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SUDAN AGRICULTURAL ENTERPRISE FINANCE PROGRAM FINAL REPORT

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SUDAN AGRICULTURAL ENTERPRISE FINANCE PROGRAM

FINAL REPORT

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ACRONYMS

AEFP	Agricultural Enterprise Finance Program
ARC	American Refugee Committee
BOSS	Bank of Southern Sudan
CEO	chief executive officer
CPA	Comprehensive Peace Agreement
DRC	the Democratic Republic of the Congo
GOSS	government of Southern Sudan
IDP	internally displaced person
LRA	Lord's Resistance Army
MAL	Micro Africa Limited
MFI	microfinance institution
MIS	management information system
NGO	nongovernmental organization
Norfund	Norwegian Investment Fund for Developing Countries
PSC	Program Support Committee
PwC	PricewaterhouseCoopers
SSARP	Southern Sudan Agriculture Revitalization Program
SPLM	Sudan People's Liberation Movement
SUMI	Sudan Microfinance Institution
TTF	technical task force
UNCDF	United Nations Capital Development Fund

EXECUTIVE SUMMARY

After more than 20 years of civil war, Southern Sudan was left with no regulatory framework, few businesses, virtually no infrastructure, and a culture of relief aid. A shocking two million people had been killed and more than four million displaced, and those who remained were living in desperate conditions. Against this backdrop, USAID designed an optimistic program to establish a microfinance institution (MFI) to provide working capital to entrepreneurs. The Agricultural Enterprise Finance Program (AEFP) began in September 2002. All recognized its ambitious nature, but the design of the program proved to be just right for Southern Sudan.

AEFP was a key part of the Southern Sudan Agriculture Revitalization Program (SSARP), a five-year, $22.5 million activity designed to benefit opposition-held areas of Upper Nile, Bahr el Ghazal, Equatorial, Southern Blue Nile, and the Nuba Mountains. It targeted agricultural producers and entrepreneurs, with an emphasis on community involvement and the participation of women. Specifically, SSARP:

- Supported agriculture and business skills training in six subsectors: food crops, agricultural technology, forestry, livestock, wildlife, and fisheries
- Established a central information and data analysis collection and dissemination unit
- Strengthened agricultural commodity networks
- Provided access to capital through an MFI established by the autonomous AEFP

The $10 million AEFP continued beyond the July 2006 completion of SSARP's other components and, during its five-year lifetime:

- Established the Sudan Microfinance Institution (SUMI), the first financial institution in post-conflict Southern Sudan, with five branches offering multiple loan products, more than 6,000 clients, and an outstanding portfolio of more than $2.7 million
- Launched the Southern Sudan Microfinance Forum
- Laid the foundation for effective microfinance policy development
- Supported the establishment of a second MFI — Finance Sudan

In examining the intangible results, it is important to note that AEFP also brought about a mindset change in Southern Sudan, a country with a long culture of relief aid and a population desperately trying to rebuild their lives. Through SUMI, AEFP empowered the people of Southern Sudan to realize they had the ability and could take steps to stand on their own, change their lives, and care for themselves and their families. Everyone involved in the project can be proud of this legacy.

This final report will serve three purposes. First, it captures the results and impact of AEFP. Second, it consolidates the project's approach into one document to provide a foundation for the design of supplementary interventions in South Sudan. Finally, it provides lessons learned that may lend themselves to other microfinance activities.

We begin with an overview of the country context and then discuss the AEFP approach. Following a description of project organization, we review project impact. Given the primary importance of SUMI to AEFP, we have broken out activities related to the MFI in separate sections as follows: establishment of SUMI, capacity building, geographic expansion, and new product development. Subsequent chapters discuss additional areas of AEFP focus: the policy environment, overarching sector support activities, and Finance Sudan. We review successes and what worked, as well as weaknesses and challenges faced. We then present lessons learned, which we hope will inform the next generation of microfinance activities in Southern Sudan. We conclude with a discussion of the way forward. It is our hope that this report will be useful as a guide and a tool for practitioners of microfinance in post-conflict environments.

SUMI at a Glance

- Established: July 2003 in Yei
- Legal Status: A registered company limited by guarantee
- Governance: Board of directors (all Sudanese)
- Head Office: Yei — with the intention of shifting to Juba
- Branch Network: Five branches, in Yei, Maridi, Yambio, Rumbek, and Juba
- Client Base: More than 6,000 active clients
- Products and Services:
  - Group Loans: Offered to microentrepreneurs
  - Individual Loans: Offered to those with collateral and bigger businesses
  - Salary Loans (Consumer Loans): Offered to stable salaried employees
- Loan Information:
  - Cumulative Disbursements: More than $7.1 million
  - Active Portfolio: More than $2.8 million
  - Qualitative Repayment: More than 90 percent

SECTION I: THE COUNTRY CONTEXT

When AEFP began, peace talks were ongoing between the Sudan People's Liberation Movement (SPLM) — the south's provisional government — and the government of Sudan. This was a difficult and lengthy process, and the situation remained precarious until the Comprehensive Peace Agreement (CPA) formally ended the war between the north and south on January 9, 2005. Since then, there has been a return to calm, albeit with flare-ups of insecurity from a variety of actors and directions in this complex post-conflict environment.

With peace, a significant number of internally displaced persons (IDPs) and refugees returned to their homes and began to rebuild their lives. They have faced enormous challenges. Southern Sudan was neglected and impoverished in all major sectors, particularly economically, and large geographic areas were marginalized. Much of Southern Sudan still lacks basic infrastructure for transport and communications, making access and supply of goods and services difficult. The lack of investment in the south resulted in what international humanitarian organizations call a "lost generation" that lacks educational opportunities and access to basic health care services, and has few prospects for productive employment.

Insecurity continues to be a problem. Border areas with Uganda and the Democratic Republic of the Congo (DRC) faced attacks by the Lord's Resistance Army (LRA), although these have subsided since the government of Southern Sudan (GOSS) stepped in as peacemaker to host talks between the government of Uganda and the LRA. In addition, insecurity related to implementation of the CPA has plagued Abyei and border areas with the north, while towns such as Yambio have faced conflicts between groups within the south itself. There also continues to be insecurity along some roads, including the road linking Malakal with Eastern Upper Nile.

The poor condition of Southern Sudan's infrastructure has also presented a significant obstacle to rebuilding. Roads were in a desperate state of disrepair after the war. This has prevented border towns such as Yambio and Yei from reaching their commercial potential, while the inaccessibility of other towns such as Rumbek and Aweil has hampered their economic prospects. Many roads were washed away, leaving dangerous and sometimes impassable areas, and the significant cost of transport on the deteriorated roads has been transferred to the consumer, who pays inflated prices for goods from neighboring countries. The lack of efficient transport has discouraged exports by entrepreneurs with surplus agricultural production. Donor projects have begun to address the extremely poor condition of the roads, but there is much work to do.

As IDPs and returnees began to rebuild their lives, there was an unmet demand for financial services to support them. Microfinance is recognized as an avenue for fostering economic opportunity among post-conflict populations. Although unfamiliar with this type of intervention, the population eagerly embraced SUMI when the institution opened its doors. At the beginning of the project, many thought microfinance simply would not work in Southern Sudan, but, ultimately, AEFP and SUMI proved them wrong.

SECTION II: THE AEFP APPROACH

Establishing the first multi-branch financial institution in Southern Sudan following the end of Africa's longest civil war presented a unique set of challenges and risks. The proper design of AEFP was vital to success.

AEFP as a Model of Post-Conflict Development

As a groundbreaking activity, it was critical that AEFP build in the flexibility to adapt to the fluid context on the ground. In a desperately poor, politically and socially complex operational environment that lacked even the most basic infrastructure, AEFP anticipated risks and adopted a practical, simple, and proactive approach to dealing with them. Some risks were internal, such as institutional risks related to interest rates and monitoring mechanisms, operational concerns dealing with moving large amounts of cash, and financial management risks related to assets and liabilities. Others were external, including infrastructure, education levels, and entrepreneurial experience. Understanding the potential impact of these risks on SUMI and its development, AEFP anticipated and mitigated them to the highest extent possible.

> **A Model Program**
>
> "USAID's best program in the country and the model for future work in a difficult environment."
>
> — *James Walsh, former AEFP cognizant technical officer*

AEFP as a Promoter of Best Practices in Microfinance

From Day 1, AEFP promoted the use of best practices, not only in establishing SUMI, but also in implementing the overall project. To others that came later, SUMI served as an example of the importance and efficacy of this approach. Examples of these best practices include:

Start early. AEFP launched SUMI before the CPA was signed, thus creating a foundation for growth that positively influenced development of the entire microfinance sector. Starting with one branch while Southern Sudan was returning to calm set the stage for success with expansion to other areas and continuing outreach.

Intervene broadly. On the micro-level, AEFP provided technical assistance and training to SUMI, an MFI managed as an independent business to ensure sustainability and limit dependency on external support. On the macro-level, AEFP supported a wider microfinance landscape through establishment of a second MFI — Finance Sudan — and the launch of the Southern Sudan Microfinance Forum. This broad approach helped steer industry development in a positive direction to create an enabling environment friendly to microfinance.

Encourage collaboration among stakeholders. AEFP promoted effective partnerships to advance the microfinance sector's development. Through involvement in the forum and collaboration and information sharing among practitioners, the industry is learning to speak with one voice.

Fund appropriately. AEFP followed microfinance best practices, which hold that two-thirds of initial funding should focus on technical assistance, capacity building, and MFI operational support (through grants), with the remainder for loan capital. It is important to note that as institutional capacity grows, the grant-to-loan ratio should shift more toward loan capital, but still include a technical support component.

Use microfinance experience. As strong expertise was not available locally, AEFP tapped into regional and international markets to provide technical assistance to SUMI. This included short-term experts from Kenya, Uganda, and the United States, as well as AEFP's own staff.

AEFP as the Catalyst for Establishment of a Sustainable MFI

During the first year and part of the second, AEFP concentrated on establishing SUMI as an institution. Starting with a detailed market assessment, AEFP built SUMI's foundation piece by piece. Initial activities included determining branch locations, hiring and training SUMI staff, constructing offices, developing a pilot group loan product, drafting and institutionalizing policies and operational systems, conducting community and stakeholder outreach, appointing a board of directors, and familiarizing the board with microfinance best practices.

The Foundation for a Successful MFI

- Financial services must be market-driven; understand the customer and the market.
- Human capacity is critical; hire the right people and develop them through further training.
- Transparency is crucial.
- Work directly in the community.
- Extend small, short-term loans primarily for working capital on simplified terms.
- Simplify application procedures.
- Extend credit quickly.
- Keep the loan amount small.
- Maintain a low default rate.
- Charge appropriate interest rates.
- Sustainability as the goal.

AEFP assisted SUMI in developing a carefully designed business plan and in following a business model as it evolved. Although AEFP provided initial loan capitalization and technical assistance, it was vital that the MFI be managed as a business to be viable and sustainable.

After launching SUMI in Yei, AEFP focused on capacity building, geographic expansion, and product development. With AEFP's support, SUMI opened additional branches in Yambio, Maridi, Rumbek, and Juba, and developed salary and individual loan products to add to options available to clients. All loan products were tailored to the local context.

AEFP as Facilitator of an Effective Microfinance Framework

AEFP supported the launch of a second MFI, Finance Sudan, under a subcontract with the American Refugee Committee (ARC), thus introducing competition and further developing the overall microfinance industry. Finance Sudan established operations in Juba, and began expansion to Wau and Malakal.

Through the Southern Sudan Microfinance Forum, AEFP organized stakeholders to work together to promote the industry, share best practices, and lobby for effective policy development. AEFP also worked with the government as it developed, to educate government officials, encourage support for microfinance, and guard against overregulation.

Operating Guidelines/Pillars

At the beginning of the project, AEFP put in place a set of operating guidelines, or pillars, which drove project implementation. Taken as a whole, these pillars, as listed below, formed the foundation of activities.

Expand the access to capital. With three-quarters of Southern Sudan's workforce — including a significant amount of women — engaged in agriculture and agribusiness, we will pay special attention to gender issues in providing credit for working capital, as well as working with IDPs and returnees. Moreover, we will build strong partnerships with community groups, producer groups, and other local and regional entities to better leverage the available resources and so achieve project results.

Maintain flexibility in a tentatively secure area. Because of the political tensions and fighting in southern Sudan, we will focus on what is practical to meet project objectives, but will be ready to adjust to the unexpected.

Maintain a community-focused, client-driven approach. We will listen carefully to our clients and partners, and adapt our approach to their needs while emphasizing quality results.

Integrate international best practices as appropriate. To ensure that the MFI's clients and partners are capable of competing and succeeding in the local and regional economy, we will adapt international best practices to the Southern Sudan context as appropriate.

SECTION III: PROJECT OVERVIEW

Based in Nairobi, as the situation in Southern Sudan was still volatile when the project began, AEFP had the primary goal of establishing a viable, self-sustaining financial services organization to provide microentrepreneurs with access to working capital. Through AEFP, microfinance fostered expanded economic opportunities and provided an added incentive for IDPs and refugees to return to their homes. The activity supported aspects of USAID/Sudan Strategic Objective 10: *Promote Stability, Recovery and Democratic Reform*, specifically Intermediate Result 10.2: *Selected Urban Areas Strengthened* and

Overview of AEFP Support Activities

Technical Assistance
- Establishment of SUMI
- Launch of Finance Sudan
- Overarching financial services activities
- Policy environment

SUMI Grant
- Operational costs of establishing SUMI

Loan Fund
- Loan capital fund through which USAID provided money for SUMI to lend to clients

Intermediate Result 10.4: *Persons Affected by Conflict Reintegrated*. AEFP also addressed USAID's crosscutting theme of gender.

USAID's original vision was that AEFP would be the first phase of a two-phase effort to support development of microfinance in Southern Sudan. During the life of AEFP, expectations were that a headquarters and several branch offices of SUMI would be established, a pilot-only credit program would be launched using appropriate lending methodology, and SUMI would be able to cover operational costs by the end of the fifth year. At the conclusion of AEFP, a follow-on activity was planned, to focus on deepening the operational and financial sustainability of SUMI, transforming the loan fund into a formal bank, introducing a savings component, expanding geographically, addressing small business finance needs, and covering all costs, including the opportunity cost of capital. With realigned USAID priorities in Sudan, strategic objectives and programming changed, and the second phase did not take place. AEFP project activities concluded in November 2007.

Each focal area of AEFP is described briefly below, with an overview of lessons learned per activity. Later in the report, we present more expanded descriptions of activities and a detailed discussion of lessons learned.

SUMI

AEFP established SUMI with the objective of achieving outreach on a scale that would ensure sustainable delivery of financial services to the population of Southern Sudan. SUMI supports agribusiness entrepreneurs, very broadly defined, in all agricultural subsectors, and targets IDPs, returnees, and women.

After launching SUMI, AEFP provided ongoing technical support and training to this "home-grown" institution with an all-Sudanese staff and board of directors. With AEFP's support, SUMI adopted a private sector-oriented, financially sustainable business model. Several key AEFP staff, including technical and logistics specialists, spent the majority of their time in Southern Sudan, providing hands-on care and nurturing the growth of the institution. In addition to training and capacity building, the project issued SUMI a grant to cover operational costs, and managed a pass-through loan fund that provided SUMI with loan capital to lend to clients.

Lessons learned include: (1) The use of best practices in establishing SUMI in this complex post-conflict environment resulted in a solid foundation for the MFI and the industry overall. (2) Developing SUMI to run as a business was key to the institution's growth and viability. (3) Although the goal of establishing an all-Sudanese institution was admirable, it also resulted in considerable challenges, as there was no local capacity in microfinance when AEFP began. (4) Human resource capacity building of an MFI in a post-conflict environment is critical to staff retention where talented staff are few and demand for their skills is high.

Key results included:

- Established five branches of SUMI — in Yei, Yambio, Maridi, Rumbek, and Juba
- Hired and trained SUMI staff
- Developed policies and procedures for SUMI
- Developed targeted loan products, including group, salary, and individual loans
- Appointed an initial board of directors and guided the MFI to board elections
- Provided ongoing training to board members on their roles and responsibilities
- Supported SUMI in conducting outreach and marketing activities
- Supported SUMI in reaching 6,000 clients with an outstanding loan portfolio of $2.7 million

The Policy Environment

From the beginning, AEFP worked with the nascent government to introduce officials to microfinance and seek buy-in and support. On a parallel track, AEFP launched the Southern Sudan Microfinance Forum to encourage stakeholder collaboration, promote best practices, and serve as an advocate for development of an effective microfinance sector. AEFP also developed a series of recommendations for creating an enabling environment for microfinance in Southern Sudan, which are discussed later in this report.

Lessons learned include: (1) By liaising with the government from the outset and developing close relationships through which to educate officials about SUMI specifically and microfinance in general, AEFP gained considerable support for project activities. (2) Turnover in government is inevitable and the education and relationship building processes must be continuous. (3) As the microfinance sector develops and the central bank builds its own capacity, it is important not to rush too soon into regulation of MFIs that could effectively tie their hands and prevent forward movement.

Key results included:

- Launched the Southern Sudan Microfinance Forum
- Coordinated and facilitated the forum’s bimonthly meetings
- Served as liaison with the GOSS on an effective microfinance framework, including developing draft recommendations for the way forward

Overarching Financial Sector Support Activities

When AEFP began, little information was available on the economic situation in Southern Sudan, including the types of business conducted, constraints to business growth, the financial services needs of the population, and participation of IDPs, returnees, and women in business. The project completed several critical studies to inform its own activities, as well as overall USAID programming.

Lessons learned include: (1) By conducting a series of in-depth market studies and assessments in this complex and fluid environment, AEFP was able to tailor and refine activities appropriately. (2) The situation in Southern Sudan continues to change rapidly and subsequent studies will be necessary to monitor economic growth and business activity and design future activities to support economic growth.

Key results included:

- Recommendations for tailoring microfinance activities to meet the needs of IDPs and returnees
- Recommendations for future USAID programming based on an assessment in the three transition areas of Abyei, South Kordofan, and the Blue Nile State
- Detailed analysis of business development and economic activity in the major towns of Southern Sudan, through two business surveys, conducted in 2006 and 2007

Finance Sudan

Through a subcontract with ARC, AEFP supported the establishment of Finance Sudan, as it launched activities in Juba and began to expand to Wau and Malakal. Insecurity in Malakal delayed activities, but Finance Sudan plans to continue its expansion with funding from the Norwegian Investment Fund for Developing Countries (Norfund), Cordaid, the United Nations Capital Development Fund (UNCDF), and Deutsche Bank.

Lessons learned include: (1) MFI business plans need to consider the fluid context on the ground and make provisions for adapting in response to changes. (2) The demand for microfinance in Southern Sudan far outweighs supply and the introduction of competition was healthy. (3) The delay in planned activities to make loan capital available hampered the growth and progress of all MFIs on the ground. Without access to loan capital, MFIs cannot grow and expand, regardless of the strength of their business plans.

Key results included:

- Established Finance Sudan headquarters and branch office in Juba
- Began expansion to Wau and Malakal
- Hired and trained staff
- Developed policies and procedures for Finance Sudan
- Developed group and salary loan products
- Conducted outreach and marketing activities
- Supported Finance Sudan in reaching 750 clients

SECTION IV: ESTABLISHING SUMI

As mentioned, AEFP focused first on establishing SUMI as an institution. This was an extremely challenging endeavor in a fluid context where there was no experience from which to draw lessons learned.

Paving the Way

From the outset, AEFP emphasized proper protocol with local and national authorities. Microfinance was new to Southern Sudan and a collaborative approach was vital to successfully navigate the changing political landscape. Initially, the idea was met with skepticism. With an impoverished population used to receiving handouts, the SPLM found it hard to believe that people would actually pay back loans. Its members thought Southern Sudan was just not ready for microfinance. Logistics Specialist James Oryema remembers being told, “The Sudanese will run away with your money.” In response, the AEFP team put a significant amount of time and care into educating the new government about what could be achieved. This up-front effort paid off, as the SPLM, and later the GOSS, grew proud of SUMI and saw microfinance as a key stimulus to economic growth and empowerment of women. As Chief of Party Irene Karimi says, the GOSS would be happy to see “SUMI branches in every corner of Southern Sudan.”

As part of SSARP, AEFP was initially coordinated and overseen by a technical task force (TTF) and program steering committee (PSC). The TTF provided guidance on local political and environmental considerations and approved quarterly work plans and reports, while the PSC approved annual reports and plans. Through this arrangement, AEFP had SPLM support in establishing and registering SUMI and acquiring land for its branches. The project could also call on TTF members to help with problems of a political nature. To more thoroughly educate the TTF and PSC on microfinance, AEFP organized exposure visits to the Uganda Microfinance Union and the successful MFI Faulu in Kenya.

AEFP’s Initial Advisors: The TTF

- SPLM Secretariats of Wildlife and Tourism, Commerce, Finance, and Women and Family Affairs
- Departments of Agriculture, Forestry, Fisheries, and Livestock
- Community leaders from the Nuba Mountains and Southern Blue Nile
- The Development Assistance Technical Team
- The Natural Resources Management Utilization Committee
- The Data Centre
- USAID

AEFP faced complex operational challenges. Numerous unknowns included how to move money into the country and between locations, access transportation networks, set up branches, and manage activities in this constantly evolving environment. AEFP conducted a detailed analysis of operating constraints in Southern Sudan, Kenya, and Uganda to gain an understanding of the environment, and employed a logistics specialist whose main objective was to navigate these challenges effectively. Notably, AEFP did not set up self-contained base camps, but accessed facilities of Catholic Relief Services’ and other facilities in Southern Sudan. AEFP signed a memorandum of understanding with Catholic Relief Services to help with logistics that included accommodation, transport in remote areas where AEFP cars could not reach, radio communication, and most important, travel on U.N.-managed Operation Lifeline Sudan flights, which were critical at the inception, being the only form of air transport in the region at the time.

Microenterprise Market Survey

International best practices require that creation of a new MFI begin with a study of the microenterprise market to enable the institution to match its credit and savings services with market demands. In early 2003, AEFP interviewed 360 microenterprise business proprietors in six locations with adequate scale to support an MFI: Rumbek, Yambio, Maridi, Thiet, Tonj, and Yei. At the request of the PSC, the survey was extended to several locations of Upper Nile and Northern Bah-eh-Ghazal. Through this exercise, AEFP gained an understanding of local business activities, marketing systems, formal and informal credit providers, and the financial needs and capabilities of women, IDPs, and returnees. The team used simple rapid rural appraisal techniques, including focus groups, key participant and community group interviews, and direct observation, while conducting a business count in each location.

AEFP used the data to identify potential locations for SUMI branches and the types of loan products that would be effective in reaching the population. The survey also informed operational issues and decisions, such as borrower group formation and management and the structure of the board of directors.

Through a follow-up baseline survey in Rumbek and Yei, AEFP gained further information on the numbers and types of entrepreneurs doing business in Southern Sudan. The project also collected more detailed information on the financial service needs of clients and how local markets functioned. Using this research, AEFP identified target clients for the MFI, the extent of demand for loan products, and appropriate loan sizes and methodologies. Based on information gathered during these initial exercises, AEFP identified Yei as the best location for SUMI's headquarters and first branch and determined that SUMI would begin with a group loan product to offer clients.

The Solution: Access to Credit

When asked what would alleviate the significant challenges facing the population and build Southern Sudan's economy, 79 percent of respondents in the microenterprise survey indicated that access to credit would solve most of their problems.

Building SUMI from the Ground Up

AEFP had several significant priorities to tackle simultaneously. First, it was critical to identify staff for the Yei head office and branch. With no local expertise, identifying a suitable chief executive officer (CEO), or managing director, proved especially challenging; AEFP was forced to conduct a lengthy recruit. Rather than delay the launch, AEFP began SUMI operations in Yei under the direction of Branch Manager Sanyangi Wangi while the CEO recruit continued. In addition to Mr. Wangi, the Yei branch was staffed with loan officers, an accountant, and an administrative assistant.

The project conducted two weeks of intensive training for the new SUMI staff, covering microfinance operations, the group loan product, borrower group formation, and portfolio management. This was followed by a two-week exposure visit to Uganda Microfinance Union, during which participants shadowed their counterparts. Areas of focus included basic concepts of financial intermediation, microfinance best practices, conducting market surveys, product design, business planning, cash flow and analysis, loan management, loan monitoring, zero tolerance toward delinquency, management information systems (MISs), and action planning. Thus, the staff gained real-life experience to supplement classroom training.

In addition to staff, an effective board of directors is another critical part of a well-functioning MFI. Given the limited local resources, it was necessary to appoint the first board, with the understanding that SUMI would move to an elected board when the time was right. AEFP worked with the TTF and USAID to identify professionals, local businesspersons, and community leaders to serve on the board for a limited term. AEFP familiarized the board with best practices and provided technical assistance to help it carry out its responsibilities.

Beyond identifying the people to run the institution, it was necessary to put in place the appropriate governance systems. AEFP developed SUMI's institutional Memorandum of Association, and registered SUMI with the SPLM authorities as a company limited by guarantee. Further, AEFP established the bylaws that defined the MFI's objectives and codified its policies, and developed a draft constitution and draft Articles of Incorporation for the MFI that the board approved and ratified. AEFP also developed guidelines for the pilot group loan product, and institutionalized them in an operations manual.

SUMI Mission Statement

To provide sustainable financial services to microentrepreneurs, and other economically active persons, in Southern Sudan, with special effort to reach women and rural enterprises.

SUMI is a business, and to survive, it must achieve sustainability and earn enough income to cover its costs. AEFP developed a business plan to establish internal regulations, loan procedures, financial reporting requirements, operations manuals, MISs, and fund control mechanisms. The plan also determined estimates for operational costs and loan targets, outreach goals, and expected growth rates. According to best practices, only operations should be subsidized — never lending. As such, AEFP established a grant for SUMI to cover salary and operational costs.

SUMI: Open for Business

Analyzing physical access, relative security, population, and market activities, AEFP identified Yei's central commercial area as the ideal location for the MFI. The conflict had decimated the town's physical infrastructure, and the team discovered that it was more cost-effective to build a new office than

SUMI Vision

To contribute to poverty reduction and empowerment of the traditionally and economically disenfranchised in Southern Sudan.

to renovate a severely damaged building. SUMI began in a temporary facility while construction took place.

SUMI opened its doors in July 2003, and the AEFP team remained in Yei for several weeks to oversee operations. In the beginning, some SUMI staff members felt intimidated, and asked AEFP's technical experts to deal with the clients directly. AEFP understood the challenge the MFI staff were facing, but it was vital that clients not associate the loans with a donor organization and possibly confuse them with grants. Thus, the AEFP staff stayed in the background, providing the necessary support, but encouraging SUMI to take responsibility.

AEFP operated a bank account in Arua, northern Uganda, as there were no formal banks in Southern Sudan. Later in the life of the project, a few commercial banks opened, but U.S. government regulations restrict the transfer of money into Sudan. SUMI Yei staff traveled to Arua regularly to obtain the necessary cash to have on hand and loan to clients.

SUMI began community outreach and borrower group formation in Yei in September 2003. After three weeks, more than 500 individuals had visited the branch for additional information, and 85 had registered as clients. Loan product design was an iterative process, and AEFP encouraged SUMI to actively solicit feedback from clients on the effectiveness of the group loan.

Construction of the Yei office was completed in April 2004, and the SUMI grand opening took place two months later. Chief Executive Officer Edward Yengi Lokule had just come on board, and SUMI organized the function, which was largely a client affair. The board chairperson facilitated the event, which was attended by clients, community and government leaders, and local organizations. With refreshments served and music provided by an HIV training group funded by ARC, it was a festive way to formally launch Southern Sudan's first MFI.

Challenges and How AEFP Addressed Them

When AEFP was researching potential branch locations, there was significant pressure from the SPLM to choose sites based on geographical equity. The project was under pressure to extend the initial market survey to cover additional areas, and spent considerable time after the survey reassuring the TTF that the team did indeed conduct a comprehensive business count. After much negotiation, and with USAID's support, AEFP received TTF approval to operate in areas that had real potential for microfinance, rather than choosing locations just for political reasons.

The TTF was new to microfinance and initially made unrealistic demands about the launch of SUMI. For example, the TTF was reluctant to agree to the MFI charging any interest, much less a rate that would enable the institution to be sustainable and meet the costs of doing business. As well, the TTF wanted SUMI to fund start-ups, regardless of the risk associated with these types of ventures in a post-conflict environment. In response, AEFP organized three study tours to Kenyan and Ugandan MFIs for the TTF and senior SPLM officials, to familiarize them with microfinance and build their technical understanding. In reflecting on the study tours, Chief of Party Irene Karimi calls it: "…the most successful study I have ever participated in because it completely changed the TTF and they became extremely supportive."

Many of SUMI's staff members had not previously held formal jobs, and were surprised at the heavy workload involved in launching an MFI. Shortly after opening in Yei, the staff sent a letter to the board asking for an across-the-board salary increase, despite the fact that during recruitment they had all requested much less than what SUMI eventually offered them. Mr. Lokule had not yet been hired, and the AEFP team had returned to Nairobi. Given the lack of communication avenues, and its own lack of experience, the board awarded a 25 percent salary increase to all SUMI staff. This resulted in a challenging situation, because initial plans were based on careful budgeting. AEFP realized that it was necessary for a staff member to remain in Yei, and appointed Irene Karimi as acting managing director until the CEO could be identified.

During branch construction, Yei ran out of cement after heavy rains further damaged the deteriorated roads and trucks were unable to reach the town. AEFP had originally planned to open two branches in year one, but revised these plans because of the delay in Yei. For the rest of Year 1, the project focused on effective start-up in Yei, staff training, developing the SUMI operations manual, and community outreach and borrower group foundation, and delayed the opening of the second branch to Year 2.

SECTION V: BUILDING SUMI'S CAPACITY

After launching the institution, AEFP turned its attention to building SUMI's capacity. This remained a focal effort through the end of the project.

AEFP's Hands-on Approach to Training

Although AEFP was based in Nairobi, project staff spent significant time in Sudan, mentoring SUMI and providing day-to-day support. As a team, AEFP staff had highly developed skills in microfinance in post-conflict areas, building MFI capacity, finance, operations and logistics, and communications. They shared their talents and knowledge with SUMI as the institution grew, even as they placed themselves in a fragile and insecure environment to do so. With a deeply committed team that cared for SUMI and nurtured its growth, AEFP set the stage for success and sustainability far into the future. Through AEFP, SUMI staff and board members received practical training in microfinance and were equipped with the tools to create and operate sustainable lending programs.

SUMI Staff

Recruiting for SUMI was a challenge, especially given the mandate that all SUMI personnel must be Sudanese, and the lack of local experience. AEFP used a comprehensive approach to building the technical and management skills of staff at every new branch. This included intensive, hands-on training in a range of topics that provided participants with an understanding of how to run an MFI successfully, followed by an attachment to Yei or a regional MFI.

SUMI Staff Training Activities

- Microfinance courses at Uganda Martyr's University
- Exposure visits to regional MFIs
- Microfinance training workshop at Naropa University in Boulder, Colorado (SUMI CEO)
- Delinquency management and loan monitoring training at the Uganda Institute of Bankers in Kampala
- Training in board communication and organization of board meetings (SUMI CEO)
- Training in credit procedures, policy development, branch set-up, portfolio building, and management
- Environmental assessment training
- Attachments to regional MFIs
- Training in rural agricultural finance
- Exposure visit to Grameen Bank
- Training in financial management and internal controls
- Communications strategy development
- Associate bachelor's degree in microfinance from Uganda Martyr's University
- Credit and branch management and reporting
- School of Microfinance (SAM) Training (Microsave) in Mombasa, Kenya
- Market research for Microfinance – Microsave in Entebbe, Uganda
- Attendance at African microfinance conferences in Cape Town and Kampala

Training of the CEO was crucial. Although Mr. Lokule had experience with Centenary Rural Development Bank in Uganda, he was new to microfinance. In his role, he was responsible for technical oversight and management of the institution, as well as staff training, mentoring, and supervision. Systems of internal control were especially vital for Mr. Lokule to master, and AEFP equipped him with the tools for controlling budgets, developing policies, and setting approval levels/limits. AEFP also trained Mr. Lokule and the head office staff in the critical area of multiple branch management.

SUMI Staff Structure

Head Office
- CEO
- Accountant
- Operations manager
- Administrative assistant

Branches
- Branch manager
- Loan officers
- Accountant/bookkeeper
- Administrative assistant

AEFP helped SUMI develop a comprehensive outreach and marketing plan detailing which new communities should be probed as possible new client bases and how SUMI would engage them. SUMI adapted to changing market conditions and demands by frequently reviewing its marketing and outreach strategy and revising it to fit the targets. The project also supported development of a communications strategy focused on marketing and client outreach. Capacity building enabled SUMI personnel to handle market analysis, product development, and information delivery systems.

As the project progressed, AEFP developed training appropriate for each branch, as well as SUMI's overall standing and development as an institution. Throughout, AEFP emphasized accounting and internal controls, as these skills among staff were deficient due to lack of experience. This became especially important as the peace held and more nongovernmental organizations (NGOs) moved into Southern Sudan. With high demand

and a small pool of local talent, SUMI experienced turnover as staff were hired by other organizations and AEFP had to start over in training new MFI staff.

The SUMI Board

AEFP carefully nurtured development of the appointed board of directors, to build the group's management skills and technical ability to govern the institution. In addition to governance, the board is responsible for the overall direction of SUMI's affairs and regulation of its procedures. Initial activities included putting systems in place to guide SUMI's development. AEFP met with the board regularly, and built members' capacity in all aspects of microfinance. Despite their lack of initial knowledge, the appointed board members eagerly accepted the challenge and successfully set the stage for sustainability.

Board Training Activities

- Exposure visits to successful regional MFIs
- Training in roles and responsibilities, governance, and institutional structures
- Financial governance training
- Training in budgeting, projections, and financial reporting
- Rural and agriculture training
- Strategic planning
- Exposure visit to Grameen Bank in Bangladesh

The first SUMI annual general meeting was held in September 2006. The annual general meeting is the supreme policy-making and oversight body of SUMI, and includes broad representation of stakeholders, who are selected based on experience, commitment, and geographic location. During the meeting, SUMI's members took an important step and elected nine individuals to serve on the board of directors. The elected board is a dynamic group of senior professionals in a variety of fields who have diverse skills and one thing in common — a deep commitment to SUMI. To ensure continuity during this important phase in the institution's development, the members elected the previously appointed chairperson to continue in that role for another term.

Working with AEFP, the new board participated in a four-day strategic planning workshop in Kampala, Uganda, and developed a budget and five-year strategic plan. In defining its strategy, the board outlined where SUMI will operate, when it will expand, the number of clients it will seek, the number of loans it will aspire to disburse, and parameters for setting loan amounts. The board also worked with AEFP to identify an interest rate strategy, determine loan capital needs, and develop an approach to managing delinquency and risk. With in-depth local knowledge of a variety of geographic areas, the board was particularly insightful in identifying political and tribal dimensions that could affect operations.

SUMI Board

Chairperson:	Samuel Dong
Vice-Chairperson:	Ladu Bureng
Treasurer:	Mbaraza Modi
Secretary:	Joyce Dusman
Board Members:	Rebecca Yar
	Napoleon Adok
	George Leju
	Jenny Siama
Nonvoting board member:	Edward Yengi Lokule

The board understands its role in moving SUMI forward and is working for long-term development and sustainability. With regular quarterly meetings, the board has also made accommodations for extraordinary meetings when necessary. This talented group of individuals has a difficult task ahead, but is equipped with the knowledge and commitment to be successful. Given the challenges of transport and communications in Southern Sudan, and that these individuals all have other responsibilities, their dedication to the success of SUMI is admirable.

SUMI as an Institution

In addition to building capacity of the people involved in turning the vision of SUMI into reality, AEFP also developed the structures and systems of the institution itself. It was critical to quickly put in place a system to track performance in terms of the number of loans disbursed, outstanding portfolio amounts, income generated, aging of portfolio-at-risk, and client history. Initially, in accordance with best practices, SUMI used a manual/Excel-based loan tracking and accounting system. Emphasizing the importance of internal controls, AEFP trained SUMI on the importance of timely data entry, and the interface between data entry and branch management.

SUMI Structure

Board of Directors

- Nine members including chairperson, vice-chairperson, secretary, treasurer
- SUMI CEO as non-voting member
- Governing body of SUMI
- Overall responsibility for direction of SUMI's affairs and regulation of procedures

Members

- Constitute the annual general meeting
- Broad representation of stakeholders
- Between 30 and 50 individuals
- Selected based on experience, commitment, and geographic location
- Vote for the board of directors
- Ratify the strategic plan, yearly operating plan, and budget

In 2005, AEFP put into place an integrated system using QuickBooks software as the mid-term step between the manual system and the planned implementation of a computerized MIS. By using Quickbooks, the head office could more easily consolidate data from the branches in a timely manner. As the SUMI staff were not familiar with such a system, AEFP trained them first in how to use computers, then in what to track, and finally in Quickbooks itself.

As the project evolved, AEFP researched MIS software packages that specialize in consolidating branch data. The search was narrowed to three products, which the software marketers presented in demonstrations. AEFP and SUMI management reviewed all three, and determined that Banker's Realm was the most appropriate. A team from AEFP and SUMI then visited PRIDE Uganda, an MFI with more than 50,000 borrowers, to see the features of the software at work. PRIDE Uganda is satisfied with Banker's Realm and recommended it. The software has the

Grameen Bank: Seeing the Possibilities

In 2007, AEFP organized a study tour to the Grameen Bank for SUMI staff and board members. During this pivotal year in SUMI's development, Grameen Bank and its founder, Mohamed Yunus, were awarded the Nobel Prize. AEFP wanted SUMI staff to see what SUMI could become if they kept striving for success and sustainability. The SUMI group, under the direction of AEFP Microfinance Specialist Bosco ole Sambu, visited Grameen headquarters and then fanned out across the country to spend time in rural branches. The group, impressed with the accomplishments of Grameen, returned to Southern Sudan energized and excited about the possibilities for SUMI's future.

capacity to handle all of SUMI's transactions from credit to finance functions, and has add-on features that SUMI may purchase if the need arises.

From the outset, AEFP planned to commission an external audit of SUMI to identify areas on which to focus going forward. Given ongoing capacity issues, especially in accounting, the audit was an important activity. AEFP scheduled the audit for late 2006, and worked with each SUMI branch to ensure that information was complete and branch data was organized. SUMI staff had varying responses to the idea of an audit. Some were receptive and understood its importance, while others either did not take the audit seriously or seemed hesitant to accept AEFP's advice in getting ready.

After delays due to turnover in key positions at SUMI, logistical challenges, and insecurity, PricewaterhouseCoopers (PwC) began the audit in April 2007. The audit was a protracted process, as significant rains prevented PwC staff from traveling to all branches and SUMI was forced to send documents by air to Nairobi where the audit team reviewed them in the AEFP office.

The audit report provided a statement of findings on SUMI practices during a snapshot of time (2003 to 2006). Unfortunately, the audit team did not completely understand the conditions it would find at SUMI or the institution itself. PwC looked strictly at accounting and did not consider the microfinance perspective. This meant that there was no consideration given to either the SUMI business plan or the reality of where an MFI should be at this stage of its development. For example, PwC assumed that SUMI should have been operating all along with a sophisticated loan tracking computerized system. Although this expectation may be valid for a commercial bank, it goes against best practices in microfinance. Although the audit did identify areas of concern in detail — mainly related to accounting and human error in tracking — the PwC team's findings and comments were not in line with microfinance in a post-conflict environment. As well, many of the areas that were concerns from 2003 through 2006 had already been addressed by AEFP, and were no longer issues in 2007. It is recommended that SUMI conduct a follow-up audit to give a more accurate picture of the status of the institution.

There was a significant delay in submission of the audit report itself. AEFP was nearing conclusion when PwC submitted its report, after numerous requests for the document. In the end, this meant that AEFP could not finalize the MIS. Although the foundation was in place, the software was ready, and a firm had been identified to conduct the installation and training, there was no more time and AEFP was unable to complete this critically important activity. A computerized MIS is vital to SUMI's success and the MFI is identifying potential outlets through which to access the funds to complete this crucial piece to its development.

Challenges and How AEFP Addressed Them

With peace came an influx of NGOs and donor activities, and an accompanying high demand for local talent. As a result, key SUMI staff members, including loan officers and branch managers, were lured away to new positions with higher pay. This had an impact on SUMI's performance, as recruitment, training, and orientation of new staff slowed client recruitment. To proactively identify measures to increase staff retention, AEFP contracted consultant Raphael Imanyara in October 2006 to conduct an internal organizational assessment. Mr. Imanyara reviewed technical, operational, and managerial capacity among staff, as well as job descriptions, performance plans, and performance evaluations. He identified areas for SUMI to address to increase staff loyalty and developed an incentive system. SUMI as an institution has begun to put these measures in place.

When SUMI began, it was challenging to convince clients that the MFI was a business and the money given to each individual was a loan, not a handout. At the time SUMI was established, Southern Sudan was flooded with relief projects, and after many years of war and relief aid, the Sudanese had come to expect grants from international organizations. SUMI and AEFP conducted intensive client outreach and education, introducing communities to SUMI and explaining the institution and the benefits of microfinance loans. This upfront investment paid off, and the demand for SUMI's services increased dramatically with each subsequent branch.

Initially, Mr. Lokule spent a significant amount of time on SUMI's operational issues. This was necessary, but AEFP became concerned when it did not decrease, because this meant that Mr. Lokule was not able to focus on technical, strategic, and big picture issues. This was not good for the health of SUMI, and Mr. Lokule's talents were not being used effectively. To address this, AEFP made a change to SUMI's staffing structure in early 2007, and added the position of operations manager. The recruitment for this position was lengthy, but critical to SUMI's development, and the MFI now has a qualified human resources person to focus on internal operational issues.

All of the towns with SUMI branches were subject to intermittent periods of insecurity, which threatened to severely disrupt operations. Although this was more frequent in the early years, it remained a challenge throughout. For example, in November 2005, fighting erupted between two ethnic groups in Yambio, forcing the closure of SUMI for three weeks. Two clients died, and others lost their property or had their businesses looted or destroyed. In another example, Yei and Yambio experienced insecurity as a result of LRA attacks. In Yambio, this came soon after the town had started to recover from the intra-tribal conflict. People were killed, families were forced to relocate, businesses closed, and one SUMI loan officer was injured severely and suffered bullet wounds. In all situations, AEFP and SUMI worked quickly to determine the level of write-off, refinance, or reschedule, and got back to business as soon as possible. The insecurity put the staff and institution at risk, as well as the AEFP team, which often had to revise plans unexpectedly. This is a reality in a post-conflict environment, and AEFP maintained a flexible and adaptable approach to minimize risk and respond to the context on the ground.

SECTION VI: GEOGRAPHIC EXPANSION

With a solid foundation in Yei, AEFP expanded SUMI geographically to extend its outreach and further meet the needs of underserved populations, including returnees, IDPs, and women. In opening the branches after Yei, it was not necessary to conduct as much community outreach. Word had spread about SUMI and potential clients were eager to join. They came with groups already formed, thus reducing the time it took to receive their loans.

SUMI Branch Openings

Yei	July 2003
Yambio	June 2004
Maridi	June 2004
Rumbek	February 2005
Juba	February 2006

Yambio

In determining where to open the second branch, AEFP considered two options. The first was Rumbek, which had a significant number of potential clients, but was complicated in terms of inaccessibility and the use of multiple currencies to conduct business. The second option was to open Yambio and Maridi simultaneously. These two towns were more secure, used one currency (the Uganda shilling), and were on the same route, which made it easier logistically. Notably, AEFP wanted to limit potential complications associated with using multiple currencies when SUMI was still young. Given that peace negotiations were ongoing, there was talk of a new Sudan currency to potentially complicate matters further, and taking into account logistics and security, AEFP chose to delay Rumbek and concentrate on Yambio and Maridi.

As a border town with the Central African Republic and the DRC, Yambio has considerable economic potential, and despite continued insecurity and barely functional roads, has maintained a thriving economy primarily based on commerce. The local government was very welcoming when AEFP arrived, and allocated SUMI land for construction without much difficulty. AEFP conducted an awareness-raising event in the main market to introduce potential clients to microfinance and SUMI. It generated a great deal of interest.

Staff recruitment was extremely challenging. With no local expertise available, AEFP focused on identifying committed individuals who had at least a secondary school education and were excited about the challenge. AEFP set up a recruitment panel of project and SUMI staff to interview candidates. Once the SUMI Yambio personnel were hired, Irene Karimi and short-term consultant Teresa Maru conducted two weeks of intensive training, after which the new staff went to Yei for “attachment” — to learn how to perform their duties.

After completing the attachment, current Branch Manager Mbaraza Enos, then a loan officer, was the first to report to Yambio. When he arrived, however, he found that the town was quarantined due to an Ebola outbreak. Alone, Mr. Enos looked for office space and conducted all preliminary set up activities. He also supervised the making of furniture for the Yambio and Maridi branches, because AEFP Logistics Specialist James Oryema was unable to travel to Yambio because of the quarantine. Mr. Enos radioed

Nairobi every day to report on progress to the AEFP team, and single-handedly got the branch ready.

The Yambio branch opened in July 2004 — a month late owing to the Ebola outbreak. When the quarantine ended, AEFP helped SUMI conduct community outreach and borrower group formation, and attracted more than 60 clients within the initial three months. Based on client feedback in Yei branch, SUMI had adjusted the group loan product before rolling it out to Maridi and Yambio and subsequent branches. To allow clients involved in trade enough time to go to Uganda or the DRC to purchase goods with the loans they received, the first loan payment was changed to be due two weeks after the loan was issued instead of one week.

SUMI Impact

Julius Sebit has been a SUMI Yambio client for two years. He opened a store that sells household goods, and did so well that he repaid the loan, took another, and built a second store. Despite the challenges of poor infrastructure, Mr. Sebit has become a successful businessman, and is constructing a third store and exploring additional business opportunities.

Maridi

As with Yambio, the local government in Maridi was enthusiastic about SUMI, and allocated land for a branch in the main commercial area. AEFP organized a recruitment drive in the market and stayed in Maridi to handle inquiries. Interestingly, Maridi was the only SUMI branch that did not initially have an overwhelming response, and AEFP had to conduct quite a bit of outreach to attract clients. In seeking to understand why this was the case, the AEFP team realized that most businesses that counted in the microenterprise market survey were not permanent. Instead, they were stalls used by farmers who sold their produce in the open market during the harvest season. Although the market was small, Maridi was one of the largest towns in Southern Sudan at the time and was a natural choice. Importantly for SUMI's sustainability, Maridi has seen growth since the signing of the peace deal, in commerce, manufacturing, and services, as the population returned and began to rebuild their lives.

After a lengthy process to recruit staff, AEFP used the comprehensive training approach it had previously used with success, including in-depth training, attachment to the Yei branch, and follow-up hands-on care by AEFP. With the proximity to Yambio, the AEFP team was able to work in both branches effectively during one long visit to the area, despite difficult road conditions.

Branch construction in Maridi was delayed, due in part to the quarantine in Yambio that prevented furniture to be delivered on time. SUMI began in a temporary facility in June 2004, and the first group loans were disbursed in August. Nearly 120 clients signed up for loans in the first three months. Construction continued and the Maridi branch officially opened in February 2005.

Rumbek

Despite poor road conditions that limit accessibility, the large pastoralist population in Rumbek still attracts numerous traders from as far as Uganda who help boost the commerce sector. AEFP conducted awareness-raising in Rumbek's main market to introduce the population to SUMI and microfinance. As in the other towns with SUMI branches, the local government in Rumbek was welcoming and allocated land for SUMI along the main road.

> **SUMI Impact**
>
> Siyola Angom accepted a position as bookkeeper with SUMI's Rumbek branch in April 2007. She had spent eight years in Kakuma refugee camp, and while there, worked with women and became interested in small income-generating activities. Ms. Angom was able to attend school in Nairobi, and then moved to Rumbek to live with family. She joined SUMI because of the challenge and has enjoyed working with the community and educating people on why it is important to take loans instead of waiting for handouts. She looks forward to SUMI's sustainability and to having an impact on the residents as they continue to rebuild their lives.

Staff recruitment in Rumbek was extremely challenging. Only three applicants were secondary school graduates, so AEFP opted to recruit a manager with previous experience from another organization in Rumbek. The cost of living in Rumbek is high, the weather is hot, and, because it is not an ethnically diverse town, people from elsewhere can feel like outsiders. These challenges made it more difficult to attract personnel from other parts of Southern Sudan, so AEFP developed a cost-of-living adjustment for the branch.

After identifying staff, AEFP conducted an intensive orientation, and then sent them to Yei for attachment to get hands-on experience. Over time, AEFP realized it was critical to have at least one staff member in Sudan most of the time, traveling between branches and providing support and technical assistance. With USAID's agreement, AEFP hired a microfinance specialist who came on board in time to help set up the Rumbek branch. Mr. Lokule handled staffing issues and logistical support, while AEFP specialists handled the technical aspects.

SUMI began operations in Rumbek in February 2005, a month late due to difficulties in finding temporary office space. Staff began with outreach and borrower group formation. Loan disbursement began in April. The response was overwhelming and the branch had to slow down activities to ensure quality. After operating for less than three months, SUMI Rumbek had registered an incredible 228 clients. Construction was completed in April 2005, and the branch opened that month.

> **With Peace Comes Growth**
>
> Most of SUMI's growth has taken place since the signing of the CPA. SUMI's portfolio grew by 550 percent from $422,000 in December 2005 to $2,770,000 at the end of September 2007. There is an overwhelming demand for credit in all five locations in which SUMI operates, and in other towns across Southern Sudan.

As with the other branches, Rumbek suffered turnover in key positions when NGOs and other organizations moved into Southern Sudan and began hiring away qualified individuals with high salaries. The first branch manager was the first to leave. The branch has since lost its second branch manager to the United Nations. Current Branch Manager

Elias Samuel joined SUMI in May 2007. He chose Rumbek because of the challenges and because he wanted to work with people who needed his help. In addition to awareness campaigns in the market, Mr. Samuel arranged with local officials to give him 30 minutes during each public holiday to speak to the gathered population in town about SUMI. Committed to the institution's sustainability, Mr. Samuel says, "In 10 years, SUMI will still be here!"

Rumbek is an interesting case study because of the significance of women's participation. On the face of it, one might assume their involvement would be less in this town with a traditional pastoralist society. The women in Rumbek, however, have been empowered by SUMI and have been active in business as a result. When SUMI opened, women were immediately interested and have had consistently high participation rates, reaching 67 percent by September 2007.

Juba

Originally, Tonj was to be the fifth SUMI branch. When the AEFP team developed its original expansion plan, Juba was under northern control. Tonj was not ideal, because of its small size, but it was the most appropriate location for a fifth branch until Juba was named as the capital. As the largest and most developed town in Southern Sudan, and with its status as a government and business center, Juba was the clear choice for the fifth branch. Juba is a major transportation hub, with highways connecting to Kenya, Uganda, and the DRC and the only paved airport runway in Southern Sudan. In addition, it is the major center for national and international agencies.

AEFP and SUMI conducted a quick assessment of Juba aimed at helping the institution plan its branch operations. Given the significance of Juba market to SUMI, the board and AEFP decided to transfer an experienced manager to Juba instead of hiring a new one. Peter Baagbe, the Yambio manager, was therefore transferred to open the Juba branch, while his best-performing loan officer was promoted to head Yambio.

Juba was the hardest branch to establish. Rentable office space was impossible to obtain. The available options were unaffordable, with most spaces going for more than $2,000 per month, a price SUMI could not afford. The AEFP budget was developed with the prevailing low accommodation rates in Southern Sudan in mind. With accommodation costs in Juba unrealistically high and space extremely limited, AEFP made a quick decision to rent a house, as opposed to using hotels, to save on costs.

The branch opened in February 2006 in temporary rented quarters. AEFP lodged an application with the government for land for a permanent building but land tenure issues and new government policies delayed the process. To initiate client outreach, AEFP microfinance specialist Bosco ole Sambu, Mr. Lokule, and Mr. Baagbe organized a marketing campaign meeting in Juba's largest market. This was a huge success in terms of attendance and the impact — on potential clients and the SUMI staff. In conducting this event, they realized that they had the skills to hold a public marketing campaign. They commissioned a SUMI song, and danced on the dais while it played. After the event, the office was a beehive, and it has continued to be active since that time. By the end of September 2006, the branch had 1,328 clients.

Tragically, Mr. Baagbe became seriously ill and died suddenly in January 2007. This caused an extremely difficult time at the branch, as the staff were personally affected and branch activities suffered. AEFP worked with SUMI to transfer Bebe Martin Awu from Maridi, and he took over as Juba branch manager in early 2007.

SUMI continues to operate from the rented office, as construction on the Juba branch was not complete when AEFP closed. The subcontractor who was building the branch delayed construction significantly, and asked for repeated extensions. AEFP granted two extensions, in response to flooding in the area, but the subcontractor could not finish construction by the end of November 2007 and AEFP was forced to terminate the subcontract for convenience. SUMI has agreed to fund the costs associated with completion of construction, and the branch office will soon be ready for occupancy.

Challenges and How AEFP Addressed Them

In the early days, in Yambio, Maridi, and Rumbek, a challenge for SUMI came in the form of frequent requests from the SPLM to fund the movement. This was politically sensitive and put SUMI staff in an awkward position. The staff handled it well, however, explaining the purpose of the institution and what they were working to do, and they managed to maintain good will between themselves and the SPLM.

Infrastructure was another problem for AEFP. The roads were terrible, and in most instances project staff had to fly between towns. This inflated operating costs and put stress on the budget. To address this, and keep costs under control, AEFP conducted fewer and longer trips into Sudan and staff stayed with the branches for more significant time periods, thus limiting travel as much as possible, while providing appropriate technical coverage.

As SUMI expanded, it became more difficult to move money between the towns, given the distances and the terrible condition of the roads. It took hours to drive from Arua to Yei, and from there to any other branch could take days. AEFP established a working relationship with the Mission Aviation Fellowship through Catholic Relief Services, and later with Delta Connection. These two airlines agreed to deliver cash packages to the first four branches from Nairobi, which proved successful. Despite moving significant amounts of money this way, no money was lost. The Mission Aviation Fellowship and Delta were reliable partners.

Outreach to women has proven to be a continuing challenge. Overall, fewer women than men operate in the market. AEFP's initial market enterprise survey found that only 36 percent of businesses were women-owned. Also, many women seek credit for start-ups, which SUMI does not finance because of the high risk of failure. During AEFP, the number of women participating in the market increased significantly, and SUMI continued to promote access to finance among women's groups in the five towns in which it operates.

SECTION VII: NEW PRODUCT DEVELOPMENT

SUMI offers three loan products: group, salary, and individual loans. The MFI also helped to support other USAID-funded activities with in-country transfers, for example allowing NRECA to send money from the United States to the SUMI account in Arua for disbursement in Yei to fund operations. SUMI has also explored options for launching an international money transfer product.

SUMI Loan Eligibility Criteria

- Borrower must be Sudanese
- Borrower must have a business
- Business must be within 5km of town
- Business must have been in operation for at least six months
- Borrower must participate in compulsory savings program
- Borrower must pledge security of group loans

Group Loan Product

As discussed, AEFP launched SUMI in Yei with a pilot group loan product. The decision to begin with the group loan was the result of the microenterprise survey and feedback from potential clients on what would meet their needs. It is important to clarify that SUMI does not actually lend to groups. Experience from around the world has shown that individual members may not put a lot of effort into a group business because the liability of the loan is limited to the group as an entity. SUMI lends to individuals, although these individuals are organized into solidarity groups that secure loans for others in the group. Irene Karimi developed the operations manual for SUMI's group loan product, which served as the guidebook for all product development and was expanded for each subsequent loan product.

SUMI assisted the community with borrower group formation. To begin, borrowers form groups of five members, with each member paying 2,000 Ugandan shillings as a membership fee and 2,000 shillings for a passbook. Groups must save at least 16 percent of the total value of the combined five loans they will receive in the first disbursement. Before the second loan can be disbursed, they must build this compulsory savings — a loan insurance fund against default — up to 20 percent. Before receiving their first loans, groups must save for at least six weeks, meeting with SUMI weekly for training in loan requirements and guidance in group formation. The group loans are for working capital for four months, at an interest rate of 3 percent per month. The maximum loan for first-time borrowers is set at 200,000 shillings, with the loan maximum increasing after each successful repayment.

SUMI issued the first group loans to clients of the Yei branch in October 2003. By the end of June 2004, Yei had registered nearly 2,100 clients through the group lending program. The group loan was the first product extended at each subsequent branch as well, and generated high demand. By the end of June 2005, the group loan product in Yei, Maridi, and Yambio had attracted more than 1,800 clients. Group loans grew at an exponential rate throughout the lifetime of AEFP.

Salary Loan Product

In response to demand, SUMI piloted an employer-guaranteed salary loan product in Yei. Salary loans are fairly low risk and cost less to administer than group loans, which are more labor intensive and less lucrative. AEFP began the process by visiting all major employers in Yei — mostly NGOs — to assess demand and specific client needs, discuss the process and requirements with employers, and determine next steps. Based on these meetings, AEFP designed a loan product and the accompanying loan applications and procedures. The salary loan is offered to employees for up to three times their monthly salary, and is paid back over a nine-to-12 month period at an interest rate of 3 percent per month. Each employer deducts the appropriate amount from the employee's monthly paycheck and remits the payment directly to SUMI.

The Yei branch began to extend salary loans in May, and an additional loan officer was hired and trained to take on the salary loan portfolio. The salary loan market is fairly static, but there is high demand among those who qualify. By the end of June 2004, more than 200 Sudanese NGO or GOSS employees had received salary loans in Yei. In September 2004, AEFP worked with SUMI in Yambio and Maridi to begin the process of extending salary loans. They put the procedures in place and conducted community outreach, extending the first salary loans in January 2005. By the end of June of that year, more than 380 individuals had received salary loans in Yei, Maridi, and Yambio. The loan product was so successful that SUMI extended it in Rumbek and Juba, and by the end of September 2008, 2,347 employees of organizations in the five towns had received salary loans.

Individual Loan Product

Originally, the individual loan product was scheduled to be launched in 2004, but because of the heavy workload involved in simultaneously opening the Maridi and Yambio branches, it was delayed until early 2005. The product targets individuals who have businesses worth millions of shillings and have essentially outgrown the group loan scheme, which may be constraining to a dynamic, fast-growing business. It is an option for group loan clients who have borrowed and repaid five group guaranteed loans, and for new individual clients.

To qualify for the individual loan, an individual must have a viable and registered business that has existed for at least a year and some form of collateral to pledge as security for the loan — such as land, logbooks for vehicles, and other assets such as machinery, with a market value and supported by the original purchase agreement.

Pilot testing of the product took place in Yei and Yambio. At the end of June 2005, 34 clients had benefited from the larger individual loans, including 23 in Yei and 11 in Yambio. By early 2006, 115 clients were servicing individual loans, with an average loan amount of $2,600. AEFP hired a consultant to review the individual loan product and make recommendations based on the pilot test, to refine the product and roll it out to all branches.

At the close of the project, the individual loan product was being implemented in all SUMI branches. The product requires a high cash flow, however, and SUMI has exhausted the loan capital from USAID. The MFI made a determination to slow down on individual loans for the time being, pending identification of additional sources of loan capital.

Challenges and How AEFP Addressed Them

There is significant demand in Southern Sudan for cash transfer facilities, as the Sudanese Diaspora seeks to help friends and family at home. U.S. government regulations are such that cash transfer was not an option for SUMI during the life of the AEFP contract, as they forbid the transfer of funds into Sudan. Given the high demand for this type of loan product, it was challenging to educate SUMI on why it could not be implemented. AEFP did assist SUMI in making contact with Afripayments LLC, a Baltimore, Maryland-based international money transfer company. At the conclusion of AEFP, pending SUMI's licensing by the Bank of Southern Sudan (BOSS), the MFI would like to sign a contract with Afripayments. Although the Bank of South Sudan has approved SUMI's application for money transfer and foreign exchange services and levied a fee of $300,000, SUMI has yet acquire funding for the license. When launched, the product will be SUMI's fourth product.

SECTION VIII: THE POLICY ENVIRONMENT

Within the policy sphere, AEFP established the Southern Sudan Microfinance Forum, bringing stakeholders together for the first time. The project also undertook activities designed to lead to an effective microfinance policy framework, including building the capacity of the GOSS.

The Forum

AEFP launched the Southern Sudan Microfinance Forum in May 2006. The forum, whose members include commercial banks, MFIs, international and local NGOs, and representatives from the GOSS Ministry of Finance and BOSS, is a coordinating mechanism and an advocate for a successful and effective industry. The goal is to create a formal, legally registered organization that reflects all stakeholders' perspectives and can effectively articulate its message and influence the policy environment.

The Forum's Mandate

- Promote microfinance best practices throughout the industry
- Identify capacity building needs and design a strategy to address the gaps
- Advocate and lobby on behalf of the microfinance industry in Southern Sudan
- Provide a platform for wider stakeholder participation
- Mass sensitization and consumer education to promote financial literacy
- Lobby for government support and a favorable policy environment
- Address industry regulation issues
- Increase visibility of the industry and establish a positive image

The forum has a steering committee, a technical committee, a chairperson, and a secretary. The technical committee consists of SUMI, ARC, and Finance Sudan. When the forum was launched, Francis Latio, undersecretary for economic planning, Ministry of Finance, was nominated to serve as chairperson. Prof. Bureng, SUMI vice-chairperson, now holds that role. Edward Lokule, SUMI CEO is general committee secretary.

AEFP facilitated bimonthly forum meetings, which included training and guest speakers, such as David Baguma from the Association of Microfinance Institutions of Uganda, who, during the inaugural meeting, shared lessons learned from the forum in Uganda. Since its launch, the Southern Sudan Microfinance Forum has focused on establishing itself and getting its name out in the region, attracting committed members, and gaining recognition from the government, the donor community, and other new market entrants interested in microfinance. As a result, the forum is now one of the main parties consulted in microfinance and small business development. For example, the GOSS and World Bank consulted the body before designing the Multi-Donor Trust Fund's Establishment and Management of the Southern Sudan Microfinance Development Facility. The forum has also worked as a body to engage the GOSS when confronted with common problems such as taxation demands by the local authorities. Plans include joint staff training sessions, an open house for all microfinance players, a Web site, and a system of information sharing, and a Southern Sudan microfinance conference later in the year.

GOSS Support for the Forum

During the inaugural forum meeting, Francis Latio, undersecretary of the Ministry of Finance, expressed the GOSS' happiness with SUMI and confidence about the future of microfinance in Southern Sudan. He spoke about how the GOSS and AEFP worked together from the beginning and had a mutual understanding on how to proceed with the establishment of SUMI. Now that the GOSS is functioning and establishing rules and regulations, the banks, MFIs, and BOSS can work together in a similar way. Mr. Latio offered full government support to the forum.

An additional activity focused on facilitating dialogue between the forum and the GOSS. To prepare the forum, the project built the body's capacity in lobbying and advocacy, promoting performance standards, technical knowledge, best practices, and ensuring professionalism. The forum's technical committee visited the Ministry of Finance, Ministry of Commerce, and BOSS to present general information about microfinance, as well as forum and other activities ongoing in Southern Sudan. Its members also lobbied for an effective policy. Mr. Lokule has also met with BOSS to discuss possible support.

Policy Development

When AEFP began, the new government was forming and just beginning to consider the types of regulations and policies to put in place. Therefore, activities related to policy development were challenging, because the government itself was still identifying its priorities. AEFP worked with the government from the outset to educate officials about microfinance and discuss the development of SUMI, as well as an effective framework for the

Current Forum Members

- SUMI
- Finance Sudan
- ARC
- Bangladesh Rural Advancement Committee
- Stromme Foundation
- International Labour Organization
- Kenya Commercial Bank
- Nile Commercial Bank

entire industry. Throughout, AEFP policy activities were not specifically defined, but adapted to ground realities and requests by USAID and the GOSS. To support the government as it developed, the project arranged the attachment of six BOSS staff to the Bank of Uganda, and intensive training on central banking systems and monetary policy at the Kenya School of Monetary studies for BOSS and GOSS finance professionals.

In a nascent microfinance sector, a critical point is to guard against over-regulation, which would effectively tie the hands of MFIs and prevent growth. AEFP emphasized this fact with GOSS staff, and cultivated excellent collaborative relationships based on mutual trust and understanding. As stated earlier, the GOSS was supportive and proud of SUMI. There was a significant turnover at the Ministry of Finance in 2006, however, which necessitated the project starting over in its relationship building.

Through consultant John Beijuka, AEFP researched regulatory options for MFIs in Southern Sudan and analyzed options for government regulation. The original idea was to develop a draft microfinance policy to present to the government, with the expectation that it would be adopted. Mr. Beijuka found that information on most relevant laws was scarce, other than a few, such as the Companies Act, which was applicable before the CPA. He identified the need for legal and policy reforms to improve access to finance. These will include improvements in the judicial system, drafting of prudential guidelines for banks, and the introduction of an appropriate policy framework for microfinance.

Although the project was tasked with developing and publishing a microfinance policy, international experience, the theory on financial regulation, and observations made during the study show that the microfinance industry in Southern Sudan is not ready for regulation and therefore, should not be prudentially regulated by BOSS at least in the medium term, as MFIs could be subject to non-prudential regulation focusing on performance monitoring. Such a regulatory system would neither be pure self-regulation nor direct GOSS regulation, but self-regulation backed by statutory powers of BOSS and any other government agencies. In an environment such as Southern Sudan, where policies are being formed and actions are being taken for the first time, it is critical not to over-regulate, but to approach issues and activities thoughtfully and carefully to create the right enabling environment. To rush in and over-regulate would do more harm than good. The detailed recommendations of the policy study are in Annex B.

Challenges and How AEFP Addressed Them

The policy environment in Southern Sudan was a challenge for numerous reasons. Turnover at the Ministry of Finance meant that AEFP had to start over in relationship-building. In addition, BOSS was still young and going through its own formative phase. There was no microfinance strategy, and only two MFIs existed. AEFP was tasked with ensuring that an effective microfinance policy be published during the project’s lifetime, but as time went on, it became clear that this was not feasible in the environment on the ground. All stakeholders agree that Southern Sudan is not yet ready for regulation. The sector is too young and small, and the BOSS is not yet fully functional even to regulate commercial banks. The forum will continue to champion effective policy, as the GOSS and BOSS move forward, and will serve as an advocate for the industry.

SECTION IX: OVERARCHING SECTOR SUPPORT ACTIVITIES

Through the microenterprise market study, AEFP developed an understanding of the local context, identified SUMI branch locations, and tailored loan product design. As the project progressed, the AEFP team undertook additional assignments to gather information to inform project activities and future USAID economic growth activities.

Internally Displaced Persons Study

In 2004, AEFP conducted a study to gauge the economic expectations of IDPs and returnees in Southern Sudan. Led by consultant Fion de Vletter, the study considered how best to realize the combination of expectations, individual capacities, and economic realities through the provision of credit.

The study included a broad sample of SPLM-controlled areas, which were chosen based on geographic distribution, as well as climatic, topographic, and economic conditions. The team went to Yei, Nimule, Ikotos, Panyagor, Aweil, the Nuba Mountains, Southern Blue Nile, and northern Uganda, each of which had unique issues related to the displaced. AEFP assessed a range of potential market areas and interviewed community leaders, NGOs, stakeholders, IDPs, and returnees.

In many towns with active markets, returnees and IDPs were found to dominate trade, services, and small productive activities. A large number of IDPs and returnees had chosen to live independently or to supplement their relief supplies through self-initiated income-generating activities (occasionally benefiting from camp-based credit programs or vocational training courses). A significant entrepreneurial class was found among self-settled refugees, mainly operating out of northern Uganda.

Using study data, AEFP reviewed SUMI's business plan, with specific attention to the pilot group loan product being offered in Yei. This allowed the project to further refine the design of the loan product, and identify other operational solutions to enable SUMI to reach IDPs, returnees, and women, while ensuring strong repayment and institutional sustainability.

Transition Area Assessment

In 2005, AEFP assessed the three transition areas of Abyei, South Kordofan, and Blue Nile State. The assessment team of Jeanlouise Conaway, Ezekiel Esipisu, and Alfred Gworit examined livelihoods and the functioning of the local economy to develop recommendations for future USAID programming. The team conducted a three-week field assignment to assess population centers and interview key stakeholders. They viewed potential activities through the complex political lens of the situation in the area, and developed recommendations designed to fit with realigned USAID priorities for Southern Sudan. To promote security and stability in the transition areas, the team suggested the following activities:

South Kordofan

- Assistance to the Kauda Chamber of Commerce, to include business skills training and access to capital through a revolving credit fund available to chamber members
- Enhancement of sesame oil production, including training in appropriate technology and in business skills

Abyei

- Assistance to the Agok Chamber of Commerce, to include business skills training and access to capital
- Goat restocking program

Southern Blue Nile

- Enhancement of sesame oil production through appropriate technology and business skills training
- Assistance to the Kurmuk Chamber of Commerce, to include business skills training and access to capital
- Goat restocking program

Business Surveys

AEFP conducted two business surveys, in 2006 and 2007, to determine business development and market potential in major cities in 10 states in Southern Sudan. USAID and the South Sudan Center for Census Statistics and Evaluation approved the methodology before initiation of field work.

The first survey was conducted in two phases. This was not originally planned, but was necessary due to insecurity and logistical challenges. In November and December 2006, the team of Henry Oketch, James Oryema, Kevin Melton, and Frank Shitemi visited Aweil, Juba, Malakal, Maridi, Rumbek, Yei, Yambio, and Wau. In February and March 2007, Ezekiel Esipisu and Mr. Shitemi completed the survey in Kapoeta, Kwajok, Tonj, Rubkona, Bentiu, and Bor. The teams counted all microbusinesses and gathered information on the participation of IDPs, returnees, and women in business.

Overall, the teams found that the return of peace and security had dramatically improved the morale and confidence of entrepreneurs and sparked a growth in small businesses in Southern Sudan. Domestic demand caused by relative stability, the return of IDPs, employment opportunities created in the GOSS, and an influx of investors resulted in the emergence of a significant number of microenterprises. The construction of roads by development partners further enabled businesses growth. Khartoum, Uganda, the DRC, and Kenya were suddenly within reach, which improved communication, accessibility, and the movement of people, goods, and services.

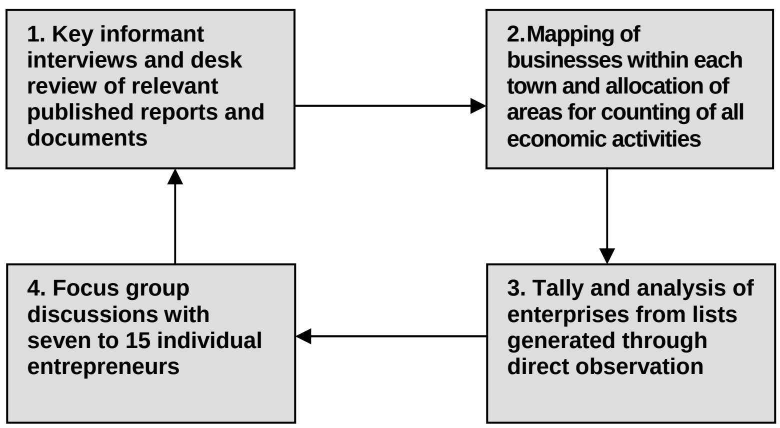
Women in Business

Men dominate almost all spheres of business in every town surveyed, but it is important to note the significant participation of women, especially in Yei, Juba, Malakal, Wau, and Aweil. Women made up 31 percent of the commercial market in the first survey. In the second, participation of women rose to 37 percent.

Business Survey Methodology

When measured against all microentrepreneurs, IDPs and returnees out-numbered those who stayed behind. In most towns, men dominated commerce and manufacturing. Overall, commerce made up 65 percent of the market. This included activities from a single vendor selling onions on the side of the road to large teak lumber enterprises. The service sector represented 27 percent of the market. Largely dominated by women, businesses included restaurants, tea shops, hotels, tailors, and bicycle/motorcycle repair shops. The manufacturing sector was the smallest, representing well under 10 percent of all businesses. Due to the limited commercial supply and high transport costs of raw materials, the local manufacturing sector has had a difficult time competing with outside economies.

Business Survey Methodology



The second survey, in October and November 2007, provided follow-up data to determine the growth of business in each town. The survey team visited Aweil, Juba, Malakal, Yei, Yambio, Tonj, Torit, and Wau. Due to insecurity and logistical challenges, the second survey team was unable to visit several towns covered in the first survey, but added an analysis of Torit.

In the second survey, the team found that all areas of business had grown tremendously. Juba had the highest increase, followed by Wau, both of which showed more than 400 percent growth. All towns had grown, although Malakal and Rumbek were at the other extreme, with less than 20 percent growth.

There was a significant increase in manufacturing in all towns, notably Juba, Wau, Malakal, Yei, and Aweil. For Juba, this can be attributed to overall economic growth, as IDPs and returnees transferred their businesses to the capital. With the influx of donors and NGOs, more jobs were available, which led to increased purchasing power and higher demand for manufactured goods. Juba is also the GOSS headquarters, and an operational center for many national and international organizations. For the other towns with tremendous growth, the survey team found that the factors responsible were similar: IDPs and returnees from the Diaspora, opening of trade links, foreign investors, and increased purchasing power through employment.

Focus Group Reflections on SUMI

During focus group discussions, the survey team was told repeatedly that the availability of credit through SUMI has provided critical support to the population. Business people thought the attainable conditions set by SUMI made it easier for those who would otherwise never have securities to access loans, especially women, IDPs, and returnees. Entrepreneurs shared their hopes for SUMI's future. Some hope for its conversion to a savings bank, while others hope it will branch into commodity loans or increase loan amounts. The demand for capital significantly outweighs supply. Many individuals in towns in which SUMI currently does not operate expressed the hope for a SUMI branch in the near future.

As with manufacturing, the significant change in services and commerce was attributed to more IDPs and returnees transferring their businesses from where they were previously operating. The increase in the services sector was very high — at 933 percent. Services form the backbone of the economy, and as there were more opportunities for entrepreneurs, the demand for services increased. Commerce also increased dramatically — by 400 percent.

Challenges and How AEFP Addressed Them

The business surveys were added to the project's scope of work in 2006; the addition of two large and intensive activities presented a budgetary, logistical, and technical challenge to the AEFP team. Flights had to be chartered to many locations, and it took a significant amount of time for the teams to conduct the assignments. Given the insecurity in several towns, the most severe of which resulted in the AEFP team of James Oryema and Henry Oketch being evacuated from Malakal, AEFP conducted the first survey in two phases. This was not ideal, but was the best solution to the situation on the ground. In the second survey, the team was unable to visit every town included in the first survey, due to logistical challenges, insecurity, and flooding. The project ensured as complete coverage as possible, and was able to gather quite a bit of information to present a solid overall picture of the changes in business growth and activity in Southern Sudan.

Business is Booming: Towns and Businesses Surveyed

Town	Total Businesses Survey One	Total Businesses Survey Two
Aweil	1,165	4,115
Juba	4,704	24,089
Malakal	3,730	4,591
Maridi	699	-
Rumbek	1,895	2,252
Yei	1,979	4,391
Yambio	1,178	2,387
Wau	2,717	13,573
Kapoeta	255	-
Kwajok	488	-
Tonj	641	717
Rubkona	695	-
Bentiu	948	-
Bor	1,171	-
Torit	-	1,064
Total	22,258	57,179

SECTION X: FINANCE SUDAN

In June 2006, AEFP responded to the new mission strategy to expand geographic coverage of programming by supporting a start-up MFI operating in Juba, Malakal, and Wau through a subcontract with ARC. Working in partnership with Micro Africa Limited (MAL), ARC received additional funding from Cordaid and Norfund for the launch of the MFI — Finance Sudan. This is notable in terms of continuation of activities beyond the end date of AEFP. ARC has also secured funding for the MFI from UNCDF and Deutsche Bank going forward.

Establish Finance Sudan in Juba, Wau, and Malakal

Finance Sudan began operations in Juba in September 2006; the first loan was disbursed in December 2006. Initial activities focused on establishing the MFI, identifying office space, and hiring and training staff. Jonathan Nkoola, Finance Sudan's CEO, brought significant experience from his native Uganda, where he had worked in upper management of Uganda Microfinance Limited. He continues to provide on-the-job training to staff; ARC and MAL provide targeted training as well.

Building on models that ARC and MAL have delivered in other post-conflict environments, Finance Sudan developed policies and procedures for group and salary loans. Finance Sudan rolled out lending operations in December 2006 with the portfolio management software A-Z Finance, which has facilitated portfolio tracking and quality, permitting management to monitor lending operations and staff productivity. High portfolio quality and a growth in client base have been direct returns on this initial investment.

ARC completed construction on Finance Sudan's Juba headquarters in May 2006 and activities have taken off there. Insecurity delayed expansion into Malakal, but 13 loans have been disbursed from that branch. The Wau branch office has opened, and lending will begin in the first quarter of 2008, pending receipt of loan capital.

Client Outreach

As of November 2007, Finance Sudan had 750 clients, including 51 percent women. Of these clients, 695 were approved for group loans and 55 for salary loans. Lack of sources of loan capital slowed loan distributions and limited the potential to meet the target of 1,000 clients. With the planned disbursement of loan capital from UNCDF, Norfund, and Deutsche Bank in January 2008, Finance Sudan is confident that outreach will increase.

By the Numbers

Adjusted return on equity was measured at -93.39 percent in November 2007, surpassing the subcontract target by more than 40 percent. Finance Sudan is run as a business, using time-tested ARC models and lessons learned from SUMI and neighboring Uganda. Cumulative loan disbursements in November 2007 stood at $312,116. The outstanding loan portfolio was $110,322, far surpassing the target of $65,000.

Challenges and How AEFP Addressed Them

One of the biggest challenges Finance Sudan faced was the limited availability of skilled local staff and the high demand for talented individuals. Similar to SUMI, Finance Sudan experienced considerable turnover in the key positions of accountant, loan officer, and branch manager. ARC was able to address this to some extent through its funding from Cordaid and Norfund, neither of which required Finance Sudan to have an all-Sudanese staff. Therefore, ARC was able to hire third-country nationals on long-term contracts to build the capacity of the MFI and local staff. The challenge of staff retention is ongoing and ARC is researching potential solutions.

The process of registering Finance Sudan as a foreign-owned for-profit microfinance company was delayed due to the lack of a microfinance policy in Southern Sudan favorable to creation of MFIs. Finance Sudan will continue to operate as an ARC program until establishment of a favorable regulatory framework.

Finance Sudan faced challenges identifying office space due to high demand in Juba. After identifying premises for renovation, ARC was forced to re-tender the work, following an initial round of excessively high-priced bids. Further, the actual renovation work took much longer than expected. During the delay, Finance Sudan operated out of temporary office space.

Finance Sudan’s growth was restrained due to the lack of loan capital. Avenues to provide loan capital through other donors or the GOSS did not emerge as planned, thus hampering activities. ARC has worked to secure funding from UNCDF, Norfund, and Deutsche Bank for loan capital, and hopes to have this in place in the first half of 2008.

Finance Sudan’s expansion into Malakal and Wau was delayed due to the lack of skilled talent and loan capital with which to begin operations. The fragile security environment, especially in Malakal, further impeded expansion. The business plan for Finance Sudan, while ambitious, did not contain mechanisms to adopt alternative plans in response to such challenges on the ground, such as opening elsewhere. In response, therefore, ARC focused on consolidating lending operations and improving operational efficiencies in Juba to prepare for expansion and growth.

Finance Sudan: By the Numbers

Indicator	Target	Achievement
1. Operational sustainability (for the last quarter of the first year)	10%	76.28%
2. Return on equity	-150%	+14.64%
3. Portfolio at risk (>30 days)	Less than 2%	1.5%
4. Operating cost ratio	700%	8.1%
5. Outstanding loan portfolio	$65,000	$110,322
6. Number of active loans	1,000	647
7. Number of loans disbursed	1,500	1,550
8. Amount of loans disbursed	$175,000	$312,116

SECTION XI: LESSONS LEARNED

Below, we present the lessons learned in implementation of AEFP. We hope this information will be helpful to implementers of future microfinance activities in Southern Sudan and other post-conflict environments.

SUMI

Following microfinance best practices in establishing SUMI, AEFP began early, intervened broadly, facilitated stakeholder collaboration, funded the technical assistance to grant to loan fund mix appropriately, and used regional technical expertise to supplement the lack of available skills locally. In setting up SUMI as a business and ensuring that the MFI operated under a strict business model, the project set the stage for sustainability.

The goal of establishing an all-Sudanese institution was admirable, and AEFP provided significant training to build local capacity. Had it been possible to hire a regional expert to serve as CEO, however, it would have jump-started SUMI's development and ensured that the staff received the appropriate guidance and daily mentoring they needed. AEFP addressed this by having technical project staff travel between the branches to provide support, but SUMI developed more slowly, given the lack of local capacity and the inability to hire regional experts. This was in contrast with Finance Sudan, which had a Ugandan CEO and numerous expatriate staff to support its development. As Finance Sudan began with significant technical expertise, it was easier for the MFI to grow quickly.

A related challenge for SUMI was that AEFP became known for the intensive and effective training it gave to staff. As such, NGOs and other organizations came looking for SUMI staff when they needed to hire, and offered high salaries to lure them away. AEFP then was forced to begin again, recruiting in the same limited pool of talent. SUMI's human resources study was a critical activity during the final year of the project. At this critical time, with SUMI at a crossroads, it was vital to identify additional measures to add to the incentive system to encourage staff to remain with SUMI. This continues to be a challenge, as SUMI personnel are in demand by other organizations and the institution needs to continuously refine its incentive system to ensure it is keeping quality staff.

The hands-on, comprehensive training approach used by AEFP was a key factor in the project's success. AEFP combined classroom training with attachments and on-the-job learning, and had staff in Sudan mentor SUMI on a daily basis. With the flexibility to respond to the needs of SUMI, AEFP was able to provide the support needed. Although based in Nairobi, most AEFP staff spent the majority of their time in Southern Sudan moving between branches and providing mentoring and technical assistance.

The audit of SUMI was an important activity, which was unfortunately delayed due to numerous factors, many outside the control of the project. In an ideal situation, the audit would have been conducted at least six months earlier, to allow the project time to respond and ensure that all areas identified as concerns were addressed before closing. The MIS is vital to SUMI's future, and AEFP closed before the project was able to put it in place. There were various reasons for the delay, most significantly, the delay in the audit, as all information had to be up-to-date and correct for the MIS to be effective. Ideally, the MIS would have been in place several months before the end of the project to allow for thorough review and fine-tuning of the system.

SUMI, as a young institution in a complex post-conflict environment, needs additional support. The demand for microfinance is high in the towns in which SUMI operates and in others across Southern Sudan. The GOSS and BOSS are putting their policies in place, and the financial services sector is beginning to get organized. SUMI was a trailblazer, and there is much more work to be done. The original design of AEFP referenced a follow-on activity, and additional support would be important to the entire sector and to SUMI specifically. At this critical stage of development, SUMI and other MFIs in Southern Sudan need access to loan capital to continue to grow and expand their outreach.

The Policy Environment

AEPF made it a priority to liaise with the government from the beginning, to educate officials about microfinance and obtain buy-in and support. As part of this education process, AEFP organized study tours to regional MFIs for officials of the SPLM and the TTF. The resulting support for microfinance and for SUMI itself was significant in AEFP's ability to implement the project effectively in this complex environment.

Turnover in government is inevitable and the education and relationship-building processes must be continuous. AEFP's champions in the Ministry of Finance were replaced in mid-2007, and the project had to go back to the starting point with new officials: to educate them about microfinance, introduce them to SUMI, and encourage the development of an effective framework for the sector. Although this slowed movement in the policy arena, it was inevitable, and the relationship-building and education processes continued.

The launch of the Southern Sudan Microfinance Forum was a critical activity that set the stage for effective development and sustainability of the entire sector. By bringing together all stakeholders, promoting best practices, and encouraging information-sharing, AEFP set the tone for positive development going forward. The forum has taken on a life of its own — beyond AEFP — and will continue to promote and lobby for effective structures for the industry going forward.

The project was tasked with ensuring that an effective microfinance policy was published. As AEFP was launched before the peace, and before a government was in place, this was an ambitious undertaking. Project staff worked closely with the GOSS, BOSS, and the forum to promote effective policy development, but all stakeholders agree that Southern Sudan is not yet ready for regulation. As the microfinance sector develops and the central bank builds its own capacity, it is important not to rush too soon into regulation of MFIs that could effectively tie their hands and prevent forward movement. Therefore, AEFP adjusted its approach to the policy activity in response to the context on the ground, promoting an effective policy framework, and building the capacity of the forum to lobby for its implementation when the time is right.

Overarching Financial Sector Support Activities

Through a series of market studies, assessments, and surveys, AEFP gained a deeper understanding of the local context and tailor and refine activities appropriately. The project also provided much-needed information to USAID on the status of business growth and activity in major towns in Southern Sudan. Importantly, in all of these studies, AEFP built in the flexibility to adapt when necessary, given the sometimes-volatile environment on the ground. As an example, with insecurity threatening several towns in the first business survey, AEFP's response was to split the survey into two phases, to gather the appropriate information, while ensuring the safety of staff and consultants.

Finance Sudan

Finance Sudan began with an ambitious business plan and the goal of establishing branches in Juba, Wau, and Malakal in less than a year. Insecurity in Malakal and logistical challenges in Malakal and Wau prevented full expansion, although activities began in both towns. The launch of Finance Sudan introduced competition into the microfinance sector in Southern Sudan, which is healthy given the high local demand. While SUMI had USAID funds for loan capital, however, Finance Sudan was unable to secure loan capital during the life of AEFP, and this affected expansion. Since the launch of Finance Sudan, Bangladesh Rural Advancement Committee Sudan has also been established. With three effective MFIs operating in Southern Sudan, the sector is poised for success, but all three need an infusion of loan capital to continue to move forward and conduct outreach.

SECTION XII: THE WAY FORWARD

As AEFP concludes, there is certainly more work to be done to build the capacity of SUMI and the microfinance sector overall. The challenge for SUMI, the forum, Finance Sudan, and all stakeholders is to continue activities without the project's day-to-day support.

SUMI

SUMI has exhausted the loan fund provided by USAID, and currently relies on income from its lending activities to fund all operations. There is a correlation between the loan portfolio and income generation; therefore, there is a risk of SUMI depleting its capital if it does not grow its income base to match its operating expenses. Although SUMI is able to cover its operating costs, it does not generate enough revenue for much-needed expansion, capacity building of personnel, or product development.

The first indication of distress is the recent suspension of the recruitment of new clients and suspension of some loan products such as salary and individual loans. This is harmless in the short run, but if it continues, SUMI could lose the trust of its clients. This is a critical time for SUMI. This all-Sudanese institution has made significant strides, which many thought impossible when the project began, but needs an infusion of loan capital to continue its successful operations and continue to positively affect the lives of the population.

There are few donors supporting microfinance in Southern Sudan, and as such, SUMI does not have many funding options. This leaves the MFI disadvantaged and unable to compete on equal footing with the other two MFIs in Southern Sudan, Finance Sudan and Bangladesh Rural Advancement Committee Sudan, which have international connections, expatriate staff, and many years of fundraising experience. SUMI is at a crossroads — with the commitment to move forward, but lacking the resources it needs at this critical juncture. The SUMI board's five-year plan is to grow the portfolio, expand regionally, and develop new loan products. To achieve these goals, SUMI needs access to additional loan capital and grant funding for expansion and product development.

The challenge for SUMI is what to do next. The board has several options: (1) register as a limited liability company limited by shares — an attempt to get additional sources of capital to expand its operations, (2) register as a bank (although it is not yet ready for this legal status), or (3) identify additional options for obtaining loan capital, such as formalizing relationships with a commercial bank (Kenya Commercial Bank has expressed interest) or working through a donor activity.

The first output of a continued assistance package would be to resolve the concerns identified in the audit. These concerns center on lack of capacity in accounting, management experience, operations management, strategic management, work ethic, and staff performance/morale. This is typical of a post-conflict situation as an institution grows, and strong, qualified management will be critical to resolving these challenges successfully. The AEFP contract required that SUMI hire only Sudanese staff. Although it was admirable to create a "home-grown" institution, finding experienced management and accounting personnel was difficult. The issues highlighted in the audit report are evidence of the skills that are lacking, and the inexperience of management in dealing with staff performance issues. As SUMI moves to stand on its own, it is no longer bound by nationality in terms of hiring. The board may need to consider hiring an experienced regional senior microfinance specialist as CEO or chief technical advisor on a contract for about two years to streamline operations. The board may also need an experienced regional finance manager to revitalize the finance department and resolve the finance-related audit issues. These two individuals would then work with local counterparts to build capacity.

There is need to oversee completion of the MIS installation, training, and to monitor the performance of the software. One of SUMI's major weaknesses in data management is staff commitment to updating data. Management will need continued help to train staff in data collection, management, and usage. Improved reporting from the new MIS will also pave the way for implementation of staff performance incentives, which will help to curb turnover.

The Policy Environment

The forum is unstructured until the sector develops, with the goal of becoming an association, similar to the Association of Microfinance Institutions of Uganda. Members would like to keep the forum informal and open to all, rather than transform it into a dues-paying organization. Forum members also recommended that the forum create a brochure describing its mandate, mission, and goals. Coordination of industry players is crucial to building a professional microfinance industry.

With the end of AEFP, the forum is seeking alternative sources of funding. ARC learned that the Consultative Group to Assist the Poor may be interested in providing support; it will explore this opportunity. Another option is for the forum to move towards a membership with a dues structure. Forum members agreed to develop a work plan and budget to better forecast spending, and the United Nations Industrial Development Organization, Volunteers for Economic Growth Alliance, ARC, and the Stromme Foundation volunteered to be on the committee to undertake these tasks. Other activities going forward include an open house, education materials on microfinance, and a Web site.

With turnover in key GOSS positions in 2007, the GOSS still building its own capacity, and the fact that Southern Sudan's microfinance sector is not ready for regulation, AEFP was unable to finalize the draft policy. The forum will continue this activity, and will serve as the advocate for an effective microfinance policy going forward.

Finance Sudan

Finance Sudan plans to reach 1,000 clients in the first half of 2008, and will continue expansion efforts to Wau and Malakal with funding from Cordaid. In early 2008, Finance Sudan expects to receive grants and concessional loans from UNCDF, Norfund, and Deutsche Bank totaling more than $1.3 million, thus removing a major constraint to growth.

Staff will continue receiving targeted microfinance training in MAL's regional offices, as well as on-the-job training from Finance Sudan staff. Finance Sudan will continue to play a central role in the future of the Southern Sudan Microfinance Forum, serving as head of the technical committee to carry out the annual work plan.

When Finance Sudan reaches operational self-sufficiency, ARC will spin off the program into a for-profit limited liability company, with MAL acquiring 50 percent of the ownership of the institution. With increased market share and scale, ARC will progressively divest to local and international investors with a shared vision and mission to ensure long-term sustainability. To accommodate growth, ARC will invest in integrated-loan portfolio management software with greater flexibility and capacity to absorb increase in terms of clients, portfolio gross amounts, locations, and product types.

With the combination of experienced investors, innovative technology, diverse demand-driven services, and an infusion of loan capital from donors, Finance Sudan plans to grow to reach at least 21,000 low-income households.

CONCLUSION

With the conclusion of AEFP, it is important to reflect on what the project achieved in a relatively short time in a very difficult environment. SUMI has five branches, three distinct loan products, and more than 6,000 clients, and people express the wish for SUMI branches in towns across Southern Sudan. Finance Sudan has two branches and has begun expansion to a third. In addition, the Southern Sudan Microfinance Forum is playing an active role in development of the entire microfinance sector and in advocating for effective microfinance policy. Perhaps even more important, however, is the change within the local population. Through SUMI, the people of Southern Sudan are building businesses, expanding them, and thriving. The population that has accessed loans has been able to rebuild their lives and care for their families, and can now look forward to a positive future. This perhaps is the ultimate achievement of AEFP.

SUMI Success

As Yambio Branch Manager Mbaraza Enos says, "SUMI isn't succeeding just because we are lending, but also because people have trust in us."

ANNEX A: AEFP STAFF

Irene Karimi	Chief of party (former microfinance specialist)
Lief Doerring	Chief of party (former)
Bosco Ole Sambu	Microfinance specialist
Robert Nyatundo	Microfinance specialist
Zachary Ireri	Microfinance specialist (former)
James Oryema	Logistics/operations manager
Frank Shitemi	Office manager
Simon Peter Kariithi Kahando	Grants manager
Jennifer Mulli	Grants and office manager (former)
Emily Ooko	Office manager (former)
Ann Rita Mugambi	Accountant
Jackson Omondi	Accountant (former)
Elizabeth Kibor	Office assistant
Susan Kilago	Office assistant (former)
Paul Onyango	Driver (SUMI)
John Nyrere	Driver (SUMI)
Jomo Matara	Driver

ANNEX B: POLICY STUDY CONCLUSIONS

In October 2007, AEFP contracted consultant John Beijuka to study the regulatory options for MFIs in Southern Sudan. As the governmental and judicial systems in Southern Sudan are still evolving, and the microfinance sector is nascent, this study sought to lay the foundation for an effective and supportive framework going forward. Mr. Beijuka reviewed available documentation and regulations, interviewed stakeholders, and analyzed the situation on the ground. He concluded that international experience, the theory on financial regulation, and the observations he made during the study suggest that the microfinance industry in Southern Sudan is not ready for regulation and should not, therefore, be regulated by BOSS — at least in the short to medium term. Mr. Beijuka presented the following recommendations:

1. The current legal framework in Southern Sudan is not well positioned to effectively monitor MFIs. As such, supervision of MFIs should be delegated to a self-regulating organization (SRO). It is essential to require membership within the SRO to ensure the effectiveness of this approach. SRO rules and codes of practice should be approved by BOSS, and GOSS may wish to be represented on the board of the SRO. As an interim solution, a specialized department in the proposed Association of Microfinance Institutions in Southern Sudan (AMFISS) could be established to take on the role of an SRO.

2. Savings and credit cooperatives (SACCOs) are not significantly present on the Southern Sudan financial landscape, but should be included in the national microfinance policy framework because it is likely that their number will grow. When in place, SACCOs should be brought under the Ministry of Finance.

3. The GOSS, through BOSS and in collaboration with the Southern Sudan Microfinance Forum, should amend or enact laws relating to the NGOs Statute and Companies Act. A provision should be included such that businesses or NGOs engaged in microfinance must be registered with an SRO and that a (still to be specified) government agency will be authorized to make microfinance-specific regulations under this Act. To avoid double registration under the Companies Act, the NGO Statute should confer corporate status to MFIs.

4. A Cooperative Societies Statute should have a specific section on SACCOs — or better still, there should be a separate Act for financial SACCOs. A provision should delegate some supervisory power to an umbrella body approved by the Ministry of Commerce Trade and Supplies. Financial SACCOs that grow and become large in terms of numbers of members or volume of deposits should be brought under the purview of BOSS.

5. It is the responsibility of the BOSS to ensure the development of a supportive regulatory and supervisory microfinance framework consistent with financial prudence. The Southern Sudan Microfinance Forum should be involved from the initial stages of the process. MFIs should not rush for regulation but rather undertake

careful assessment and preparation. For example, Bolivia prepared for three years before regulation, while Tanzania and Uganda prepared for nine and five years, respectively.

6. The GOSS should not interfere with MFIs but instead should establish them as businesses mentioned in appropriate laws. This would allow the industry to innovate and mature until such a time when regulation is warranted.

In summary, the microfinance industry in Southern Sudan is nascent, and as such, no single regulatory or supervisory model from a variety of regulatory regimes is recommended for application at this time. The model to be adopted will depend on the progress of the MFIs and financial system and the relevant legal system currently being developed by the GOSS. The BOSS must be proactive in supporting microfinance and acquiring the necessary exposure and training.

ANNEX C: SUCCESS STORIES

Selected success stories from the SUDAN AEFP Program are presented on the pages that follow.

USAID FROM THE AMERICAN PEOPLE

SUCCESS STORY

Loan Creates a New Life for Two Generations

As entrepreneurs throughout Southern Sudan struggle to reestablish and start up businesses, USAID provides a helping hand.

Photo: LAURA LARTIGUE

With a microloan from a USAID-funded project, Suzie Cici has made her business viable, put her children in school, and is diversifying and reinvesting her earnings. She says of herself and her female friends who have jointly received loans from SUMI, "We have all succeeded. Now we are encouraging other women to take out loans so that they, too, can succeed."

Suzie Cici, who sells smoked fish in Yei Market, is a true entrepreneur. With financial help through a series of loans from the USAID-supported Sudan Microfinance Institution (SUMI), she has built a future for herself and her family.

"Now I'm motivated to work hard," says Ms. Cici, "because I've learned that hard work will make you prosper. I've bought a plot of land and built a house on it from the money I've earned after taking out a loan." She was even able to buy a car, a difficult feat in post-war Southern Sudan. She plans to diversify her business and open a restaurant.

As the people of Sudan rebuild their country after a 22-year war, SUMI has been an integral part of USAID's effort to provide stability and foster economic recovery. SUMI, which set up operations in 2002, was the first financial institution to open its doors in post-war Southern Sudan. SUMI provides microloans ($100-$3,000) to small businesses, and targets historically disadvantaged groups including internally displaced persons, returnees, and women.

SUMI clients are self-starters with a fierce entrepreneurial spirit. Despite all odds, clients like Ms. Cici are seeing their businesses grow through access to credit. In addition, after years of being provided with relief aid, SUMI clients are learning how to fulfill the conditions of a formal loan agreement, and have gained dignity through being seen as creditworthy, while getting back on their feet financially.

With an all-Sudanese staff and board of directors, SUMI has five branch locations and an overall repayment rate of over 95 percent — an extraordinary accomplishment given the difficult working environment. The SUMI board meets quarterly to make decisions on operations and ensure that established policies and procedures are adhered to by all branches, further enhancing accountability and sustainability.

SUCCESS STORY

Sudanese Entrepreneur Makes Business Viable with Loans from USAID

SUMI clients are self-starters with a fierce entrepreneurial spirit. Despite all odds, clients like Emmanuel Bida are seeing their small businesses grow through access to credit.

Photo: LAURA LARTIGUE

Emmanuel Bida in his shop in Yei, in Southern Sudan. He has used SUMI microloans to diversify. "I sell whatever people will buy," he said.

Once a refugee and now a returnee to Southern Sudan, Emmanuel Bida has been able to make his business viable and reintegrate into his society by taking a series of microloans from a microfinance institution sponsored by USAID.

U.S. Agency for International Development
www.usaid.gov

Emmanuel Bida was caught up in Southern Sudan's war soon after he finished school and got married in 1999. He was forced to leave Yei and ended up in a refugee camp, where he and his wife raised their first child. When he returned to Yei, Mr. Bida wanted to start a business. He began importing audiocassettes from Uganda and selling them in the Yei market.

Mr. Bida saw advertising for the Sudan Microfinance Institution (SUMI), a USAID-sponsored microfinance institution. "I didn't have any capital to make my business grow," he said. "I saw the SUMI sign, and decided to get a loan." His first loan was worth $100; he is now on his sixth subsequent loan, worth $1,700. He has diversified into selling cold drinks, music cassettes, and CDs, and selling and renting stereo equipment for local events.

"The loan has allowed me to do things I could not do otherwise because I didn't have the capital. My oldest child is in school, and now I can provide my family with three meals a day," he said.

As the people of Sudan still face overwhelming challenges of rebuilding their country after a 22-year war, SUMI has been an integral part of USAID's effort to provide stability in a fragile state, and foster its economic recovery through support of small business growth. SUMI was the first financial institution to open its doors in post-war Southern Sudan. It provides microloans ($100-$3,000) to small businesses, and targets historically disadvantaged groups, returnees, women, and internally displaced persons.

After years of relief aid, SUMI clients are learning how to fulfill conditions of a formal loan agreement and they have gained dignity through being seen as creditworthy, while getting back on their feet financially.

USAID
FROM THE AMERICAN PEOPLE

SUCCESS STORY

Small Loan Means Much to a Family in Need

As business entrepreneurs throughout Southern Sudan work hard to reestablish and start up businesses after 22 years of war, USAID has provided a helping hand.

Photo: LAURA LARTIGUE

Ester Moriba selling fish in Yei Market.

Ester Moriba started selling fish with a $100 loan from SUMI. "Now, my children are able to eat three meals a day," she said.

Ester Moriba sells smoked fish in Yei Market. She took out a microfinance loan in early 2004, and was one of the first clients of SUMI, a microfinance institution sponsored by USAID. Her first loan was for $100, with which she bought smoked fish in Koboko, in neighboring Uganda. Consecutive loans allowed her to buy a bicycle and send someone to buy fish for her and transport it back to Yei on the back of the bike.

Her story is one of modest success, but in the post-war climate of Southern Sudan, even small changes make a difference. "I used to sell vegetables in the market. I have eight people to feed in my household, and sometimes I would have money for food, sometimes I wouldn't. I still struggle," she says, "but now my children are able to eat three meals a day."

The people of Sudan still face the overwhelming challenge of rebuilding their country after a 22-year war, but SUMI has become an integral part of the USAID effort to provide further stability in a fragile state and foster economic recovery through support of small business growth. SUMI, which set up operations in 2002, is the first financial institution to open its doors in post-war Southern Sudan. SUMI provides microloans ($100-$3,000) to small businesses, and targets historically disadvantaged groups including rural dwellers, women, and those displaced by the war.

SUMI is well on its way to becoming an independent Sudanese-run private sector business. With an all-Sudanese staff, chief executive office, and board of directors, SUMI now has five branch locations and a repayment rate of more than 95 percent — an extraordinary accomplishment given the difficult working environment.

USAID
FROM THE AMERICAN PEOPLE

SUCCESS STORY

Loans Transform Refugee into Successful Businessman

Returning to Southern Sudan from a refugee camp, Gabriel Gbera rebuilt his life with the support of USAID.

Photo: FRANK SHITEMI

Gabriel Gbera rebuilt his cinema hall and added a hotel with a loan from SUMI and he has plans to diversify.

With an entrepreneurial spirit, this successful businessman continues to flourish despite daunting challenges.

U.S. Agency for International Development
www.usaid.gov

Gabriel Gbera returned to Yambio after three years in a refugee camp in the Central African Republic. With money saved by selling goods in the camp, he bought land and began construction of what would become a cinema hall.

Mr. Gbera approached the USAID-sponsored Sudan Microfinance Institution (SUMI) and used the ongoing construction to secure a bridging loan of $3,000. With a second loan, he completed the construction and launched what became a successful business.

Disaster struck in 2005, as internal conflict spread in Yambio, and the cinema hall was destroyed. Despite this setback, Mr. Gbera refused to give up; he applied for a third loan and rebuilt his original business and a hotel.

As a border town, Yambio serves the Central African Republic and the Democratic Republic of the Congo. Mr. Gbera continues to develop business ideas to benefit the town and its population, including an Internet café and a petrol station. With the support of SUMI, Mr. Gbera inspires others with his confidence and optimism.

As Sudan rebuilds after a 22-year war, SUMI has been an integral part of the USAID effort to foster economic recovery through support of small business growth. SUMI, which began operations in 2002, was the first financial institution to open its doors in post-war Southern Sudan. SUMI provides microloans ($100-$3,000) to individuals and groups, and targets internally displaced persons, returnees, and women.

SUMI is well on its way to becoming an independent Sudanese-run private sector business. With an all-Sudanese staff, chief executive officer, and board of directors, SUMI has five branch locations and more than 6,000 active clients.

FROM THE AMERICAN PEOPLE

SUCCESS STORY

Microfinance Institution Inspires Courage and Commitment in Staff

SUMI branch manager lives MFI's motto: "Helping people to help themselves."

Photo: KEVIN MELTON

Riding his motorcycle hundreds of miles through hazardous areas, one committed individual ensured that an MFI in post-conflict Sudan was able to meet its clients' needs.

From the beginning, Mbaraza Isaiah Enos overcame unexpected challenges to serve the people in his community through SUMI.

Mbaraza Isaiah Enos manages the Yambio branch of the USAID-sponsored Sudan Microfinance Institution (SUMI). His quiet determination to succeed has improved his life and the lives of the people in his community.

Mr. Enos joined SUMI as a loan officer in 2004. He had completed his education in Uganda, on a scholarship he earned after three years in a refugee camp in the Central African Republic and four years of forced service in the army in Southern Sudan. Due to insecurity in Yambio and an outbreak of the Ebola virus in nearby Democratic Republic of the Congo, he found himself alone with the task of securing, renovating, and furnishing SUMI's Yambio branch. He worked tirelessly, and the branch opened as planned.

In 2006, he was promoted to branch manager. Again, he faced a challenge when a conflict at the border cut off the delivery of money and the branch ran out of funds. In a feat of extraordinary courage, Mr. Enos ensured that SUMI's credibility as a lending institution would not be damaged despite the conflict, and that the population would continue to receive the support it needed.

On a Saturday, he rode his motorcycle more than 80 miles to the nearest SUMI branch in Maridi, over some of the worst roads in Southern Sudan. That branch was facing similar challenges, however, and was unable to help him. He rode back to Yambio, then on to the SUMI branch in Yei, more than 200 miles away. There, he collected $15,000 and arranged transportation back to Yambio with an international organization to ensure the security of the funds.

On Monday, successful applicants at SUMI's Yambio branch received their loans. Mr. Enos' determination and passion to better the lives of those in his community ensures that SUMI achieves its motto: "Helping people to help themselves."

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