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# **SOUTHERN SUDAN**

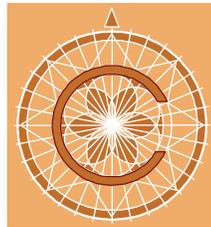


## **Agricultural Enterprise Finance Program (AEFP)**

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### **THIRD QUARTERLY REPORT** April 1, 2003 – June 30, 2003

*Submitted by:*



**CHEMONICS INTERNATIONAL INC.**

**July 2003**

Under Contract No. 623-C-00-02-00087-00

**USAID/REDSO/ECA**

Nairobi, Kenya

## EXECUTIVE SUMMARY

In September 2002, Chemonics International was awarded the Southern Sudan AEFP contract, a 5-year effort to establish a self-sustaining micro-finance institution (MFI) in Southern Sudan and provide access to working capital for micro-entrepreneurs. AEFP is a key part of the \$22.5 million Southern Sudan Agricultural Revitalization Program (SSARP), which is managed by the USAID Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA), in close consultation with agriculture advisors based in USAID/Washington.

### **Key AEFP accomplishments and activities during this reporting period:**

- Extended the microenterprise market survey into four communities in the Upper Nile region – Pagak, Ayod, Panyagor, and Ganyial.
- Updated the MFI business plan using the on-the-ground information gathered during the microenterprise market survey.
- Selected the building contractor to build the MFI head office in Yei.
- Finalized the selection of the Board of Directors, and completed local registration of the new MFI.
- Developed the MFI training plan and begin hiring and training staff, starting with a branch manager and an accountant.
- Conducted a second microfinance exposure tour to Uganda Microfinance Union (UMU) in Uganda for SSARP stakeholders. During the same visit, also organized a microfinance policy forum to discuss policy issues.
- Attended the USAID-sponsored conference on rural finance in Washington, DC. Those attending included the Southern Sudan AEFP COP, the AEFP microfinance specialist, and Francis Latio, SPLM Undersecretary for Finance.

### **For the fourth quarter, July 1 – September 30, 2003, the major AEFP activities will be to:**

- Construct the MFI office in Yei.
- Develop and issue the grant to the MFI.
- Hire and train MFI staff, including a planned exposure and training trip to Uganda.
- Begin community outreach and borrower group formation in Yei.
- Begin developing the MFI operations manual and systems.
- Conduct one-day Board of Directors training and hold first Board meeting in Yei.

## **1. Contractor's Report**

### **A. Background**

The Agricultural Enterprise Finance Program (AEFP) is a key part of the 5-year \$22.5 million Southern Sudan Agricultural Revitalization Program (SSARP), which is managed by the USAID Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA), in close consultation with agriculture advisors based in USAID/Washington. The other SSARP components include the establishment of six agricultural training centers and a data collection and analysis center. These other activities are implemented by the Catholic Relief Services (CRS) Consortium – comprised of CRS, Winrock International, Vetrinarians sans Frontiers-Belgium (VSF-Belgium), and SUPRAID (a Sudanese NGO) – through a competitively-awarded cooperative agreement. Additionally, a Participating Agency Service Agreement (PASA) with USDA provides supplemental technical support and other resources to the SSARP through a pilot activity fund. This document serves as AEFP's *Third Quarterly Performance Report*, covering the period April 1, 2003 through June 30, 2003. It also describes work planned for the coming quarter.

The overall goal of the Agricultural Enterprise Finance Program (AEFP) is to establish a viable, self-sustaining financial services organization in Southern Sudan and provide access to working capital for micro-entrepreneurs. The activity directly supports aspects of REDSO/ESA's Strategic Objective Two (SO2): "Enhanced Food Security Through Greater Reliance on Local Resources." It specifically supports Intermediate Result 2.1 "Increased Local Production of Food in Target Areas" and Intermediate Result 2.2 "Increased Use of Markets and Trade in Meeting Local Needs." SO2 is one of the three objectives which comprise USAID's Sudan Integrated Strategic Plan, 2000-2002. A new ISP is currently being developed by USAID for the next 3-year period and should be released soon.

By providing access to microcredit services, the Sudanese MFI will foster expanded economic opportunity among Southern Sudanese and constitute an added incentive for Internally Displaced People (IDPs) and refugees to return to their homes. During the first phase (five years) of the MFI's development, a microfinance loan program will be launched, and the MFI will test various loan products, based on both client demand and repayment experience. Later, through a careful analysis of the willingness and capacity of borrowers to repay, it will be determined whether the MFI should diversify and offer some larger-sized loans to small businesses. Cost-recovering interest and fees will be charged by the MFI in order for it to fully cover operational costs by the end of the fifth year of the project.

A second phase of the AEFP can be exercised, based on the experience of the first five years, with the intent of transforming the MFI into a formal bank, introducing a savings component, supporting further geographic expansion, addressing small business finance needs, and achieving full financial self-sufficiency by covering all financial costs, including the opportunity cost of capital. USAID will determine the disposition of the loan capital fund at the end of Phase I, but anticipates that a successfully operating microfinance institution will be allowed to retain the fund as its loan capital, if AEFP objectives have been achieved and are likely to be sustained in the future.

AEFP is intended to support individual agribusiness entrepreneurs, very broadly defined, in all agriculture sub-sectors, including qualified applicants that have graduated from the training centers to be supported by other components of the Southern Sudan Agriculture Revitalization project. Women will constitute a special target group for microlending services. To increase the likelihood of sustainability through achieving some economy of scale, people in regional population centers will be the main

beneficiaries of Phase One.

**AEFP Oversight.** The Southern Sudan Agricultural Enterprise Finance Program (AEFP) is guided by the SSARP Program Steering Committee. This committee meets biannually and identifies focal areas for program coverage and formulates and concurs with major policies that guide the program. The 10-member Program Steering Committee is comprised of USAID, Natural Resources Management and Utilization Committee (NRMUC), the Development Assistance Technical Team (DATT), and the Southern Sudan Commissioners of Agriculture and Animal Resources, Wildlife and Tourism, Finance, Commerce, Education, Health, and Women and Family Affairs.

Additionally, AEFP receives guidance and support on implementation matters from a Technical Task Force (TTF). The 17-member TTF meets quarterly and is comprised of representatives from the Southern Sudan Departments of Agriculture, Forestry, Fisheries, and Livestock; representatives from the Secretariats of Wildlife and Tourism, Commerce, Finance, and Women and Family Affairs; representatives from the Nuba Mountains and Southern Blue Nile regions; DATT; NRMUC; the Data Center; USAID; and the Chiefs of Party from Chemonics and CRS.

## **B. Expected Results**

Under its 5-year contract as the implementing contractor, Chemonics International has committed to establishing a self-sustaining microfinance institution (MFI) in Southern Sudan that will achieve the following performance measures by the end of Phase One:

- \$3 million in outstanding loans by the end of the fifth year;
- 100 percent operational sustainability, through complete coverage of operating costs of administration and expendable supplies; and
- At least three loan products available to clients by the end of the fifth year.

To reach these results, Chemonics is also intent on assisting the new Sudanese MFI to meet the following operational and social development parameters:

- 50 percent of loans made to women
- 10 percent of loans made to reintegrated internally-displaced persons (IDPs) and returned refugees

While adhering to a strict financial systems model of microfinance services delivery, these social development parameters will be fully incorporated into the new MFI's initial mission statement and business plan.

## **C. Current Core Activities: AEFP**

The first year work plan covers the period October 1, 2002 through September 30, 2003. In the work plan, Chemonics is responsible for ensuring that these major sub-components are addressed:

1. Building Relationships
2. Assessing the Sudan Context for Microfinance
3. Establishing MFI Infrastructure and Project Operations
4. Establishing MFI Operations

5. Selecting and Training MFI Staff
6. Program Management and Reporting

Below, each of the AEFP sub-component activities are summarized, highlighting tasks accomplished in the Third Quarter (April 1 – June 30, 2003), and tasks planned for the Fourth Quarter (July 1 – September 30, 2003) as contained in the first year work plan. The task numbering corresponds to the task numbers for each activity in the first annual work plan. The Year One Work Plan Chart is included for reference in Annex A of this document.

## **C1. Sub-Component 1: Relationship Building**

Establishing and protecting sound working relations with counterparts at all levels is critical to project success. The “buy-in” of local leaders and institutions to the objectives of the AEFP is vital to establishing the credibility of the MFI and to its long-term sustainability.

### ***Sub-Component 1: Tasks completed in the third quarter, April - June, 2003:***

*Task 1.3: Meet with SSARP Program Steering Committee.* The next SSARP Program Steering Committee meeting has been tentatively set for either August 29-30 or September 1-2, 2003.

*Task 1.4: Meet with the SSARP Technical Task Force.* The SSARP Technical Task Force met in Rumbek from April 28-29, 2003. Partners presented their progress from the preceding quarter, as well as their plans for moving forward. For the microfinance component, the draft microenterprise survey was distributed, as was the draft Memorandum of Association for the new MFI to be formed. It was announced that based on the microenterprise market survey, Yei would be the location of the first MFI office. The next TTF meeting was tentatively set for July 29-30 in Yambio/Nzara; this was later changed to August 15-16.

*Task 1.5: Meet with SSARP Secretariat.* The SSARP Secretariat met as a group in Kampala on April 14, 2003, prior to the TTF meeting mentioned above. Detailed discussions were held concerning actions taken on the instructions given by the TTF to the Secretariat in the January 2003 TTF meeting. Another Secretariat meeting was held in Yei on June 4, attended by James Oryema, operations/logistics manager on behalf of the Sudan AEFP COP who was in Washington, DC for a USAID-sponsored rural finance conference. The next Secretariat meeting will be scheduled to happen before the August 2003 TTF meeting.

*Task 1.6: Establish relationships with other donors, NGOs, and stakeholders, as necessary.* The Sudan AEFP team continued the ongoing process of establishing relationships with a broad range of stakeholders and people with knowledge of Southern Sudan.

*Task 1.7: Conduct second microfinance exposure tour for the TTF and PSC.* On April 10-11, 2003, the Sudan AEFP team organized a second microfinance exposure tour to Uganda Microfinance Union (UMU), a successful MFI in Uganda. The two-day event also included a microfinance policy forum, facilitated by microfinance specialist, Joanna Ledgerwood, from the USAID-funded Support for Private Enterprise Expansion and Development (SPEED) program in Uganda, and Gabriella Braun, from a GTZ-funded program to support financial policy development with the central bank in Uganda. The participants enjoyed the event, especially the presentation by UMU and the tour of an

UMU branch office. SSARP counterparts and other stakeholders attending the event included:

- Pascal Bandidi, Secretary of Agriculture
- Arthur Akuen, Secretary of Finance
- Mama Kezia, Secretary of Women and Children's Affairs
- Francis Latio, Undersecretary of Finance
- William Kon, Attorney General Chamber
- Michael Amule, Director of Customs and Excise
- Deng Akuei Deng, Undersecretary of Commerce and Trade
- Bosco Taban, Controller of Accounts, Finance Department
- Kuol Athian, Executive Director, BYDA
- Athian Majak, Program Coordinator, BYDA
- Roberto Lado, Undersecretary of Agriculture

***Sub-component 1: Tasks to be completed in the fourth quarter, July – September, 2003:***

*Task 1:3, 1:4, and 1:5: Meet with the SSARP Program Steering Committee, Technical Task Force and Secretariat.* The following meetings are planned for the fourth quarter:

- The **Technical Task Force** will meet in Yambio/Nzara, Sudan from August 15-16, 2003.
- The **Program Steering Committee** will meet on either August 29-30 or September 1-2, pending approval from the Commissioner of Agriculture, at a location to be determined.
- The **Secretariat** will meet prior to the TTF and PSC meetings, at a time a place to be determined.

*Task 1:6: Meet with other donors, NGOs, and stakeholders, as necessary.* The Sudan AEFP team will continue to build relationships with the broader range of stakeholders and entities that are important to the program. Special attention will now be paid to building these relationships in Yei, the town selected for the first MFI office.

**C2. Sub-Component 2: Assessing the Sudanese Context for Microfinance**

In order to set up the strongest microfinance operation possible and begin in the market areas with the highest potential for success, the AEFP team and added short-term technical expertise assessed a range of potential market areas in the third quarter, as well as finished conducting a microenterprise market survey of existing enterprise and client financial needs in four regions of South Sudan.

***Sub-component 2: Tasks completed in the third quarter, April – June, 2003:***

*Task 2.6: Conduct market studies in most likely target locations.* At USAID's request made, the AEFP microenterprise market survey was extended into the Upper Nile region during the third quarter. It covered four communities: Pagak, Panyagor, Ayod, and Ganyial. Using one-on-one interviewing, the team assessed the financial needs and ability to re-pay of the target clients and existing microenterprises. Supplemented by five short-term Sudanese survey assistants fluent in local languages, AEFP counted existing businesses in each community, interviewed owners, met with local authorities, and profiled the economic activities in each area.

After completing this survey work in Upper Nile and integrating comments obtained from CRS and other SSARP stakeholders on the draft report, the microenterprise market survey report was finalized in June. It will be submitted to USAID in early July and to the Technical Task Force and Program Steering Committee at their next meetings.

*Task 2.7: Select office sites.* The physical location for the first office site in Yei was selected. Located in the central commercial area of Yei, the plot was assigned to the new MFI by the local authorities, and the land was purchased on behalf of the MFI. While the new office is being constructed, a small temporary office will be rented in Yei.

*Task 2.8: Assess Sudanese legal context for microfinance in Sudan.* The new MFI was registered with the commercial, legal and judicial authorities in Yei. As part of establishing a system for enforcing the lending terms needed to ensure repayment of loans, discussions will continue in order to create a binding contract between the MFI and borrowers, especially for individual loans and those that will require collateral. Such loans will be introduced later in the life of the MFI, after the group loan and employer-guaranteed loans are operational.

***Sub-component 2: Tasks to be completed in the fourth quarter, July – September, 2003:***

*Task 2.8: Develop TOR for Study of IDP microfinance opportunities.* Given the target of 10 percent of the loans to IDPs in the Chemonics AEFC contract, special research should be conducted into the microfinancial needs and economic situation of returned refugees and resettled IDPs. Based on the initial findings of the microenterprise market survey, as well as the initial start-up activities in the Yei office and input from the SSARP TTF and PSC members, a terms of reference (TOR) for a study of microfinance opportunities among resettled IDPs and returned refugees will be developed in September 2003, with the actual study included in the AEFP second year work plan.

**C3. Sub-Component 3: Establish MFI Infrastructure and Project Operations**

Because of the longstanding civil conflict in Sudan, physical infrastructure is in poor condition. The office spaces for the MFI head office in Yei will be built from the ground up, for security and operational requirements and because of the lack of suitable buildings in the town. Additionally, once the MFI office is established, it will be important for the AEFP program staff to allow the institution to operate autonomously. Therefore, the AEFP staff will operate separately from the MFI. This will be done through the use of CRS facilities as opposed to setting up a self-contained base camp for Chemonics.

***Sub-component 3: Tasks completed in the third quarter, April – June, 2003:***

*Task 3.1: Construct/refurbish MFI head office.* The AEFP team has identified and secured an appropriate site to build the first head office branch in Yei. Based on our initial survey work, as well as some research building and refurbishment costs, building a new building makes the most sense. This allows us to design the space as we need to for security and efficiency. In June, the AEFP team finalized the selection of the building contractor, Bros & Company. They will begin constructing the building in July 2003.

***Sub-component 3: Tasks to be completed in the fourth quarter, July – September, 2003:***

*Task 3.1: Construction/refurbishment of the head office.* Construction of the Yei office by Bros & Company will occur throughout the fourth quarter. On behalf of AEFP, this activity will be overseen by James Oryema, operations/logistics manager, who will be onsite in Yei for most of the period. He will receive technical assistance and input from the CRS engineer, who is currently resident in Yei, as well as the architect in Nairobi who designed the office.

*Task 3.2: Construction/refurbishment of the second MFI office.* While originally envisioned to occur during the first year of AEFP, construction/refurbishment of a second MFI office will be delayed until Year Two. This will allow the AEFP team to focus on the start-up of the MFI operations in Yei, including staff training, the development of the operations manual and systems, and community outreach and borrower group formation. Construction/refurbishment of the second MFI office will begin as soon as possible in Year Two. It is expected that the MFI will expand operations to Yambio and Maridi simultaneously.

#### **C4. Sub-Component 4: Establish MFI Operations**

At the centre of the AEFP workplan activities for the first year will be the establishment of the new Sudanese microfinance institution (MFI) operations.

##### ***Sub-component 4: Tasks completed during the third quarter, April – June, 2003:***

*Task 4.1: Identify and establish MFI Board of Directors.* With input from USAID, the AEFP Technical Task Force (TTF), and other stakeholders, the AEFP team selected five South Sudanese individuals to serve on the SSAFI Board of Directors:

- Jane Siama, Social Worker, ACCROSS
- Martin Guya, Social Worker, Malteser Yei
- Joyce Dusman, Manager, KAF Liason Office
- Joseph Jibi, Field Officer, SLIRI
- Dr. Timothy Morris, Medical Doctor

*Task 4.2: Train Board of Directors.* Training for the Board of Directors has not yet been started. Training and familiarization with sustainable microfinance operations will begin in July 2003, in tandem with the first Board of Directors meeting and the training of the MFI staff in Yei.

*Task 4.3: Develop MFI Memorandum of Association.* The draft MFI Memorandum of Association was distributed and reviewed by the Board of Directors in June 2003. Each of the Board members signed the Memorandum, which was then used to register the MFI as a not-for-profit company limited by guarantee with the local authorities in Yei.

*Task 4.4: Register MFI with Sudanese authorities.* In June 2003, the MFI was registered as a business with the SPLM Department of Commerce and other relevant judicial and legal authorities in Yei. It was registered in the name of Southern Sudan Agricultural Enterprise Finance Institution (SSAEFI).

*Task 4.6: Update business plan after market surveys in Sudan.* The draft business plan for the new Sudanese MFI was updated in June 2003 based on actual on-the-ground markets, numbers of enterprises, salary levels, and the other information which we now have. The final business plan will be ratified and

adopted by the Sudanese MFI Board of Directors during the first Board meeting in July 2003. Further adjustments to the business plan may be made based on their input.

*Task 4.7: Apply for and obtain OFAC license for the MFI.* Based on changed licensing requirement issued by the US Treasury Department, OFAC licenses are no longer necessary for grantees or subcontractors to prime contractors that hold an OFAC license. Chemonics has already obtained the OFAC license and has notified USAID of its desire to be included under the new licensing requirements. As such, the MFI will not need an OFAC license to receive a grant from USAID via Chemonics.

*Task 4.8: Develop and issue grant to MFI.* The AEFP team has begun developing the grant that will be issued to the MFI to cover salary and operational costs. Work during this quarter included a beginning analysis of the salary and other operational costs that will be included in the grant. The grant will not be finalized until after Chemonics has gotten USAID contracting officer approval of its grants manual for Sudan AEFP. We intend to have the grant in place by the end of September, 2003.

*Task 4.10: Design loan products.* Based on the microenterprise market survey and interviewing that has been completed in three regions of South Sudan, the AEFP team has begun design the first group loan product that will be offered, using information gathered during the survey and market studies. Loan product design is an iterative process, and a pilot group product will be launched in conjunction with the opening of the MFI. Other products will be added as the institution develops, and all products will be adjusted and improved over time.

#### ***Sub-component 4: Tasks to be completed in the fourth quarter, July – September, 2003:***

*Task 4.2: Train Board of Directors.* Training of the Board of Directors, including familiarizing them with microfinance, will begin in July 2003. This will be done in conjunction with the first official Board meeting and the training of the other MFI staff in Yei.

*Task 4.8: Develop and issue grant to the MFI.* The task of developing and issuing the grant to the MFI will continue throughout the fourth quarter. The grant will be based on the finalized business plan for the MFI, both on the operational cost side and for infusions of loan capital.

*Task 4.9: Develop MFI Operations Manual and Systems.* In tandem with developing the pilot loan products, an operations manual and operating systems will be developed for the MFI. It is expected that specialized short-term technical assistance will be accessed to assist with this complex task. It will be an ongoing process as the MFI grows and expands.

*Task 4.10: Design Loan Products.* Using the information gathered in the microenterprise market survey, at least two pilot loan products will be developed. The first two loan products are expected to be a group-based product and an employer-guaranteed product available to employees of NGOs and other institutions in the communities where MFI branches are opened. Over time, an individual loan product, aimed at larger microenterprises with greater capital needs, will be introduced. However, it will first be necessary to carefully analyze the local legal framework in place that will be used to enforce loan repayment and collateral collection. This analysis will be used to create the legal loan document that the borrower will sign, as well as the procedures to be followed in giving these larger, riskier loans.

#### **C5. Sub-Component 5: MFI Staff Selection and Training**

Because of the importance of training in this microfinance activity, we have included it as a separate activity, though it will be fully integrated with the MFI operational development activities in Sub-component 4 above. For the initial phase of institution building, we anticipate beginning with a professional staff of five, including:

- A general manager to manage the institution;
- A branch manager for Yei;
- Two loan officers to form groups and manage loan portfolios;
- An accountant/bookkeeper to process loans.

Branch offices should ideally contain a branch manager, assistant manager, a secretary, loan officers, cashier(s), and guards. We will determine the number of field agents for each branch depending on the lending methodologies (individual credit, solidarity group, village bank) used.

***Sub-component 5: Tasks completed during the third quarter, April 1 – June 30, 2003:***

Because the microenterprise market survey took up most of the AEFP team's time through May, most of the tasks under sub-component five were delayed or are not on schedule. However, some progress has been made:

*Task 5.1: Hire Managing Director for the MFI.* Advertisements for the MFI managing director were placed on bulletin boards at the SRRC in Nairobi and Kampala; posted with the SRRC in Yambio, Rumbek, and Yei; and shared with the TTF and Program Steering Committee members. We will continue our search in South Sudan until we find a suitable candidate. Meanwhile, we will begin operations in Yei with the branch manager, Sanyangi Wangi, who has already been hired.

*Task 5.2: Train Managing Director, including trips to Kenya and Uganda.* This task has not yet begun, and so will be extended into the next quarter, as per below.

*Task 5.3: Develop MFI staff training plan.* The AEFP microfinance specialist has developed a training plan for the initial training of the staff in Yei. A two-week training for the staff will begin in Yei in July, and a short-term microfinance training specialist will be hired to assist with the effort. The training will include an overview of microfinance, microfinance operations, borrower group formation, loan product development, and portfolio management. Following the training in Yei, AEFP is in the process of organizing a two-week training and exposure trip for staff to Uganda Microfinance Union in Uganda. During this period, it is envisioned that each staff member will spend time shadowing a counterpart on-the-job at UMU.

***Sub-component 5: Tasks to be completed in the fourth quarter, July – September 2003:***

*Task 5.2: Train Managing Director, including trips to Kenya and Uganda.* Depending on how quickly the Managing Director is identified and hired, his or her training will begin immediately. This will include site visits and "on-the-job" training at an MFI in Uganda, formal training in microfinance, and constant mentoring by the AEFP team.

*Task 5.4: Hire and train MFI staff, including trips to Kenya and Uganda.* A branch manager and an accountant have been identified for the new MFI in Yei. They will be hired on a short-term basis by

Chemonics in July, before being hired on a full-time basis by the new MFI once it has grant funding to handle salary payment. Additionally, four loan officers will be identified to participate in the microfinance training in Yei in July. Two of these loan officers will then be hired by the MFI on a full-time basis after the training, with the other two staff possibly being hired later when the MFI has enough clients to justify the added staff. A follow-up exposure and training event to Uganda Microfinance Union is tentatively planned for two weeks in August.

*Task 5.5: Begin community outreach and borrower group formation.* During the two-week staff training in July, staff will be trained in community outreach and borrower group formation. After finishing the planned two-week exposure and training visit to UMU in Uganda in August, the MFI staff will return to Yei and begin community outreach and borrower group formation efforts. These activities will then be followed by the first disbursements of actual loans in October.

## **C6. Sub-Component 6: Program Management and Reporting**

AEFP implementation will require a number of program management and reporting activities, as required in the Chemonics' contract and agreements made with the SSARP Program Steering Committee and Technical Task Force. These program management and reporting activities are listed below. Others may be added during the course of program implementation.

### ***Sub-component 6: Tasks completed during the second quarter, April – June, 2003:***

*Task 6.1: Submit quarterly report.* The quarterly report for the second quarter (January 1 – March 31, 2003) was submitted to USAID on schedule before the end of April.

*Task 6.4: Develop grants management manual and obtain CO approval.* With substantial assistance from the Chemonics home office project management unit (PMU) for Sudan AEF, the draft AEF grants management manual was completed in March 2003 and submitted to USAID for review and approval by the Contracting Officer. USAID approval of the manual is still pending as of June 2003.

### ***Sub-component 6: Tasks to be completed during the fourth quarter, July – August, 2003:***

*Task 6.1: Submit quarterly report.* The quarterly report for the third quarter (April 1 – June 30, 2003) is this report, and will be submitted to USAID before the end of July.

*Task 6.4: Develop grants management manual and obtain CO approval.* Chemonics will respond to any questions or issues brought to us by USAID after they have completed their review of the draft grants management manual. After integration of USAID's comments, it is expected that the grants management manual will be approved in the fourth quarter.

*Task 6.5: Submit draft Year Two workplan.* The AEF Year Two workplan will be developed in July and August for presentation to the SSARP TTF and Program Steering Committee in August/September.

## **D. Performance**

**Current status vs. expected end of contract results.** Chemonics International is committed to establishing a self-sustaining microfinance institution (MFI) in Southern Sudan by the end of the 5-

year contract in September 2007. Below, each other project results is listed, followed by its current status:

Expected end of project results:

- *\$3 million in outstanding loans by the end of the fifth year.*

Current Status: Lending is scheduled to start at the beginning of year two of the program. No loans have yet been made. An updated business plan was completed using the on-the-ground information gathered during the microenterprise market survey conducted from January – May 2003. The updated business plan was submitted to USAID in June and will be reviewed and ratified by the MFI Board of Directors at the first Board meeting in July 2003.

- *100 percent operational sustainability, through complete coverage of operating costs of administration and expendable supplies.*

Current Status: The Sudanese MFI has not yet been established. The updated business plan projects 100 percent operational self-sustainability by September 2007. The updated business plan will also use 100 percent operational self-sustainability as a key milestone and indicator of success.

- *At least three loan products available to clients by the end of the fifth year.*

Current Status: Lending will begin with a group loan product. A pilot group loan product has been developed for use during the MFI staff training in July 2003 and subsequent community outreach and borrower group formation. It will be adjusted based on the initial lending experiences and input from clients. Other products will be added over time, and are expected to include an employer-guaranteed loan product and an individual (secured) loan product.

To reach these results, Chemonics is also intent on assisting the new Sudanese MFI to meet the following operational and social development parameters:

- *50 percent of loans made to women*

Current Status: Lending has not yet begun. However, the MFI loan disbursement system will be set up to track the gender of all borrowers.

- *10 percent of loans made to reintegrated IDPs and returned refugees*

Current Status: Lending has not yet begun. Discussions are underway with the SSARP Technical Task Force on how best to define and track this target group. If possible, the definition will be integrated into the MFI's loan disbursement system in order to make tracking as easy as possible. A specialized study focused on the financial needs of IDPs will be conducted early in Year Two of the Program, with the TOR for the study developed by September 2003.

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**Annex A:**  
**AEFP Year One Work Plan Chart**

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