/1st, and the **ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC. (ADEMI)**, the parties arrive at the following **PAYMENT AGREEMENT** for the sum of RDS 4,569.00, which Mr. SOCRATES PUJOLS recognizes as a debt to **ADEMI**, committing himself to paying the indebted sum as follows:

30	DAY OF THE MONTH OF	AUGUST	YEAR	1988	RDS	913.00
30	DAY OF THE MONTH OF	SEPTEMBER	YEAR	1988	RDS	913.00
30	DAY OF THE MONTH OF	OCTOBER	YEAR	1988	RDS	913.00
30	DAY OF THE MONTH OF	NOVEMBER	YEAR	1988	RDS	913.00
30	DAY OF THE MONTH OF	DECEMBER	YEAR	1988	RDS	913.00
	DAY OF THE MONTH OF		YEAR		RDS	
	DAY OF THE MONTH OF		YEAR		RDS	
	DAY OF THE MONTH OF		YEAR		RDS	
	DAY OF THE MONTH OF		YEAR		RDS	
	DAY OF THE MONTH OF		YEAR		RDS	
	DAY OF THE MONTH OF		YEAR		RDS	
	DAY OF THE MONTH OF		YEAR		RDS	

For the same purposes and injunctions **WE DEMAND** that in a term of one (1) day that shall not be extended you pay to the acting clerk of court or at the domicile of the creditor, the sum of RDS 4,569.00 (FOUR THOUSAND FIVE HUNDRED SIXTY NINE AND 00/100) advising the debtor that in case said payment is not made in the term allotted, we shall proceed to an executive embargo of all his Movable Goods, by virtue of the executive title transcribed above. And so that the debtor not attempt to claim ignorance of this act, I the undersigned clerk leave duly sealed copies of the same, signed and sealed by me, which total _____ () folios, in origina^l and copies. Cost RDS _____.

I certify:

CLERK OF COURT

I enjoin that Mr. SOCRATES PUJOLS designate a guardian who he declares to be _____ and in view of this I have established as guardian Mr(s). MILAGROS SANTANA, Dominican, of age, whose occupation is COMMERCE, domiciled and resident at calle BENITO GONZALEZ # 86, bearer of Personal Identification Card No. 66090, Series 1st, who states to me that she accepts such functions, which she shall fulfill faithfully and she shall deliver the embargoed goods the day it is fitting to do so to their confirmation and sale, stating to him that he shall be subject to the sale of the objects indicated, which shall take place the 25th day of September, year 1988, and which sha'l be held in the Public Market situated at AV. DUARTE #10, and there I **FORMALLY DEMAND** of Mr. SOCRATES PUJOLS to appear at the place, date, and time indicated, and if he does not the sale shall take place whether he is present or not, with all the consequences OF THE LAW. Of all this, I draft and write this report of proceedings in the presence of ZORAIDA GOMEZ and ALDA RAMIREZ, Dominicans, of age, bearers of Personal Identification Card Nos. 102015 Series 1st, and 313251, series 1st, respectively, attesting witnesses suitable by law, who I recognize. And so that SOCRATES PUJOLS shall not attempt to plead innocence, I **SERVE NOTICE OF THIS ACT**, leaving it in the hands of the SECRETARY and another to the Guardian _____.

This act has _____ () typewritten folios, one side only; as well as _____ () sheets of pre-indicated notarial act paper, which total _____ sheets, sealed and signed by me, both in the original and in the copies signed by the witnesses and the guardian.

This act was completed at _____ o'clock on the day and date indicated.
Cost RDS _____.

Witness

Guardian

Witness

I CERTIFY:-

THE MARSHALL

APPENDIX F
ACCOUNTING SETUP

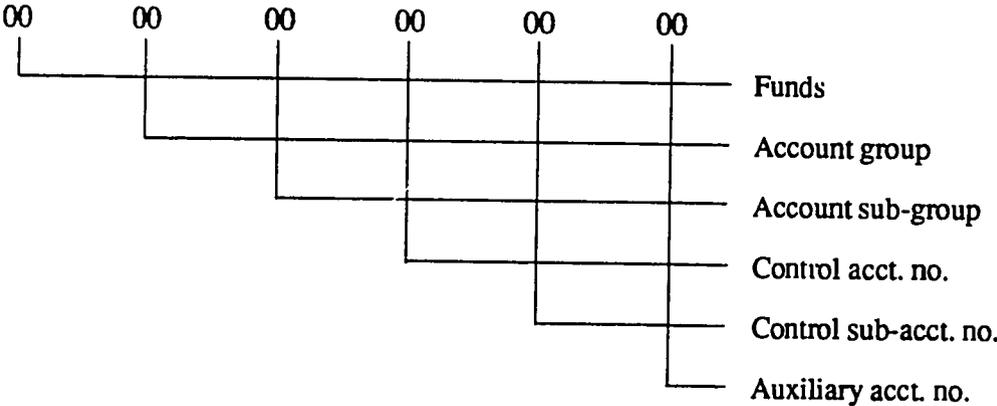
ACCOUNTING

The account number has 12 digits or positions, which make it possible to identify the fund, the assets, the liabilities, equity, revenues, and expenditures through a generic classification.

The generic classification is structured as follows:

- 00----- Fund
- 01----- Assets
- 02----- Liabilities
- 03----- Equity
- 04----- Revenues
- 05----- Costs
- 06----- Expenditures

This generic classification, through each code, shows the accounts corresponding to the General Ledger, the accounts of the Auxiliary Ledger and the subsidiary ledgers that require auxiliary control.



ACCOUNT GROUP	SUB-GROUP
01 Assets	01 Current 02 Fixed 03 04
02 Liabilities	01 Current 02 Long-term 03 Other liabilities
03 Equity	01 Balance of Funds 02 Retained earnings 03 Donations in kind
04 Revenues	01 Fees 02 Interest 03 Arrears 04 Other revenues
05 Costs	
06 Expenditures	01 Administrative 02 Financial

To record its accounting operations, ADEMI uses the General Ledger, the Subsidiary Loan Ledger, and the Daily Journal.

- The General Ledger is a journal of sheets duly identified with the coding and number of the account, in accordance with the structure of the account catalogue.
- The Subsidiary Loan Ledger is used to control the borrowers' individual balances. These balances include the movement of all transactions made with each debtor.
- The Daily Ledger is a book of multi-column, pre-enumerated sheets used to record the original operations for issuing checks and daily receipts. At the end of the month, the sum of each column is recorded in the General Ledger.

ADEMI

DAILY JOURNAL 30 JUNE 1986

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DATE	VOUCHER	ACCOUNT	DESCRIPTION OF THE OPERATION	DEBIT	CREDIT	DIFFERENCE
30-06-89	ED -000006	3201010501	LOANS TO MICROENTERPRISES		2,683.33	
30-06-89	ED -000006	3201010604	INTEREST RECEIVABLE		725.00	
30-06-89	ED -000007	0501010932	IDB FUND FOR FIXED ASSETS	10,718.20		
30-06-89	ED -000007	32060107	TEACHING AND TRAINING	10,718.20		
30-06-89	ED -000007	05060107	TEACHING AND TRAINING		10,718.20	
30-06-89	ED -000007	3202010905	IDB FUND I		10,718.20	
30-06-89	ED -000008	0101010404	BANCO ESPAÑOL BANI	287.50		
30-06-89	ED -000008	010010416	RESERVE BANK - EL SEYBO	165.50		
30-06-89	ED -000008	0701010801	TREASURY FUND	287.50		
30-06-89	ED -000008	1801010801	TREASURY FUND	165.50		
30-06-89	ED -000008	0101010807	FUND - BANI		287.50	
30-06-89	ED -000008	0101010818	SEYBO FUND		165.50	
30-06-89	ED -000008	0701010501	LOANS TO MICROENTERPRISES		250.00	
30-06-89	ED -000008	0701010604	INTEREST RECEIVABLE		37.50	
30-06-89	ED -000008	1801010501	LOANS TO MICROENTERPRISES		150.00	
30-06-89	ED -000008	1801010604	INTEREST		15.00	
30-06-89	ED -000008	18040107	INTEREST ON AKREARS		.50	
30-06-89	ED -000009	0101010403	BANCO POP. DOM. - IDB I	3,718.33		
30-06-89	ED -000009	0101010405	BANCO POP. DOM. - IDB I	5,881.66		
30-06-89	ED -000009	0101010407	BANCO POP. DOM. - GROWTH	16,806.67		
30-06-89	ED -000009	0501010801	TREASURY FUND	3,718.33		
30-06-89	ED -000009	0801010801	TREASURY FUND	5,881.66		
30-06-89	ED -000009	0901010801	TREASURY SANTO DOMINGO	16,806.67		
30-06-89	ED -000009	0101010805	IDB FUND		3,718.33	
30-06-89	ED -000009	0101010808	IDB FUND II		5,881.66	
30-06-89	ED -000009	0101010809	AID GROWTH FUND		16,806.67	
30-06-89	ED -000009	0501010501	LOANS TO MICROENTERPRISES		3,233.33	
30-06-89	ED -000009	0501010604	INTEREST RECEIVABLE		485.00	
30-06-89	ED -000009	0801010501	LOANS TO MICROENTERPRISES		4,846.74	
30-06-89	ED -000009	0801010604	INTEREST RECEIVABLE		1,034.92	
30-06-89	ED -000009	0901010501	LOANS FOR MICROENTERPRISES		13,916.67	
30-06-89	ED -000009	0901010604	INTEREST		2,890.00	
30-06-89	ED -000010	02020601	INTEREST ACCRUED IN MONTH	3,719.59		
30-06-89	ED -000010	05020601	INTEREST ACCRUED IN MONTH	18,627.75		
30-06-89	ED -000010	07020601	INTEREST ACCRUED IN MONTH	5,822.93		
30-06-89	ED -000010	08020601	INTEREST ACCRUED IN MONTH	30,749.37		
30-06-89	ED -000010	09020601	INTEREST ACCRUED IN MONTH	101,252.52		
30-06-89	ED -000010	10020601	INTEREST ACCRUED IN MONTH	2,188.77		
30-06-89	ED -000010	11020601	INTEREST ACCRUED IN MONTH	2,392.52		
30-06-89	ED -000010	12020601	INTEREST ACCRUED IN MONTH	4,991.19		
30-06-89	ED -000010	13020601	INTEREST ACCRUED IN MONTH	9,175.70		
30-06-89	ED -000010	14020601	INTEREST ACCRUED IN MONTH	6,777.59		
30-06-89	ED -000010	15020601	INTEREST ACCRUED IN MONTH	7,486.27		
30-06-89	ED -000010	16020601	INTEREST ACCRUED IN MONTH	14,622.07		
30-06-89	ED -000010	17020601	INTEREST ACCRUED IN MONTH	3,293.28		
30-06-89	ED -000010	18020601	INTEREST ACCRUED IN MONTH	2,835.04		
30-06-89	ED -000010	19020601	INTEREST ACCRUED IN MONTH	3,311.95		
30-06-89	ED -000010	20020601	INTEREST ACCRUED IN MONTH	9,295.36		
30-06-89	ED -000010	21020601	INTEREST ACCRUED IN MONTH	6,362.91		
30-06-89	ED -000010	25020601	INTEREST ACCRUED IN MONTH	2,797.46		
30-06-89	ED -000010	27020601	INTEREST ACCRUED IN MONTH	4,914.98		
30-06-89	ED -000010	28020601	INTEREST ACCRUED IN MONTH	2,725.00		
30-06-89	ED -000010	29020601	INTEREST ACCRUED IN MONTH	3,977.49		
30-06-89	ED -000010	30020601	INTEREST ACCRUED IN MONTH	2,245.00		
30-06-89	ED -000010	31020601	INTEREST ACCRUED IN MONTH	2,809.96		

APPENDIX F
FINANCIAL STATEMENTS
AND CASH FLOW

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC.

GENERAL COMPARATIVE BALANCE SHEET AS OF DECEMBER 31, 1989 (VALUES IN RD\$)

ALL FUNDS	ACCUMULATED UP TO NOV.	CURRENT MONTH	ACCUMULATED UP TO DEC.
ASSETS CURRENT			
CASH IN THE TREASURER'S FUND	1,665,894.82	1,110.60	1,667,005.42
ACCOUNTS RECEIVABLE (P) INTER-FUNDS	0.00	30,998.00	30,998.00
ACCOUNTS RECEIVABLE	149,836.21	19,751.08	169,587.29
NOTES RECEIVABLE	12,194,519.07	(11,783.72)	12,182,835.35
INTEREST RECEIVABLE	<u>2,968,554.01</u>	<u>(6,483.63)</u>	<u>2,962,070.38</u>
TOTAL CURRENT ASSETS	16,978,904.11	33,592.33	17,012,496.44
FIXED ASSETS			
MOVABLES AND OFFICE EQUIPMENT	502,914.15	731.40	503,645.55
TRANSPORTATION EQUIPMENT	139,668.21	0.00	139,668.21
ELECTRIC GENERATOR	<u>99,180.71</u>	<u>0.00</u>	<u>99,180.71</u>
TOTAL FIXED ASSETS	741,763.07	731.40	742,494.47
DEFERRED			
RENTAL DEPOSIT, SERVICES, ETC.	14,041.43	0.00	14,041.43
MOVABLES AND EMBARGOED EQUIPMENT	5,900.00	500.00	6,400.00
IMPROVEMENT IN LEASED PROPERTIES	9,428.00	19,110.32	28,538.32
TOTAL DIFFERED ASSETS	<u>29,369.43</u>	<u>19,610.32</u>	<u>48,979.75</u>
TOTAL ASSETS	<u>17,750,036.61</u>	<u>53,934.05</u>	<u>17,803,970.66</u>
<u>LIABILITY AND EQUITY</u>			
LIABILITIES			
ACCOUNTS PAYABLE SHORT-TERM	270,505.67	13,939.00	284,444.67
LOANS PAYABLE LONG-TERM	9,835,919.43	0.00	9,835,919.43
DEFERRED			
RESERVE FOR UNCOLLECTIBLE ACCOUNTS	367,500.79	33,935.05	401,435.84
RESERVE FOR DEPRECIATION LABOR RESERVE	203,743.66	(28.00)	203,715.66
LABOR RESERVE	231,729.57	(170,821.94)	60,907.63
INTEREST TO ACCRUE (POR DEVENGAR)	<u>2,778,705.29</u>	<u>(31,119.67)</u>	<u>2,747,585.62</u>
TOTAL DIFFERED	<u>3,581,679.31</u>	<u>(168,034.56)</u>	<u>3,413,644.75</u>
TOTAL LIABILITIES	13,688,104.41	(154,095.56)	13,534,008.85
EQUITY			
FUND(S) BALANCE	4,061,932.20	208,029.61	4,269,961.81
TOTAL LIABILITIES AND EQUITY	<u>17,750,036.61</u>	<u>53,934.05</u>	<u>17,803,970.66</u>

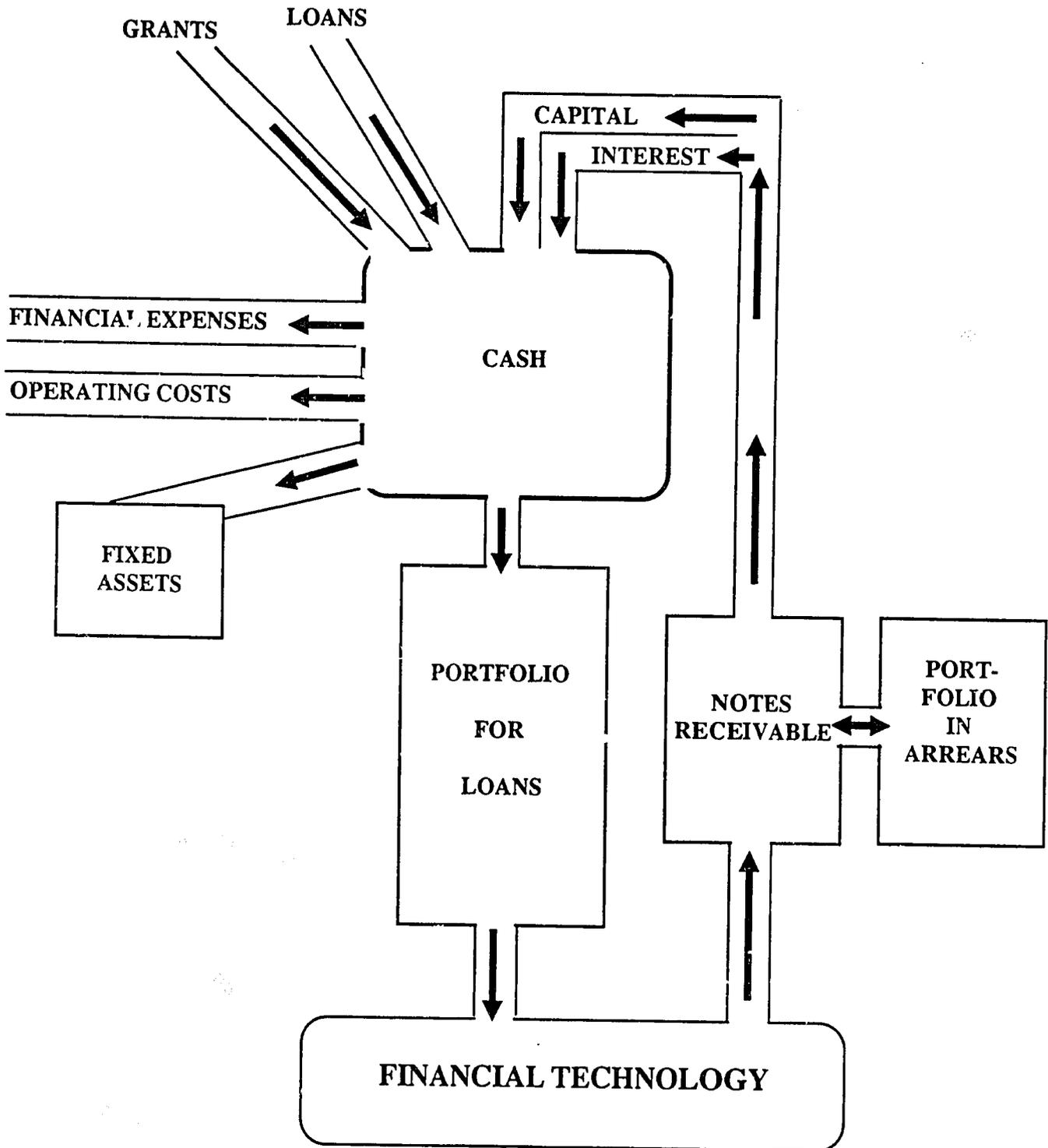
**GENERAL COMPARATIVE INCOME AND EXPENSE
AS OF DECEMBER 31, 1989
(VALUES IN RD\$)**

ALL FUNDS	ACCUMULATED UP TO NOV.	CURRENT MONTH	ACCUMULATED UP TO DEC.
REVENUES			
GRANTS	322,202.50	0.00	322,202.50
INTEREST ON M.E. LOANS	3,113,849.11	421,947.18	3,535,796.29
CLOSING COSTS, COMMISSIONS, AND ADVISORY SERVICES	1,790,171.49	146,536.00	1,936,707.49
ARREARAGE	138,078.92	9,826.02	147,904.94
OTHERS	36,211.44	14,258.96	50,470.40
TOTAL REVENUES	<u>5,400,513.46</u>	<u>592,568.16</u>	5,993,081.62
OPERATING EXPENSES			
GENERAL AND ADMINISTRATIVE EXPENSES	2,374,012.22	285,365.64	2,659,377.86
OTHERS	0.00	0.00	0.00
TOTAL	<u>2,374,012.22</u>	<u>285,365.64</u>	<u>2,659,377.86</u>
FINANCIAL EXPENSES			
ACCOUNTS UNCOLLECTIBLE	761,709.89	64,053.88	825,763.77
DEPRECIATION	77,261.38	(28.00)	77,233.38
TOTAL	1,101,998.51	99,172.91	1,201,171.42
TOTAL EXPENDITURES	<u>3,476,010.73</u>	<u>384,538.55</u>	<u>3,860,549.28</u>
SURPLUS OF REVENUES OVER EXPENDITURES	<u>1,924,502.73</u>	<u>208,029.61</u>	<u>2,132,532.34</u>

**SUMMARY OF EXPENDITURE ACCOUNTS,
DECEMBER 31, 1989, 1988, AND 1987 (in RD\$)**

ALL FUNDS	1989	1988	1987
External auditing	26,000.00	—	—
Improvements leased prop.	336.68	—	—
Personal Services	1,321,755.68	806,690.37	473,390.97
Easter, Vacation, and other bonuses	182,196.39	140,613.78	54,654.80
Transportation and per diem	36,487.02	24,435.09	32,579.34
Professional fees	5,153.35	21,844.75	61,123.00
Promotion and publicity	54,196.85	10,032.00	3,184.05
Costs of Representation	30,948.07	14,130.02	11,172.71
Training	81,286.08	20,672.67	12,614.95
Bank commissions and costs	11,836.23	2,487.44	4,297.86
Printing and office supplies	185,791.76	93,993.57	56,437.36
Water, electricity, phone, and messenger	62,746.33	33,588.52	16,975.46
Rent of locale	37,547.00	27,080.00	16,360.00
Repairs and maintenance of locale	22,485.74	7,938.24	6,599.88
Recovery and maintenance of vehicles	42,696.11	34,268.46	16,423.49
Insurance	68,589.41	48,119.07	37,552.61
Feasibility, other project studies	60,384.28	9,150.50	12,730.50
Legal expenses	22,885.25	9,499.89	3,210.16
Fuel and lubricants	72,429.45	36,266.94	23,106.00
Repair and maintenance of movables and equipment	60,447.69	71,364.76	25,856.38
Labor benefits	34,812.32	8,446.30	2,068.52
Tags and registration	708.25	622.00	—
Personal incentive payments	140,204.83	41,158.26	3,049.68
Miscellaneous	45,113.22	15,394.56	10,478.62
Vehicle for the institution	52,339.87	—	—
Other services contracted	—	—	1,686.63
Other expenditures	—	—	2,385.96
TOTAL OPERATING EXPENSES	2,659,377.86	1,477,797.19	887,938.93

CASH FLOW



APPENDIX F
AUDIT REPORTS

**FROM THE REPORT OF THE INTERNAL AUDIT DONE IN THE CITY OF AZUA
JUNE 27 AND 28, 1989**

BANK BOOK

Review of the Bank Book was the motive of my visit to Azua, as there were problems in the use of the book. An in-depth review was undertaken that covered the period from the opening of the book in November 1988 to the date of the review in June 1989.

The records set forth in said book, such as deposits and checks drawn, are done correctly. The main problem is the difference between the balance according to accounting and the balance according to the bank book. This difference in balances is caused mainly by the failure to register the deposits transferred to that fund and the checks for insurance of the entrepreneurs themselves, as well as errors in addition.

The failure to record transfer deposits is due, according to information from the administrative assistant, to the fact that copies of the same are not permitted, nor is telephone communication allowed. The total sum of transfer deposits not recorded is RD\$ 90,000.00 (ninety thousand pesos oro and 00/100), which breaks down as follows:

DATE	AMOUNT (RD\$)
11/24/88	10,000.00
12/30/88	15,000.00
2/14/89	10,000.00
3/22/89	40,000.00
5/31/89	15,000.00

In that order, and taking into account the checks, I confirmed that those checks issued to pay for insurance for the microentrepreneurs are not recorded, for the same reasons that the deposits are not recorded. But I did confirm that they have been sent copies in recent months. The overall total of said checks comes to RD\$ 2,895.39 (two thousand eight hundred ninety five pesos and 39/100).

From December 1988 to April 1989, the balances at the end of each month varied. These variations were due to errors in addition and subtraction. There are also small differences in deposits when comparing what is registered in the books with the bank records.

All of the above suggests that there are differences in the information, mainly in the transfer deposits, as the copies of the checks issued by that fund.

In order to bring the bank book up to date, all the information mentioned above was recorded, as well as the bank accounts, and the deposits from December, which were entered but not balanced. Likewise, check 018817 of December 1988 for the sum of RD\$ 644.00 (six hundred forty four pesos and 00/100) was revised; it was registered in said book but does not correspond to the accounting records.

In another area, in carrying out my work I explained how to prepare bank reconciliations in order to keep the book up-to-date and determine the possible differences that may appear, as well as to reconcile accounting

KPMG Peat Marwick

Certified Public Accountants

Peat, Marwick, Mitchell & Co.Edificio Haché, Av. J.F. Kennedy
Apartado 1467

Santo Domingo, Dominican Rep.

Tel. (809) 566-9161

Telex 3264273

Telefax (809) 566-3468

To the Assembly of Members

Association for the Development of Microenterprises, Inc.:

Comments on the Scope of Auditing and other Matters
Years ending December 31, 1987 and 1988

In the course of our work no restrictions whatsoever were imposed to limit the scope of our examination. All the records and documents of the Association for the Development of Microenterprises, Inc. required for our examination were made available to us, and we examined them as we deemed necessary. We were also provided all the information and explanations that we requested of ADEMI employees and officers in relation to said records and documents.

As part of our examination, we have made a study and evaluation of the system of internal accounting control of the Institution, with the scope that we deemed necessary for evaluating it, as required by generally accepted auditing standards. Our evaluation indicated that the system of internal accounting control is generally adequate.

We undertook tests to determine the ratios of the balances of assets and liabilities, in order to be in a position to issue forth our opinion as to the Association's financial status as of December 31, 1987 and 1988.

To determine the scope of the work, we also took into account the recommendations of the IV Inter-American Conference of Accounting, which are summarized as follows:

- a) Comparison of the financial statements provided to us with the accounting records. Performance of partial and selective tests to the extent and depth deemed appropriate, bearing in mind the study and evaluation of the system of internal control.

Continued

KPMG Peat Marwick

2

- b) Physic¹ verification and recounting of the major assets, such as cash, investments in securities, property, and equipment, among others. In this case the auditor should be guided by the size of the assets and the internal control exercised by the firm. He will also take all measures necessary for ensuring that all of the liabilities are registered in the books and reflected in the financial statements. (This is applied for major line items in the financial statements).
- c) Direct confirmation with third parties of the assets and liabilities, such as bank accounts, accounts receivable and payable, to the extent deemed appropriate and feasible.
- d) Review of important documents and complementary authorizations, such as Systems of Constitution, By-laws, Book of Minutes and Contracts, and obtaining certified information and explanations from the leaders of the organization to form an opinion.

[signature: Peat, Marwick, Mitchell + Co.]

February 5, 1989

APPENDIX G
MONITORING REPORTS

**ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC.
(ADEMI)**

MONTHLY ADVISER'S REPORT

From the 1st to the 31st of January, 19 89

Adviser: Operations Management
Zone: Consolidated National

1. MICROENTERPRISES	PREVIOUS ACCUM- ULATED	LAST MONTH TOTAL	TOTAL TO DATE
1. Number of Microenterprises with Active Loans			
2. Number of Active Microenterprises	3,426	136	3,562
3. Number of Microenterprises Withdrawn	-	30	30
4. Number of Loans Made	-	424	424
5. Total Amount Loaned (RDS)		1,405,210.00	1,405,210.00
6. Total Amount Recovered in RDS	-	1,127,579.00	1,127,579.00
7. Number jobs strengthened	-	343	343
8. Number of new jobs	-	126	126

ANALYSIS BY THE ADVISER OF THE LOAN PORTFOLIO

	(1-30)	(31-60)	(61-90)	(More than 90)
Number of Installments in Arrears	401	184	95	576
Amount in Arrears in RDS	222,464.26	102,106.84	41,679.54	160,425.96

TOTAL TO DATE

Number of Microenterprises in Arrears	699
Total number Installments in Arrears	1,257
Amount in Arrears in RDS	526,676.89
Total value of Portfolio in RDS	6,290,377.85
Percentage in Arrears	8.3

II. ANALYSIS AND INTERPRETATION OF THE MONTHLY ADVISER'S REPORT

A) Value of the Portfolio the previous month RDS	22
B) Total number of microenterprises in arrears/ Total number of active microenterprises	20 %
C) Total amount in arrears from the last month minus total amount in arrears the previous month, in RDS	2,738.49
D) Amount in arrears (1 to 30 days)/Total Value of Portfolio	3.5%
E) Amount in arrears (31 to 60 days)/Total Value of Portfolio	1.6%
F) Amount in arrears (61 to 90 days)/Total Value of Portfolio	0.7%
G) Amount in arrears more than 90 days/Total Value of Portfolio	2.5%
H) Amount in arrears previous month - RDS	523,938.40
I) Total Amount in Arrears from the current month, minus total in arrears from the prior month/Total amount in arrears from the previous month	0.5%

COMMENTS:

*2 - ITME CON SOLICITUDES EN TRANSITO

1) CONSOLIDATED AT THE NATIONAL LEVEL

**ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC.
(ADEMI)**

MONTHLY ADVISER'S REPORT

From the 1st to the 30th of June, 19 89

Adviser: Andrés

Zone: A

I. MICROENTERPRISES	PREVIOUS ACCUM- ULATED	LAST MONTH TOTAL	TOTAL TO DATE
1. Number of Microenterprises with Active Loans	110	9	119
2. Number of Active Microenterprises	136	9	140-1
3. Number of Microenterprises Withdrawn	-	1	1
4. Number of Loans Made	77	21	98
5. Total Amount Loaned (RD\$)	473,282.00	110,700.00	583,982.00
6. Total Amount Recovered in RDS	441,097.92	73,642.85	514,740.77
7. Number jobs strengthened	62	33	135
8. Number of new jobs	20	17	37

ANALYSIS BY THE ADVISER OF THE LOAN PORTFOLIO

	(1-30)	(31-60)	(61-90)	(More than 90)
Number of Installments in Arrears				
Amount in Arrears in RDS	15,617.05	5,317.30	9,245.41	21,603.27

TOTAL TO DATE

Number of Microenterprises in Arrears	35
Total number Installments in Arrears	19
Amount in Arrears in RDS	51,813.11
Total value of Portfolio in RDS	498,136.84
Percentage in Arrears	10%

II. ANALYSIS AND INTERPRETATION OF THE MONTHLY ADVISER'S REPORT

A) Value of the Portfolio the previous month RD\$	479,945.50
B) Total number of microenterprises in arrears/Total number of active microenterprises	25 %
C) Total amount in arrears from the last month minus total amount in arrears the previous month, in RD\$	8,167.13
D) Amount in arrears (1 to 30 days)/Total Value of Portfolio	3 %
E) Amount in arrears (31 to 60 days)/Total Value of Portfolio	1 %
F) Amount in arrears (61 to 90 days)/Total Value of Portfolio	1.8 %
G) Amount in arrears more than 90 days/Total Value of Portfolio	4.3 %
H) Amount in arrears previous month - RD\$	43,145.95
I) Total Amount in Arrears from the current month, minus total in arrears from the prior month/Total amount in arrears from the previous month	18.7 %

COMMENTS:

*2 - ITME CON SOLICITUDES EN TRANSITO

1) CONSOLIDATED AT THE NATIONAL LEVEL

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC.
ADEMI

FORM FOR LISTING MICROENTERPRISES THAT HAVE WITHDRAWN, BY MONTH

Adviser: W.E. Area: B
M.E. No.: 2121 Name: Bolivar Vega Telephone: _____
Activity: Ceramics Up-to-date Street Address: _____
Av. Ind. _____ No.: 354
Between: Calle Cervantes and: Máximo Gómez
of the sector of: Gascuc

Did this microentrepreneur withdraw by his/her own initiative?: yes no

Was he/she withdrawn by the adviser?: x yes no

Dated withdrawn: 6/30/89

Concisely state the reasons or causes of withdrawal:

- Was associated with X and the partnership fell apart.
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

Additional observations:

**REPORT TO THE OPERATIONS MANAGER ON THE SUPPORT WORK DONE
IN THE ZONE OF AZUA, BANI, SAN JOSE DE OCOA, WITH A VIEW TO
RECOVERING LOANS IN ARREARS IN THE MONTH OF NOVEMBER 1989.**

AZUA:

M.E. 225 Tereza de Jesús Beltre. 89-3655 Debt \$2,999.98, City Hall and the Police closed his business, Fonda Comedor. His conditions were such that he was unable to assume payment commitments. He shows an interest in paying.

M.E. 164 Manuel de Jesús Jiménez. 88-3615 Debt \$ 525. The shortage of sugar led his microenterprise to bankruptcy, and it is about to fold. Will pay installment January 15, 1990.

M.C. 232 Salvador Mendez. 89-2340 Debt \$ 919.99. This microvendedor had nothing to sell. He made a commitment to pay an installment December 2.

M.E. 210 Seid de Jesús Mella López 89-2514 Debt \$2,250. A commitment was made to pay and to do so with the three installments pending on 12/29/89.

M.E. 0073 Héctor Bienvenido Agramonte 89-1899 Debt \$2,444.15. We agreed that he will pay \$500.00 on 12/30/89. M.E. 238 Humberto Ramírez 89-0003 Debt \$1,320. It is in the hands of the local attorney for payment estimate; nonetheless we visited and he agreed to pay and cancel his account on December 24, 1989. Has been reluctant to pay, but he really does not follow through on commitments.

M.E. 0088 Rosa Ramona Garrido 88-3632 Debt \$ 932.14. Became seriously ill a few days after receiving the loan, and was bed-ridden for two weeks. Made commitment to pay in January. This woman pays in accordance with her possibilities.

M.E. 213 Jesús J. Cuevas González 88-3620 Debt \$1,115. Was not located.

M.E. 286 Julio Alberto López Castro 89-3654 Debt \$2,300. Committed to payment of one installment 12/28/89.

M.E. 246 Mercedes Minerva M. 89-3315 balance amount of \$4,350 (Recovered).

M.E. 278 Erick Nelson Ramírez Florian 89-2837. Made commitment to pay December 27, paying off in full his debt of \$1,600.00.

M.E. Juan Villegas Viola 89-0324. We agreed that he will pay his debt of \$3,000 in January 1990.

M.E. 195 Juan Martes 89-0559. We did not find him, but his mother said that he was concerned and that we would pay as soon as possible.

BANI:

Juan José Lara Cruz	89-4664	\$ 3,000.00
Dilcia Margarita Soto	89-4769	\$ 479.17
Francisco Bdo. Beras	89-2676	\$ 3,150.00
Jarlen de Diez Ortíz	89-2294	\$ 1,800.00
Claudio Reyes	89-3343	\$ 270.00
Porfirio Troncosco	89-4198	\$ 427.17

Continued

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With my efforts and support for these cases, we succeeded in getting these microentrepreneurs up-to-date on their commitments.

SAN JOSE DE OCOA:

Juan José Alcántara Castillo	89-3813	\$ 153.00
Carmen Pujols Soto	89-4308	\$ 191.67
Milciades Pujols Calderón	89-3810	\$ 191.67
Juan Bautista Minyetty	89-3347	\$ 230.00

Together with the Ocoa adviser, we encouraged these microentrepreneurs to get up-to-date on their commitments.

We indicate here that this activity resulted in the recovery of approximately \$ 13,991.34, plus some \$ 5,000 pesos, on which I do not have the data on hand at this moment.

Sincerely,

[signature]

Mígal A. Pérez
Regional Coordinator

MP/bt

CC

Pedro J. Jiménez
Executive Director

ASSOCIATION FOR THE DEVELOPMENT OF MICROENTERPRISES, INC.
— ADEMI —

To: Manuel Ovalle
Operations Manager Santo Domingo

From: Luis A. Amador
Coordinator Advisers Santo Domingo

Re: Area Report on Control and Evaluation by Adviser Rafael Féliz

Date: August 31, 1988

In my supervision and control visit in the area covered by adviser Rafael Féliz, basically the "El Caliche" sector of Cristo Rey, we found a series of inconsistencies and anomalies in the actual work, which throw light on some very important matters that all advisers – especially the person in charge of the area in question – should take into account in checking out and investigating potential borrowers.

So let us examine the following aspects which, in light of the investigation, are most important, and which require greater care or attention.

IMPORTANT ASPECTS

1. The adviser is not fully aware of the location of the units in this area; it was necessary for him to turn to some of the leaders in the sector to locate some of the ones that I asked about.
2. After having a mental picture of the location, we went to the place, and it was impossible to determine where a female microentrepreneur lived, because the adviser did not have the house number.
3. The adviser, in my view, fills out applications paying attention to recommendations made by third parties to each leader. But the adviser, perhaps out of lack of interest or relative lack of knowledge as to the seriousness of the situation, fails to investigate the applicants, and routinely approves each application.
4. The so-called leaders are not loan officers, and therefore they may miss details as they recommend someone irrespective of the type of activity said person is engaged in; but the fact that the adviser does not investigate makes the loan that we extend to microentrepreneurs risky, and calls into question the information contained in the form.
5. Several of the addresses in the applications do exist, and as I have noted, it is necessary to turn to the corresponding leader to get information.

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6. The philosophy and policy of ADEMI loans has been corrupted in some cases in this sector, as reflected in two specific cases:

- a) A microentrepreneur who supposedly had a small grocery store previously, turned out to have a flophouse (place for appointments, bar).
- b) Another microentrepreneur who had a restaurant had switched to selling poultry when she received her second loan (recently), which she used to launch this activity with a supposed brother of hers. He told me that she lived at another address which is not even where her supposed brother said it was, nor was it the one described to me by the adviser. In addition, I always see that woman at the El Paraíso bar, at C/38 esq. C/41, which, my investigations discovered, is rented by said woman.

7. There are several very complicated cases in which the adviser says that the microentrepreneurs were evicted, but he does not know where they are now, and even though some of these microentrepreneurs go and pay at their leaders' homes, the adviser has not been able to investigate where they are located now. In addition, the investigation indicated that they have not paid for a long time.

So let us examine several cases:

- a. The case of microentrepreneur 1483, Benito Acevedo. The adviser only knows that he was evicted, but does not know where he moved to. He owes RDS 259.94.
- b. Microentrepreneur 1826, María M. Minaya. He says she moved to San Cristóbal, but does not have the address. She owes \$ 278.49.
- c. Microentrepreneur 1589, Genaro V. Calcaño. Above I explained that he is the owner of a flophouse in El Caliche, and that he lives at Respaldo 42 #42, not 40 as the adviser had said. He owes RDS 450.
- d. Microentrepreneur 1500, Juan P. Martínez. He only knows that he has been evicted, but does not know his current whereabouts. He owes RDS\$ 250.
- e. Microentrepreneur 1451, Santana García has never been located at C/49 #63 of El Caliche, but at C/49 #17 of said sector. He owes RDS\$ 109.
- f. Microentrepreneur 1843 Ramón de Jesús R.F. All that is known is that he was evicted. His new address is not known.
- g. Microentrepreneur 1445 Sergio Gómez. The adviser says that his enterprise is located at C/43 #14-A in Cristo Rey. I verified that nothing even similar to a microenterprise exists at that address. Later on it was confirmed that the man's residence was at C/Respaldo 43 #14-A, not in Cristo Rey, but rather "Del Vivero" of Agustina de Cristo Rey.
- h. Microentrepreneur 1244 José L. Puello. According to the adviser, his microenterprise is located at C/Nicolás de Ovando #480 Cristo Rey, while I found that a clinic operates at that address, and that the microenterprise is located at #488 of the same street and neighborhood.

In an effort to correct each and every one of these anomalies, I am willing to collaborate with the adviser, for as much time as is required, and without standing in the way of or limiting development of the work in the area. In this context I recommend:

Continued

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1. That the adviser stand back a bit from the "I" posture and that in each matter that he handles in a personal way he be given a firmer orientation within the context of ADEMI's guidelines.
2. That the adviser – without having to definitively break with the "collection policy" that has developed in this sector – gradually educate his users with a view to discontinuing handling of cash (allowing for exceptional cases), so as to make it possible for:
 - a. The microentrepreneur to develop a relationship with the bank and with ADEMI.
 - b. To ensure that the orientation and preliminary education of microentrepreneurs on payment be maintained and not violated, and that they be laid out clearly and firmly in all the monthly meetings at which first loans are delivered.
 - c. To bolster the client's independence.
 - d. So that the adviser can become unburdened of the major responsibility of handling cash, given the problems that could arise. In this way he can protect himself.
3. That the adviser make a firm decision and set out, with the coordinator, to address any situation in which anomalies may arise that require urgent intervention so as to uphold ADEMI's already-established philosophy and policy, which make it possible to attain the objectives drawn up in as short a time as possible.

Luis A. Amador
Coordinator

LAA/apa

cc: Executive Director
Adviser

**MEETING, STAFF OF EASTERN AREA
JUNE 16, 1989**

AGENDA:

- I. Introduction Accounting Book as a prerequisite for the course on "Strategy for Evaluating Loans."
M. Ovalle
- II. Introduction of Barbara Stahler, in charge of Small Businesses for the Peace Corps.
- III. Importance of Public Relations in ADEMI.
- IV. General Matters.

With the participation of all of the staff from the Eastern Region, the quarterly meeting held with all staff in the region was called to order. The first item discussed had to do with the Accounting Book, the purpose of studying it, and how to use it.

The explanations given were clear and precise. The advisers were told that studying this book is the basis of the course on Loan Strategies and Evaluation, which will be given to them soon.

Barbara Stahler was in charge of the second agenda item. Slides were to be presented on the work with small businesses, but there was a power outage and it was not possible to do this. So a talk was given covering the following subjects:

1. What is the Peace Corps?
2. Peace Corps and the small business program.
3. What type of people are Peace Corps volunteers?
4. How can a Peace Corps volunteer help advisers?

Some of the advisers from the region participated in discussion of the last of these topics.

Mr. Oscar López spoke on the importance of public relations in ADEMI. The discussion was initiated with the phrase, "It is not enough to act and be silent; one must act and talk." Mr. Oscar López's remarks can be summarized in three parts:

1. What are public relations?
2. Program to be implemented in ADEMI.
3. Activities carried out.

Referring to the program to be implemented in ADEMI, the major role of the advisers in the program was defined; it was thus made clear that the advisers have a role to play in internal public relations.

Continued

The activities to be developed are:

- a) Newsletter *El microempresario*.
- b) Reports on the entrepreneurs themselves in nationally-circulating newspapers.
- c) Dissemination of information about what we do.

All this was explained in detail, along with how each activity is to be carried out.

Item IV provided an open forum for expression of all types of concerns. The issues discussed were:

1. Locale at Seybo. Asked about by those to benefit.
2. Late shipments. The packages are reaching the towns late. It was suggested that a list be drawn up of the days on which each office sends packages to Santo Domingo.
3. Petty cash. Replacement funds are not sent promptly and, according to information, petty cash can only be replenished once each month.
4. File cabinets. They are small. Pending the sending of new file cabinets, the advisers were requested to remove the documentation and file it in the desk or in another space at hand.

As a final act of this meeting, certificates of recognition were awarded to Donald Barsody and Oscar Bernardini, Peace Corps volunteers in the cities of Seybo and Higuey, respectively.

rm

The ADEMI Fable

One day, a fisherman came to the office of the microenterprise institution. There, he requested a \$100 loan to buy a fishing rod. He explained that the only guarantee he could offer was what he knew about fishing: where and how to fish, and to whom to sell. He did not ask to be taught how to fish or to be given the money.

The institution lent him the \$100 for three months. The fisherman thought it was reasonable that the loan was offered at the market interest rate.

After making his last payment, the fisherman came back for another loan. This time he asked for \$300 to buy a small wooden boat. He said he would guarantee this loan with this fishing rod and another \$100. He had saved that money from selling the fish he had caught with his new rod. Now he wanted to leave the shore to go where there were more fish. He received a second loan for five months.

After paying back his second loan, he returned again to the institution. This time he brought his son and two employees. They had helped him prepare and sell everything he had fished. And he said, "Please lend me \$1,000 for an outboard motor. I get very tired rowing, and I can't go out as far as I would like."

The fisherman obtained his third loan. As time passed, he received more loans, until he came to own a small fishing business that employed his family and many others.

Moral: *In development, there is very little to teach,
and no need to give.
The theory is simple, or so it is said:
we must lend, bit by bit,
to those who wish to get ahead.*

Pedro Jiménez

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