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# PRISMS

Quarterly Report August 17, 2006

31 October 2006

Promoting Improved Sustainable Micro, Small and Medium Enterprise Financial Services  
USAID Contract Number # 620-C-00-04-00037-00

This document was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

## USAID/Nigeria QUARTERLY REPORT

### July - August 2006 Quarterly Progress Report

| <i>ACTIVITY SUMMARY</i>  |
|--|
| <p><b>Implementing Partner:</b></p> <p>Chemonics International Inc.</p>  |
| <p><b>Activity Name:</b></p> <p>Promoting Improved Sustainable Micro, Small and Medium Enterprise Financial Services (PRISMS)</p>  |
| <p><b>Activity Objective:</b></p> <p>Increased flow of sustainable financial services to support growth of the micro-, small, and medium-sized enterprise (MSME) sector.</p>   |
| <p><b>USAID/Nigeria SO:</b></p> <p>Improved Livelihood in Selected Areas</p>   |
| <p><b>Life of Activity (start and end dates):</b></p> <p><b>Start Date:</b> January 5, 2004 contract start; implementation phase started August 13, 2004<br/> <b>End Date:</b> Contract end January 4, 2008, modified to September 29, 2006 on August 23, 2006. Discontinuance of performance of implementation changed to August 17, 2006</p> |
| <p><b>Total Estimated Contract/Agreement Amount:</b> \$5,116,000 estimated cost plus fee reduced to \$3,680,746 by modification on August 23, 2006</p>   |
| <p><b>Obligations to date:</b> \$5,090,000 reduced to \$3,654,746, effective August 23, 2006</p>   |
| <p><b>Current Pipeline Amount:</b> \$126,609</p>   |
| <p><b>Accrued Expenditures this Quarter:</b> \$123,188.43</p>  |
| <p><b>Activity Cumulative Accrued Expenditures to Date:</b> \$3,528,137.10</p>   |
| <p><b>Estimated Expenditures Next Quarter:</b> nil</p>   |
| <p><b>Report Submitted by:</b> Chemonics International Inc.<br/> <b>Submission Date:</b> October 31, 2006</p>  |
| <p><b>Name and Title:</b> Douglas Leavens – Acting Chief of Party</p>  |

## Narrative Section

### I. Background

This is PRISMS' final report pursuant to USAID Nigeria's decision of July 16, 2006 to re-scope PRISMS activities into the MARKETS project. Accordingly, this report covers about six weeks, from the last quarterly report of June 30 until the termination date of August 17, 2006.

The results follow the redefined indicators submitted in the performance monitoring plan of May 20, 2006 to more directly support PRISMS' overall project goal: increased flow of financial services to support growth of the MSME sector. During the reporting period, work continued on activities targeting three project intermediate results (PIRs):

- 1) *PIR 3.1.1: Increased commercial bank loans to NBFIs and MSMEs.* PRISMS aimed to increase commercial bank loans to non-bank financial institutions (NBFIs), particularly through wholesale lending to microfinance institutions (MFIs).
- 2) *PIR 3.1.2: Increased capacity of NBFIs to serve MSMEs.* PRISMS worked to increase the capacity of NBFIs to serve MSMEs, by facilitating increased access to commercial capital from banks and specialized microfinance funds.
- 3) *PIR 4.1.3: Improved enabling environment to support SME finance.* PRISMS worked with commercial banks in the use of creative strategies for establishing collateral to secure wholesale and retail MSME loans.

Details on activities and accomplishments during the reporting period are provided in the following section on Quarter Progress. We then discuss Problems and Opportunities identified during the quarter, followed by a brief summary of Activity Changes.

### II. Quarter Progress

Included below, the table summarizes targets for September 2006 and the life of the project. The life-of-project targets have been transferred to the MARKETS project and will continue to be reported on. The table also includes the actual results achieved as of the project end date of August 17, 2006. All of targets were met and passed, as in the previous quarter. (Note: All data included in this report are pro-rated to only capture the period of July 1-August 17, 2006. Data from the rest of the quarter until September 30<sup>th</sup> will be captured in MARKETS reporting.)

**Table No. 1**  
**QUARTER & CUMMULATIVE TARGETS**

Revised as per PMP of May 30, 2006

| No. | Project Indicators  | 16-Aug-06<br>Targets | 16-Aug-06<br>Actuals   | 30-Sep-06<br>Targets | 4-Jan-08<br>LOP Targets |
|-----|---|----------------------|------------------------|----------------------|-------------------------|
| 1   | Value of Loans Disbursed to MSMEs (Million) - First Disbursement<br>Cum. Value of Loans Disbursed to MSMEs (NGN Million) - Includes Repeat Loans  | 12.5<br>77.5         | 16.9<br>240.6          | 25.0<br>90.0         | 200.0                   |
| 2   | Number of Loans Disbursed to MSMEs - First Disbursement<br>Cum. Number of Loans Disbursed to MSMEs - Includes Repeat Loans  | 1,250.0<br>7,750.0   | 886.0<br>13,819.0      | 2,500.0<br>9,000.0   | 20,000.0                |
| 3   | Value of Wholesale Loans to NBFIs & Retail Loans to MSMEs Disbursed in Period (NGN Million)<br>Cum. Value of Wholesale Loans to NBFIs & Retail Loans to MSMEs Disbursed (NGN Million)           | 12.5<br>77.5         | -<br>179.1             | 25.0<br>90.0         | 200.0                   |
| 4   | Number of Wholesale Loans to NBFIs & Retail Loans to MSMEs Disbursed in Period<br>Cum. Number of Wholesale Loans to NBFIs & Retail Loans to MSMEs Disbursed                                     | 1.0<br>2.0           | -<br>3.0               | 1.0<br>3.0           | 6.0                     |
| 5   | Number of New/Existing Financial Products/Guarantees Introduced in Period<br>Cum. Number of New/Existing Financial Products/Guarantees Introduced   | 1.0<br>1.0           | -<br>3.0               | 1.0<br>2.0           | 5.0                     |
| 6   | Value of Retail Loans to MSMEs by NBFIS in period (NGN Million)<br>Cum. Value of Retail Loans to MSMEs by NBFIS (NGN Million) - Includes Repeat Loans   | 12.5<br>77.5         | 16.9<br>240.6          | 25.0<br>90.0         | 200.0                   |
| 7   | Number of Retail Loans to MSMEs by NBFIS in Period<br>Cum. Number of Retail Loans to MSMEs by NBFIS - Includes Repeat Loans   | 1,250.0<br>7,750.0   | 886.0<br>13,819.0      | 2,500.0<br>9,000.0   | 20,000.0                |
| 8   | Value of Retail Loans made to new clients by NBFIS in Period (Baseline: March 06) (NGN Million) *<br>Cum. Value of Retail Loans made to new clients by NBFIS (Baseline: March 06) (NGN Million) | 3,298.2<br>135,225.4 | 191,504.5<br>491,712.5 | 6,596.4<br>138,523.6 | 7,272.5<br>152,722.3    |
| 9   | Number of New Clients served by NBFIS in period (Baseline: March 06) (5% increase) *<br>Cum. Number of New Clients served by NBFIS (Baseline: March 06) (5% increase)                           | 166.0<br>6,807.0     | 10,596.0<br>25,202.0   | 332.1<br>6,973.3     | 403.6<br>8,476.1        |
| 10  | Number of new supervisory or planning tools/techniques introduced in Period<br>Cum. Number of new supervisory or planning tools/techniques introduced   | 1.0                  | -<br>1.0               | 1.0                  | 2.0                     |
| 11  | Number of Policies Approved/Revised to Support MSME Finance in Period<br>Cum. Number of Policies Approved/Revised to Support MSME Finance   | 1.0                  | -<br>3.0               | 1.0<br>2.0           | 3.0                     |

\* **Not:** Figures are estimates based on information provided by LAPO. LAPO's MIS does not capture this information directly.

Our base is the total number of new clients in previous month provided by LAPO. They estimate 85% of new clients in previous month qualify for loans in current month. Target assumes a 5% increase in value each quarter.

### PIR 3.1.1: Increased Commercial Bank Loans to NBFIs and MSMEs

Farouk Kurawa, deputy chief of party, and Miguel Rivarola, chief of party, continued working with banks in promoting providing new products and services for NBFIs and MSMEs. This initiative was pursued vigorously and is reported in Table No. 1 (above), which summarizes year-to-date and quarter progress.

#### PRISMS Commercial Bank Partners

- AfriBank
- SKYE Bank
- UBA
- Union Bank
- Zenith Bank

#### Activities and Milestones under PIR 3.1.1: July – August 2006

*Conduct updated survey of all consolidated commercial banks.* Commercial banks continue to show greater interest in working with PRISMS as they conclude their financial and management restructuring. Spring Bank and Oceanic Bank were also interviewed and expressed their interest in the partnership.

*Bank profiles developed.* Because SKYE bank signed an EOI in the last quarter and Diamond bank this quarter, PRISMS met and surpassed the milestone of negotiating five expression of interest letters by signing six.

PRISMS continued to visit existing and potential commercial bank partners to maintain relationships and develop new ones. Under MARKETS, every opportunity will be taken to present banks with new financing opportunities tied to MARKETS partners.

**PIR 1 FY 2006 Milestones**

August 16

- Expressions of interest signed during the quarter:
  - Diamond Bank

*Specialized microfinance investment and lending funds interested in working with viable MFIs in Nigeria identified.* As noted in previous reports, banks are not prepared to provide wholesale loans to MFIs without full security in the form of hard currency loans. Although this mechanism does provide a bridge for MFIs to secure local commercial wholesale bank loans, attention must be paid to the capacity of the MFI to service the debt, repay the loan at maturity, and source other forms of capital over time. This concern will become an important focus for on-going capacity building activities under MARKETS.

PRISMS was instrumental during this last quarter in securing N80 million in international loans and guarantees to leverage local currency for MSME lending in Nigeria. The details follow:

**Table No. 2**

| LAPO WHOLESALE DATA      |                  |                  |                    |                    |              |
|--------------------------|------------------|------------------|--------------------|--------------------|--------------|
| First-time Disbursements |                  |                  |                    |                    |              |
| LENDER                   | EURO VALUE       | DOLLAR EQUIV.    | NAIRA VALUE        | DISBURSED          | NO. OF LOANS |
| NOVIB/ZENITH             | 400,000          | 471,000          | 61,600,000         | 61,600,000         | 3,571        |
| INCOFIN                  | 250,000          | 300,000          | 37,500,000         | 37,500,000         | 2,224        |
| CORDAID/ZENITH           | 500,000          | 588,750          | 80,000,000         | 58,200,000         | 3,156        |
| GRAMEEN/AFRIBANK         |                  | 300,000          | 40,000,000         |                    |              |
| <b>TOTAL</b>             | <b>1,150,000</b> | <b>1,659,750</b> | <b>219,100,000</b> | <b>157,300,000</b> | <b>8,951</b> |

Source: LAPO statistical reports and wholesale loan documentation.

The four loans negotiated for LAPO in the last three quarters have been previously reported. They leveraged specialized international financial institution resources totaling N219.1 million (\$1.69 million) from Novib, Incofin, Cordaid, and Grameen Foundation USA to secure counterpart funding from Nigerian banks totaling N219.1 million. Of the four packages, two loans have been disbursed since November 2005. A N80 million loan was approved and disbursed by Zenith Bank in the quarter ended June 2006, of which LAPO disbursed N58.2million to its clients by August 17.

PRISMS continues to broker a N40 million loan package for LAPO with Afribank, 50 percent supported by an approved Grameen Foundation USA guarantee. As of this report writing, following the end of the period, we have been advised the loan was approved and will be presented to the board for ratification in October. The latest delay has been caused by a change in the management structure of the bank, an occurrence that has become common in Nigeria as banks continue to work through the massive restructuring process.

*Bank direct lending to MSMEs increased.* PRISMS relations with six commercial banks to expand direct lending to MSMEs have been transferred to MARKETS: Zenith, AfriBank, First Bank of Nigeria, United Bank for Africa, SKYE Bank, and Union Bank of Nigeria. It is expected that by combining the demand-generating capabilities of MARKETS with the financial structuring skills of PRISMS, more bankable transactions will be structured and marketed to these partner banks. Details follow:

*FADAMA II Kaduna.* PRISMS continued meeting with this World Bank project and with Union Bank of Nigeria, First Bank of Nigeria, and United Bank of Africa. The initial request of N105 million for more than 1,000 farmers was reduced to nine farmer groups for an amount totalling N9 million. Union Bank of Nigeria is the lead bank in the negotiations. As of this report, a breakthrough seems to have been made in agreeing on final documentation required by the bank prior to approving the loans.

*Sorghum Alliance.* As reported in the previous quarter, negotiations with Union Bank of Nigeria broke down following a further restructuring of the bank's management team. Subsequently, discussions were extended to Zenith Bank, which is Nigerian Breweries' lead bank. As of this report a breakthrough was in the works, with a simplified loan structure and close collaboration of all parties, including Nigerian Breweries, Zenith Bank, the borrower Regional Processing Centers, and MARKETS. The excellent level of transparency and willingness to collaborate to close the deal demonstrates the pivotal brokering role the MARKETS credit group can play in building the trust needed to break the ice.

*Rice Alliance II.* Our experiences negotiating the Sorghum Alliance showed that similar deals would require a shift in focus. MARKETS is focusing on big-time processors and entered into an alliance with rice processor Enyin Rice and Annes Agro industries in Abakaliki. We submitted a copy of the loan application for N50 million on behalf of these processors to the managing director of Oceanic Bank, PLC and N18.5 million to Union Bank and Guaranty Trust Bank. Approval is expected next quarter. Several other partnerships are also being developed.

*JOBS and SPACE:* As noted in the last quarter report, given the ending of the SPACE project and the shift in PRISMS focus under the MARKETS project, financing for these initiatives will not be continued.

*Collaboration with World Bank MSME project.* This important collaboration is being continued under MARKETS.

*Due Diligence Tool:* This PRISMS-developed Institutional Risk Assessment Tool was presented to four banks during the period and will be used to assess microfinance institutions and community banks seeking to access bank wholesale credit facilities. The banks include Zenith, Oceanic, United Bank for Africa, and SKYE. They have agreed to inform MARKETS when they use the Risk Assessment Tool. A presentation to another bank (Diamond Bank) is scheduled for next quarter and will be done under MARKETS.

### PIR 3.1.2: Increased Capacity of NBFIs to Serve MSMEs

PRISMS has achieved good success in securing commercial capital for one MFIs to on-lend. A new memorandum of understanding was signed during the period with Development Exchange Centre in Bauchi and work will begin under MARKETS to develop DEC's governance structure and loan procedures and improve loan portfolio quality, as well as develop and review its business plan in preparation to access wholesale funding and convert to microfinance bank status.

As a result of the loan/guarantee facility structured under PIR 3.1.1, from the N80 million (\$588,750) secured in June 2006 from Zenith Bank, N58.2 million (\$447,692) was disbursed by LAPO, generating 3,156 first-time loans to microentrepreneurs.

The N40 million (\$317,460) loan from Afribank/Grameen was approved by the credit committee, and is awaiting ratification by Afribank's board in October.

**Table No. 3**  
**First Disbursement and Repeat Loans Made by LAPO**  
**From Wholesale Loans**

| Gender                                  | July – August 2006 |                |              | October 2005 – August 2006 |                  |               |
|---|--------------------|----------------|--------------|----------------------------|------------------|---------------|
|   | Value in Naira     | Value in \$    | No. of Loans | Value in Naira             | Value in \$      | No. of Loans  |
| <b>First Disbursement</b>               | 16,900,000         | 130,000        | 886          | 157,300,000                | 1,210,000        | 8,951         |
| <b>Repeat Disbursements<sup>1</sup></b> | NIL                | NIL            | NIL          | 83,315,625                 | 640,889          | 4,868         |
| <b>Total</b>                            | <b>16,900,000</b>  | <b>130,000</b> | <b>886</b>   | <b>240,615,625</b>         | <b>1,850,889</b> | <b>13,819</b> |

Source: LAPO - Exchange Rate used N130 = 1USD

The total cumulative value of loans made by LAPO from wholesale loans received during the period from October 2005 to August 17, 2006 was \$1.85 million. The cumulative number of loans made during the same period was 13,819.

Other statistical data on LAPO & DEC's loan portfolio for the quarter are summarized in Tables 4, 5, and 6.

**Table No. 4**  
**Loans Disbursed to Existing and New Clients**

| Gender        | Loan Disbursed to Existing Clients (July – August 06) |                  |              | Loans Disbursed to New Clients (July – August 06) |                  |               |
|---------------|---|------------------|--------------|---|------------------|---------------|
|               | Value in Naira  | Value in \$      | No. of Loans | Value In Naira                                    | Value in \$      | No. of Loans  |
| <b>Female</b> | 129,283,900   | 994,492          | 7,190        | 187,862,661                                       | 1,445,097        | 10,399        |
| <b>Male</b>   | 2,090,618   | 16,082           | 101          | 3,641,822   | 28,014           | 197           |
| <b>Total</b>  | <b>131,374,518</b>                                    | <b>1,010,574</b> | <b>7,291</b> | <b>191,504,483</b>                                | <b>1,473,111</b> | <b>10,596</b> |

Source: LAPO - Exchange Rate used N130 = 1USD

<sup>1</sup> These are estimates based on LAPO's loan cycle after considering repayment rate and PAR.

The table below summarizes the cumulative value and number of loans disbursed to MSMEs by PRISMS partner MFIs (LAPO and DEC) between July and August 17, 2006 and for fiscal year 2006. The information includes cumulative and repeat retail loans using wholesale financing received from domestic commercial banks, international microfinance funds, and loans made with LAPO and DEC's own capital and savings.

**Table No. 5**  
**Cumulative Value and Number of Loans Disbursed by LAPO and DEC**  
**(Total Loan Portfolio)**

| Gender | July – August 2006 |             |              | October 2005 – August 2006 |             |              |
|--------|--------------------|-------------|--------------|----------------------------|-------------|--------------|
|        | Value in Naira     | Value in \$ | No. of Loans | Value in Naira             | Value in \$ | No. of Loans |
| Female | 317,146,560        | 2,439,589   | 17,589       | 1,473,680,000              | 11,336,000  | 79,420       |
| Male   | 5,732,440          | 44,096      | 298          | 28,159,440                 | 216,611     | 1,565        |
| Total  | 322,879,000        | 2,483,685   | 17,887       | 1,501,839,440              | 11,552,611  | 80,985       |

Source: LAPO Exchange Rate used N130 = 1USD

Context indicators included in the performance monitoring plan submitted to USAID on May 30 include:

**Table No. 6**  
**CONTEXT INDICATORS**  
**LAPO**

|   | Indicators   | Baseline March 2006 | August 2006 | Change |
|---|--|---------------------|-------------|--------|
| 1 | Estimated % of religious preferences in the clientele of Partner NBFIs |                     |             |        |
|   | Islam  | 4.0%                | 4.0%        | 0.0%   |
|   | Christian  | 91.0%               | 91.0%       | 0.0%   |
|   | Others   | 5.0%                | 5.0%        | 0.0%   |
| 2 | Portfolio at Risk (PAR) on the total loan portfolio of Partner NBFIs   | 1.7%                | 1.0%        | -42.0% |
| 3 | Repayment Rate (RR) on the total loan portfolio of Partner NBFIs       | 99.2%               | 99.2%       | 0.0%   |
| 4 | Value of Savings deposited in Partner NBFIs                            |                     |             |        |
|   | Naira (Million)  | NGN 211,202         | NGN 268,869 | 27.3%  |
|   | US Dollars   | \$ 1,676            | \$ 2,068    | 27.3%  |
|   | Exchange Rate N126 = 1 USD   | 126                 | 130         |        |

Source: LAPO

Additional statistical information on LAPO can be seen in Annex No. 1.

### Activities and Milestones under PIR 2: July – August 2006

*Develop and sign memoranda of understanding with at least three MFI partners identified for intensive capacity building for a total of five by September 2006.* Of four memoranda of understanding previously signed by PRISMS with MFIs, two were cancelled before termination of the project and the merger of activities with MARKETS. The two remaining and transferred are with LAPO and DEC. The two cancelled were with Accord For Community Development

(ACCORD) and Women Development Initiative (WDI). It is not anticipated that any new memoranda of understanding will be entered into by MARKETS.

*Develop at least five MFI “access to finance” roadmaps by September 2006.* The technical assistance plan that was developed and agreed with LAPO will be implemented by MARKETS. A consultant has been identified and will begin work during the next reporting period under MARKETS.

*Targeted technical assistance and training to build MFI capacity.* PRISMS started to implement the technical assistance plan agreed with LAPO. In so doing, the project identified Nigerian short-term experts to complement PRISMS installed capacity to provide technical assistance and training included in the “access to finance” roadmap. A scope of work was developed to prepare a feasibility study and business plan for LAPO to present to the Central Bank of Nigeria (CBN) as one of the documents required to obtain a license to operate as a microfinance bank. The project expects to complete the review of the business plan during the next quarter under MARKETS. The project will also start to provide management training to LAPO to help its staff adjust for transformation.

During the previous quarters, three people participated in the “Business Planning and Financial Projections with Microfin” training held in Barcelona in June 2006. A full course for delivery in Nigeria has been planned to include partner MFIs, further CBN and Other Financial Institutions Division (OFID) personnel and other interested parties that MARKETS might identify. The course is expected to be in the first quarter of 2007, subject to trainer availability and negotiation of a cost-sharing agreement with GTZ and participants.

Under the new microfinance policy, microfinance banks are required to prepare feasibility reports, including a business plan showing five-year financial projections, to submit with their applications to CBN for licenses. The course will, among other things, assist microfinance institutions transforming to microfinance banks to meet this requirement, help CBN supervisors understand, review, and analyze financial projections of the institutions, and generally, improve planning and financial projections among microfinance institutions and community banks in Nigeria.

The non-bank financial institutions due diligence tool developed by PRISMS was presented to some of our commercial bank partners last quarter. An interest in the tool was also expressed by Diamond Bank and a presentation is scheduled under MARKETS next quarter. This will assist partner banks in assessing the risk profiles of NBFIs and should enhance the speedy processing of wholesale loan applications from these institutions.

### **Activities and Milestones under PIR 2: July – August 2006**

Except for LAPO, all four additional partners (ACCORD, WDI, DEC, and Hudulullah) were found to be not ready for commercial finance during assessments carried out during the previous quarter. As noted, these partnerships have been terminated, with the exception of LAPO and DEC.

#### **PIR 3 FY 2006 Milestones**

April – September 2006

- Identification of microfinance policy and guidelines provisions in need of interpretation or clarification.
- Supervisory/planning tools and techniques introduced

### **PIR 4.1.1: Improved Enabling Environment to Support SME Finance**

During July and August, there was limited technical assistance provided to CBN/OFID, as most requests for clarification of the microfinance policy and guidelines had been addressed and a decision was made that follow-on work under MARKETS would not include the enabling environment. Some support will be provided by the REFORMS project or other USAID project or programs.

#### **Activities and Milestones under PIR 3: July – August 2006**

*Dialogue with the CBN to stimulate microfinance policy and guidelines interpretation and clarifications.* No major issues were addressed during this period.

The PRISMS seat on the National Organizing Committee on Micro Finance at the CBN will be assumed by MARKETS.

MARKETS will assume PRISMS' work on the arrangements of a road show for the International Year of Micro Credit scheduled for next year. This will provide an opportunity for USAID to gain knowledge of the activities being organized by the CBN.

PRISMS' paper on Governance Issues in Microfinance presented at the Microfinance Policy launched in December 2005 and was published in the June 2006 Nigeria Economic Summit magazine, which came out in July. This further recognizes the effort of USAID in contributing to the development of microfinance in Nigeria.

*New supervisory and planning tools or techniques introduced.* Following exposure to Microfin training in Barcelona during June, the CBN/OFID staff requested the training be brought to Nigeria so that participation could be increased. That training will be carried out under MARKETS. Training of CBN/OFID staff on Microfin will greatly facilitate the review, approval, and supervision of operational and financial plans being implemented by microfinance banks.

*Supervisory tool:* USAID and CBN/OFID requested PRISMS' assistance in researching the feasibility of installing a USAID field supervisory tool to more effectively supervise the newly established microfinance banks. That feasibility study was completed during the last quarter and linkages between OFID and USAID/Washington established. The FinA software was developed by USAID and is being used in Azerbaijan. The software will be financed and installed directly by USAID/Washington. Training and technical assistance will also be provided by USAID.

### **III. Problems and Opportunities**

The suggested re-scoping of PRISMS activities into MARKETS was approved by USAID/Nigeria in July and implemented with effect from August 17, 2006. During the demobilization period, all outstanding administrative issues were resolved, staff were transferred to MARKETS or terminated, equipment were disposed of according to established procedures in coordination with the contracting officer's office and other USAID projects.

The results of the April-June portfolio review and a final award fee determination for the period from August 2005 through August 2006 remain outstanding.

#### **IV. Activity Changes**

In mid-June, Chemonics presented a proposal (concept paper) to merge two USAID activities being implemented by Chemonics (PRISMS and MARKETS) to more effectively and efficiently use available resources to achieve greater impact for SO-12.

The concept paper was approved by USAID in July with effect from August 17. All remaining activities have been re-scoped into MARKETS, including the two financial services managers, the accountant, and office staff. It was determined to retain only two of the four memorandum of understanding with MFI partners. All subcontracts were terminated. Policy work on the enabling environment was also dropped. The focus for expanding access to MSME finance will target loans and financial services required to meet the needs of MARKETS targeted partners and clients as well as MFI partners.

All higher-level life of project targets have been incorporated into the MARKETS performance monitoring plan and will be reflected in the work plan for program year 2007. Common indicators reported under PRISMS will continue to be reported on by MARKETS and the cumulative reporting of all MFI performance data will be carried over and reported by MARKETS so there is no loss of data on USAID's impact on the expansion of MSME access to financing from the beginning of the PRISMS project.

#### **V. Success Stories**

We have not identified any new success stories for the period under review.

#### **VI. Next Quarter Results and Related Tasks**

MARKETS will report results for the remainder of the July-September quarter beginning from August 18. Care will be exercised to ensure that no data are double-counted by PRISMS and MARKETS for the same quarter. Accordingly, this report shows only quarterly results for the seven weeks from July 1 to August 17, whereas MARKETS will commence data reporting for the quarter from August 18 through September 30, 2006.

The table below summarizes the activities and milestones performed during the quarter. It also summarizes activities and milestones to be performed through the end of the fiscal year. These activities and milestones were identified in our work plan for FY 2006.

## PRISMS FY 2006 WORKPLAN GANTT CHART

## Subs IRs 3.1 &amp; 4.1: Increased Flow of Sustainable Financial Services to Support Growth of the MSME Sector

|  | 2nd. Quarter |               |      | 3rd. Quarter |      |      | 4rd. Quarter |     |      |
|--|--------------|---------------|------|--------------|------|------|--------------|-----|------|
|  | Jan          | Feb           | Mar  | Apr          | May  | Jun  | Jul          | Aug | Sept |
| <b>Sub-Sub IR 3.1.1: Increased Commercial Bank Loans to NBFIs and MSMEs</b>                          |              |               |      |              |      |      |              |     |      |
| 1 Develop a Bank Profile Template  | Done         |               |      |              |      |      |              |     |      |
| 2 Identify a Minimum of 5 banks interested in MFI lending to MFI                                     | Done         | Done          |      |              |      |      |              | One |      |
| 3 Obtain at least 5 expression of interest letters   |              |               | Done |              |      | Done |              |     |      |
| 4 Identify a minimum of 3 loan packages to be presented directly from MSMEs to commercial banks      |              | Done          |      |              |      |      |              |     |      |
| 5 Identify at least 3 international investments and lending funds                                    |              |               | Done |              |      |      |              |     |      |
| 6 Present at 3 wholesale loan applications to commercial banks                                       |              |               | Done |              |      |      |              |     |      |
| 7 Identify 1 tool for assessing MFIs for commercial banks  |              |               | Done |              |      | Done |              |     |      |
| <b>Sub-Sub IR 3.1.2: Increased capacity of NBFIs to serve MSMEs</b>                                  |              |               |      |              |      |      |              |     |      |
| 1 Conduct Pre-Audits of 8 potential MFI partners   | Done         | Done          | Done |              |      |      |              |     |      |
| 2 Conclude detailed assessment of 1 MFI partner  |              |               | Done |              |      |      |              |     |      |
| 3 Identify and select 5 MFI partners for intensive capacity building                                 |              |               | Done |              |      | Done |              |     |      |
| 4 Develop and sign MOU with at least 5 partners identified   |              |               | Done |              |      | Done |              |     |      |
| 5 Review and expand the Due Diligence Tool   |              |               | Done |              |      |      |              |     |      |
| 6 Develop at least 5 access to finance roadmaps  |              |               |      |              | Done | Done | One          | One |      |
| 7 Provide targeted TA & training to MFI partners to build their capacity in accordance with roadmaps |              |               |      |              |      | Done | Done         |     |      |
| 8 Introduce at least two new/improved financial products or guarantees                               |              |               | Done |              |      |      |              |     |      |
| <b>Sub-Sub IR 3.1.3 &amp; 4.1.1: Improved Enabling Environment to Support MSMEs Finance</b>          |              |               |      |              |      |      |              |     |      |
| 1 Review and analyze collateral policy   |              | Done          |      |              |      |      |              |     |      |
| 2 Hold initial meeting with CBN to discuss collateral policy   |              | Done          |      |              |      |      |              |     |      |
| 3 Conduct dialogue with CBN to stimulate collateral policy change (at least one meeting)             |              | Not necessary |      |              |      |      |              |     |      |
| 4 Identify provisions in the Microfinance Policy/Guidelines in need of interpretation                |              |               | Done |              |      |      |              |     |      |
| 5 Draft at least 4 recommendations to CBN and donor partners for comments                            |              |               |      |              | Done |      |              | Two |      |
| 6 Propose and discuss with CBN at least 2 targeted microfinance Policy/Guidelines interpretations    |              |               |      |              |      | Done | Done         |     |      |
| 7 Introduce at least 1 new supervisory tools/techniques  |              |               |      |              |      |      |              |     |      |
| 8 Identify & discuss at least 2 other enabling environment reforms                                   |              |               |      |              |      |      |              |     | One  |

## VII. Annexes

Annex 1:

### LIFT ABOVE POVERTY ORGANIZATION (LAPO), BENIN CITY, EDO STATE

#### ANALYSIS OF VALUE AND NUMBER OF LOANS DISBURSED FROM JULY TO SEPTEMBER 2006

| STATE                            | JULY               | AUGUST             | SEPT               | TOTAL              | CORDAID/<br>ZENITH | NET                |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>VALUE OF LOANS DISBURSED</b>  |                    |                    |                    |                    |                    |                    |
| EDO                              | 69,263,000         | 53,488,000         | 69,613,000         | 192,364,000        | 11,500,000         | 180,864,000        |
| DELTA                            | 35,466,000         | 29,585,000         | 36,429,000         | 101,480,000        | 4,600,000          | 96,880,000         |
| RIVERS                           | 6,450,000          | 12,585,000         | 15,190,000         | 34,225,000         | 2,000,000          | 32,225,000         |
| OTHERS                           | 80,843,000         | 79,341,000         | 84,991,000         | 245,175,000        | 15,700,000         | 229,475,000        |
| <b>TOTAL</b>                     | <b>192,022,000</b> | <b>174,999,000</b> | <b>206,223,000</b> | <b>573,244,000</b> | <b>33,800,000</b>  | <b>539,444,000</b> |
| <b>NUMBER OF LOANS DISBURSED</b> |                    |                    |                    |                    |                    |                    |
| EDO                              | 2,858              | 2,370              | 2,691              | 7,919              | 473                | 7,446              |
| DELTA                            | 1,816              | 1,506              | 1,692              | 5,014              | 227                | 4,787              |
| RIVERS                           | 330                | 640                | 764                | 1,734              | 101                | 1,633              |
| OTHERS                           | 4,955              | 5,065              | 5,138              | 15,158             | 971                | 14,187             |
| <b>TOTAL</b>                     | <b>9,959</b>       | <b>9,581</b>       | <b>10,285</b>      | <b>29,825</b>      | <b>1,772</b>       | <b>28,053</b>      |

## Annex 2: DEC Loans July to September 2006

## DEVELOPMENT EXCHANGE CENTRE DISBURSEMENT FROM JULY - SEPTEMBER 2006.

| No. | BRANCHES        | MONTH        |                   |              |                   |              |                   | TOTAL        |                   |
|-----|-----------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|
|     |                 | JULY         |                   | AUGUST       |                   | SEPTEMBER    |                   |              |                   |
|     |                 | NO.          | AMOUNT            | NO.          | AMOUNT            | NO.          | AMOUNT            | NO.          | AMOUNT            |
| 1   | AZARE I         | 19           | 290,000           | 115          | 1,670,000         | 102          | 1,162,000         | 236          | 3,122,000         |
| 2   | AZARE II        | 15           | 150,000           | 10           | 100,000           | -            | -                 | 25           | 250,000           |
| 3   | BAUCHI I        | 56           | 908,000           | 60           | 855,000           | 81           | 1,085,000         | 197          | 2,848,000         |
| 4   | BAUCHI II/NINGI | -            | -                 | -            | -                 | 62           | 620,000           | 62           | 620,000           |
| 5   | BAUCHI III      | 9            | 130,000           | 33           | 425,000           | 15           | 175,000           | 57           | 730,000           |
| 6   | YELWA           | 42           | 465,000           | 81           | 900,000           | 65           | 920,000           | 188          | 2,285,000         |
| 7   | TORO            | 220          | 2,772,000         | 161          | 2,230,000         | 75           | 1,352,000         | 456          | 6,354,000         |
| 8   | T/BALEWA I      | -            | -                 | -            | -                 | -            | -                 | -            | -                 |
| 9   | T/BALEWA II     | 97           | 1,100,000         | 144          | 1,335,000         | 99           | 1,726,000         | 340          | 4,161,000         |
|     | <b>TOTAL</b>    | <b>458</b>   | <b>5,815,000</b>  | <b>604</b>   | <b>7,515,000</b>  | <b>499</b>   | <b>7,040,000</b>  | <b>1,561</b> | <b>20,370,000</b> |
| 10  | LANGTANG/N      | 203          | 2,030,000         | 217          | 2,170,000         | 182          | 1,816,000         | 602          | 6,016,000         |
| 11  | GOMBE I         | 118          | 1,502,000         | 150          | 1,769,000         | 93           | 1,039,000         | 361          | 4,310,000         |
| 12  | GOMBE II        | 114          | 1,436,000         | 156          | 1,795,000         | 119          | 1,302,000         | 389          | 4,533,000         |
| 13  | GOMBE III       | 164          | 1,720,000         | 163          | 1,760,000         | 194          | 2,080,000         | 521          | 5,560,000         |
| 14  | LIJI            | 218          | 2,211,000         | 139          | 1,419,000         | 197          | 2,023,000         | 554          | 5,653,000         |
| 15  | BAJOGA          | 44           | 492,000           | 70           | 693,000           | 88           | 928,000           | 202          | 2,113,000         |
| 16  | BIU             | -            | -                 | -            | -                 | -            | -                 | -            | -                 |
| 17  | POTISKUM        | -            | -                 | -            | -                 | -            | -                 | -            | -                 |
| 18  | KUMO            | 211          | 2,936,000         | 245          | 3,455,000         | 55           | 775,000           | 511          | 7,166,000         |
| 19  | BILLIRI I       | 136          | 2,325,000         | 74           | 1,370,000         | 43           | 745,000           | 253          | 4,440,000         |
| 20  | BILLIRI II      | 51           | 720,000           | 39           | 494,000           | 65           | 618,000           | 155          | 1,832,000         |
| 21  | KALTUNGO        | 43           | 642,000           | 135          | 1,663,000         | 60           | 1,016,000         | 238          | 3,321,000         |
| 22  | NUMAN           | -            | -                 | -            | -                 | -            | -                 | -            | -                 |
| 23  | WUKARI          | 169          | 1,690,000         | 224          | 2,240,000         | 202          | 2,020,000         | 595          | 5,950,000         |
|     | <b>TOTAL</b>    | <b>1,471</b> | <b>17,704,000</b> | <b>1,612</b> | <b>18,828,000</b> | <b>1,298</b> | <b>14,362,000</b> | <b>4,381</b> | <b>50,894,000</b> |
| 24  | EQ/ENT          | 3            | 250,000           | -            | -                 | -            | -                 | 3            | 250,000           |
| 25  | ON/LENDING      | -            | -                 | -            | -                 | 2            | 1,000,000         | 2            | 1,000,000         |
|     | <b>TOTAL</b>    | <b>3</b>     | <b>250,000</b>    | <b>-</b>     | <b>-</b>          | <b>2</b>     | <b>1,000,000</b>  | <b>5</b>     | <b>1,250,000</b>  |
|     | <b>G/ TOTAL</b> | <b>1,932</b> | <b>23,769,000</b> | <b>2,216</b> | <b>26,343,000</b> | <b>1,799</b> | <b>22,402,000</b> | <b>5,947</b> | <b>72,514,000</b> |