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ASOCIACION PARA EL DESARROLLO DE MICROEMPRESAS, INC.

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FINANCIAL AND MANAGERIAL ASSISTANCE PROGRAM
FOR MICRO-ENTERPRISES AND SOLIDARITY GROUPS
IN THE INFORMAL SECTOR OF THE ECONOMY

Updated: February 7, 1984
Santo Domingo, Dominican Republic

English Version as Edited by Stephen Miller, USAID/DR

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FIELD SUPPORT GRANT (FSG) PROPOSAL

TOTAL FSG REQUEST: DR\$498,652

PROJECT TITLE: Financial and Managerial Assistance Program for Micro-Enterprises and Solidarity Groups in the Informal Sector of the Economy.

PROJECT LOCATION: In the city of Santo Domingo and six secondary cities, two for each one of the main regions, which will be selected as the program develops. AID will be notified immediately with regards to any decisions or agreements that ADEMI might make regarding city selection.

PVO NAME AND LOCATION: Asociacion para el Desarrollo de Microempresas, Inc. (ADEMI), Santo Domingo, Dominican Republic.

CENTRAL HEADQUARTERS: Calle Vicente Celestino Duarte #48, Zona de la Atarazana, Santo Domingo, D.N.

CONTACT PERSON: Lic. Camilo Lluberes, President (Phone 689-9146).
Lic. Pedro J. Jimenez, Executive Director (Phone 689-9184).

DATE OF ORIGINAL SUBMISSION
TO AID : July 7, 1983.
Amendment : November 3, 1983.
Updated : February 7, 1984.

I. PROJECT PURPOSE AND DESCRIPTION

A. Purpose

1. To offer a dynamic and flexible credit and managerial assistance program, which will contribute to the creation of employment in the informal sector of the economy; and

2. Widen ADEMI's range of operations directed to other needy communities on an experimental basis.

B. Beneficiaries

Micro-enterprises and individuals collectively as Solidarity Groups*, whose operations are in the economy's informal sector, such as: craftsmen, goldsmiths, peddlers, cardboard and bottle collectors, shoemakers, wheelcart drivers, handbag manufacturers, dressmakers and tailors, cabinet workshops, fruit vendors, radiator repairshops, small cafeterias, mattress workshops, stove repairmen, blacksmiths, snow cone vendors, door-to-door electricians and plumbers, vegetable distributors and vendors, motorcycle and car repairshops, bicycle repairshops, tire repairshops, candlemakers, door-to-door gardeners, printing workshops, etc. With the project's efforts, approximately 21,000 persons would benefit directly--7,000 in solidarity groups and 14,000 in micro-enterprises--and approximately 105,000 persons would benefit indirectly.

* See definition in Section C.

C. General Description of Project

ADEMI's purpose is to carry out this program within a period of two years.

The main components of the program are: loans and credits, managerial assistance, and inter-institutional coordination.

Loans will be given to those micro-enterprises and solidarity groups which operate within the informal sector of the economy, and whose accessibility to the formal financial agencies is scarce or non-existent.

To be eligible, candidates must be in one of the two following categories:

1. The first one is "Micro-Enterprises", into which all production or service units fall, provided the operational and administrative management is in the hands of one or two persons who have the responsibility of taking all the important decisions, and which have the capacity of growing with a small injection of technical assistance and capital.

Taking into account the great diversification within the informal sector and without wanting to exclude worthy micro-enterprises with urgent capital needs, ADEMI has specified limits within which a micro-enterprise can be eligible.

It must have a maximum of DR\$15,000 fixed capital and a minimum of one employee for every DR\$2,000 of fixed assets.

If those limits seem high, it is worth pointing out that according to ADEMI's experience in 10 months of work, the biggest amount of loans are given to enterprises with fixed assets lower than DR\$5,000 and with one employee for each DR\$500 of fixed assets.

2. The second category is "Solidarity Groups", composed of a group of persons--generally 6 to 8--who are well-known to one another, who have some means of production of goods or services, are able to operate more or less at the same economic level, and who act as guarantors for one another before the Association.

The amount of loans for solidarity groups ranges from a minimum of DR\$30 to a maximum of DR\$90 per partner; for micro-enterprises, they range between DR\$100 and DR\$4,000.

The repayment period is short, ranging from a minimum of two weeks up to a maximum of four months.

The loans will be mainly for operating capital, though they may be used also for purchasing equipment and machinery.

The interest rate varies from 2% to 3% monthly. Even if the guaranty of the loan is based on the moral reputation of the borrower, the Association reserves the right to request him to put down a collateral requirement; so far, the above has not been necessary.

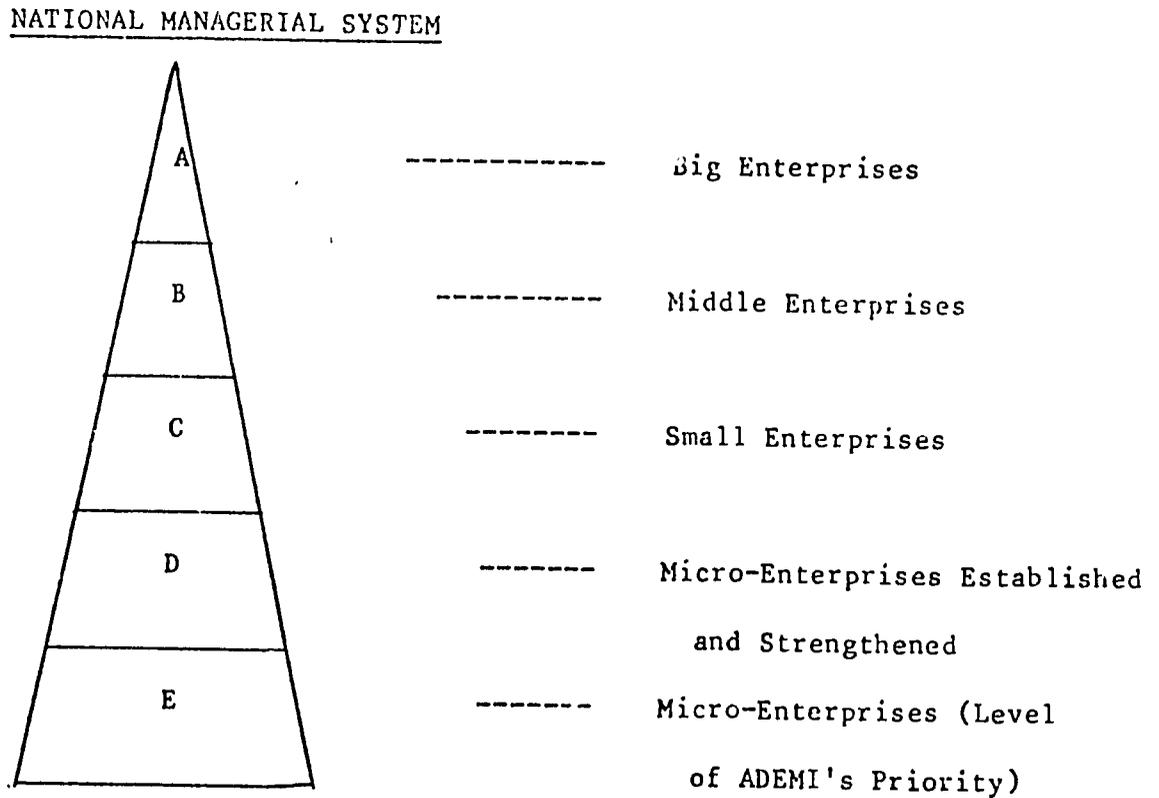
Loans are given directly by ADEMI to the beneficiaries with coordination from the private banking system. During the first year of the project, beneficiaries must operate in the city of Santo Domingo. That period has been determined to be time enough for ADEMI to test the efficiency of its methods.

The managerial assistance component will be offered only to those micro-enterprises which request it. Such assistance will be given by other institutions, and will be paid by the beneficiaries themselves. This decision is based upon ADEMI's experience to date. The target population, in more than

50% of the cases, does not require managerial assistance in a systematic way due precisely to its economic operational level.

Once the Association's goal of strengthening these production or service units is achieved, their own rising operational level will determine the demand for such service, in which case ADEMI will work with institutions specializing in managerial assistance.

The graphic expression of the national managerial system can be described as follows:



ADEMI focusses on Level E, and tries to promote these firms to the next level. The managerial assistance will be offered, then, from Level D on.

From the graphic it can be seen that it is essential for ADEMI to strengthen relations with financial institutions operating with micro-enterprises on Level D. This means production units requiring capital on long terms for fixed assets. These coordinating mechanisms are described below.

D. Conditions Expected at End of Project

With the resources from the program, ADEMI will pursue the following goals during the next two years:

1. To be consolidated as a development institution that has an effective influence on the informal sector offering financial and managerial assistance and creating steady jobs.
2. To expand its operations on a pilot basis to at least six other communities in the country.
3. To have given services to at least 2,800 micro-enterprises and some 1,000 solidarity groups, all belonging to the informal sector.
4. To have contributed to the loan credibility of the commercial banking system in the informal sector, demonstrated by the absorption of at least a 5% of the micro-enterprises serviced initially by ADEMI.
5. To gain 80% participation in a savings account program among partners of solidarity groups.
6. To have created at least 3,000 steady jobs.

II. PROJECT BACKGROUND

One of the most important problems faced by the country is unemployment and underemployment. Though there are specific programs to improve both productivity and economic activity, so far it has not been possible to bring into the mainstream of the economy a great part of the population. It has been estimated that, at the present time, there are 40% unemployed and underemployed from a population of 1,300,000 inhabitants, which means that Santo Domingo has 520,000 persons trapped at an economic level of marginality without work or at a very precarious economic subsistence level.

According to data from the National Planning Office (ONE), both the low level of productive diversification and the inappropriate use of technology relative to the availability of the resources, have created a structurally rigid economy with a very low employment generation capacity.

In fact, the latest data available for the city of Santo Domingo demonstrate that 45% of the economically active population perform their activities within the informal sector, which is showing a greater capacity for manual labor absorbency.

It has been demonstrated that the participation of the economically active population in modern occupations diminished from 1980 to 1983 from 61.4% to 55%.*

The experience of those countries where a policy on crafts development and intensive use of manual labor was promoted, such as Korea, Philippines, and Taiwan, can be used as an example of the importance of programs whose goal

* Oficina Nacional de Estadística, Oficina Nacional de Planificación, Manual Labor Surveys 1980 and 1983 for the city of Santo Domingo.

is to the promote growth of that extensive and needy informal sector of the country's economy. During the last years, attempts have been made to develop micro-enterprises within the informal sector. So far, the results have been satisfactory, but it is still necessary to intensify efforts in the interest of reaching a larger number of persons and so reducing social pressures.

An investigation by Fundacion Dominicana de Desarrollo (FDD)*, demonstrated the feasibility of creating steady jobs in urban zones, based on micro-enterprise development with less than a DR\$1,000 investment.

This has been demonstrated by ADEMI, which in nine months of operation has created 739 new jobs with an average single investment of DR\$277 each.

Up to January 1984, ADEMI has granted a total of 3,379 loans to 573 micro-enterprises and 215 solidarity groups for a total value of DR\$1,226,450.

A total of 4,765 persons have benefitted from those operations, which indirectly influences approximately 28,590 inhabitants.

It is important to point out that ADEMI's experience has demonstrated that it is possible to induce the informal sector in the generation of savings as well.

In nine months, the institution beneficiaries reached a savings level above the amount loaned equivalent to 8%. This is even more important if it is taken into consideration that this is the lowest level of the national management system, the same persons that before starting in ADEMI were borrowing money at usurious rates, sometimes reaching up to a daily 10%. In a short time, some of those beneficiaries will require only small loans to complement their savings to finance their operations.

* Gross, Stephen H. Feasibility Study for Micro-Enterprises Program. Fundacion Dominicana de Desarrollo (FDD) and Accion Internacional (AITEC), 1980.

TABLE 1

January 1984 Statistics and Nine Months Program Statistics

	<u>Jan.</u> <u>1984</u>	<u>Accumulated</u> <u>Nine Months</u>
A. <u>Micro-Enterprises</u>		
Number of units financed	0	573
Initial number of jobs	0	2,303
Number of jobs at 1/31/84	-	3,042
New jobs created	101	739
Number of loans granted	397	2,133
Total amount of loans	\$123,800.00	\$841,625.00
Average number of loans to enterprises	-	3.7
Total average borrowed by enterprises	-	\$1,468.80
Average value of the loans	\$311.84	\$394.57
Number of recovered loans	287	1,988
Total amount of \$ recovered	\$112,417.00	\$653,217.00
Loan recovery percentage	-	99.0
\$ average loaned per job created	-	\$276.67
B. <u>Solidarity Groups</u>		
Number of financed groups	1	215
Number of participants: Men	-12	804
Women	-19	346
Total	(-)31	1,150
Number of loans granted	172	1,246
Total amount loaned	\$68,880.00	\$384,825.00
Average number of loans per group	-	5.8
Average \$ amount borrowed per group	\$400.47	\$308.60
Number of loans recovered	182	1,082
Total amount of \$ recovered	\$73,025.00	\$317,315.00
Recovery rate of the loans (%)	-	99.2
C. <u>Savings at January 31, 1984</u>		
1. <u>Micro-Enterprises, Total</u>		\$78,522.00
Average per enterprise		\$137.04
2. <u>Solidarity Groups, Total</u>		\$24,946.07
Average per group		\$116.03
TOTAL OF SAVINGS (Micro-Enterprises + Solidarity Groups)		<u>\$103,468.07</u>
3. <u>% Savings over Amount Loaned</u>		8.0

(Continuation of Table 1)

D. <u>Loan Amount in Force at January 31, 1984</u>	<u>\$255,918.00</u>
E. <u>Loans Summary</u>	
Total loaned (micro-enterprises + solidarity groups)	<u>\$1,266,450.00</u>
Total number of loans	3,379
Total recovered	\$970,532.00
Number of loans recovered	3,070
F. <u>Total of Beneficiaries (Jobs)</u>	
Direct	4,765
Indirect (average 6 per family)	28,590

III. PROJECT ANALYSIS

There are three important impacts the proposed program will have on the informal sector beneficiaries.

From the economic point of view, the main effect will be the income increase of the micro-enterprises and solidarity groups as a result of the financing they will obtain. This will allow them to produce, in a systematic way, and, in many cases, at a greater rate. More important, with ADEMI's financing, beneficiaries will have the opportunity to keep more of their profits since, in most of the cases, these went to the cashboxes of the money-lenders who loaned at usurious interest rates.

The fact that with the strengthening of the production or service enterprises a great number of jobs will be created or stabilized is very significant. With ADEMI's experience to date of creating a job with an average investment of less than DR\$300, a large number of jobs can be created.

In a country with very scarce financial resources, it must also be emphasized that ADEMI's beneficiaries are and will be induced to save. This suggests that, at some time in the process, they may be able to partially self-finance their activities.

If the number of beneficiaries that the program will reach is taken into consideration, and if it is assumed that the greatest part of the resources will finance micro-enterprises in the city of Santo Domingo, the program will have a direct effect on 5% of its population.

At the same time, ADEMI's methodology introduces beneficiaries from the beginning to the private banking system, which will result in great benefits for the informal sector because it:

A. Educates the beneficiaries about the functioning and facilities that the formal banking system offers;

B. Educates the informal sector, not only regarding credit use but also in the practice of saving; and

C. Will enhance the scale and credibility of the informal sector of the economy with financing from the formal sector.

From the sociological point of view, the program will collaborate in the organization of voluntary groups with a common objective, so that they can present themselves as a group before a formal financial institution. This will contribute to the development and unification of the beneficiaries as groups in the face of an individualizing and increasingly impersonal urban life. Based on previous experiences, many of the future beneficiaries are illiterate. Obtaining increased financial responsibility and a savings account will give them increased feelings of worth and dignity.

From the institutional perspective, the development of the program will allow ADEMI to test its methodology which proposes to assimilate the positive aspects of other similar programs, strengthening the Association as an organization that can effectively penetrate the informal sector of the economy and promote this sector to higher levels of development.

Additionally, the program will allow ADEMI to broaden the scope of its activity, resulting in direct benefits for the target population and thus contributing to alleviating the serious unemployment situation in the country.

To achieve all these efforts, ADEMI will work with other local institutions, among which the following are emphasized:

1. Banco Popular

This bank works very closely with ADEMI's project. All the micro-enterprises open savings accounts in the bank, becoming clients. A case has arisen in which the micro-enterprise has been transferred directly from ADEMI's loans to a loan from Banco Popular through financing granted by Grupo Financiero Popular. This is a very important relationship, and it is expected that future micro-enterprises will be borrowing directly from Banco Popular.

2. Banco del Comercio/Banco de la Mujer

ADEMI has been informally linked with Asociacion Dominicana para el Desarrollo de la Mujer (ADOPEM), popularly called Banco de la Mujer. This organization, together with Banco del Comercio, has a credit program for women's enterprises. Credits in this institution range from 10 to 24 months, with an interest rate of 12% annually. So far, ADOPEM and Banco del Comercio have financed one enterprise graduated from ADEMI, and have under consideration another 10 applications from ADEMI's clients. This working relationship will be formalized soon with the signing of an agreement among the two institutions.

3. Fundacion Dominicana de Desarrollo

ADEMI has elaborated an agreement to be signed with the Fundacion Dominicana de Desarrollo (FDD), and there is very good working relationship at the advisor-promoter level. At the solidarity group level, promoters from both agencies work very closely, sharing clients to supply their different needs. At the micro-enterprise level, there is also a lot of contact among promoters.

For ADEMI, these relationships are fundamental. Many of the enterprises that come to ADEMI soon require larger and longer loans. ADEMI cannot supply their needs. Therefore, it is essential to have alternatives in order to send ADEMI's clients to other institutions which offer the type of loans needed.

The program proposed by ADEMI is based on the financial projections made with the technical assistance of AITEC before starting public operations. According to them, and using ADEMI's particular methodology, the program may become self-sufficient during its second year of operation. As an illustration, the following table shows a 3-year period projection.

TABLE 2

ADEMI'S LOANS PROGRAM PROJECTION FOR 3 YEARS

SOLIDARITY GROUPS			Loan Amount	TERM.	%	AMOUNT TO BE LOANED			INTERESTS TO BE GENERATED		
NUMBER OF LOANS						1	2	3	1	2	3
1	2	3				1	2	3	1	2	3
400	600	800	210	1 Week	3%	84,000	126,000	168,000	2,310	3,465	4,620
350	500	700	280			98,000	140,000	196,000	2,695	3,850	5,390
300	400	600	350	2 Weeks	2%	105,000	140,000	210,000	3,675	4,900	7,350
250	300	500	420			105,000	126,000	210,000	3,675	4,410	7,350
200	250	400	490	3 Weeks		98,000	122,500	196,000	4,165	5,205	8,330
150	200	300	560			84,000	112,000	168,000	3,570	4,760	7,140
100	150	200	630			63,000	94,500	126,000	2,678	4,016	5,355
<u>1,750</u>	<u>2,400</u>	<u>3,500</u>				<u>637,000</u>	<u>861,000</u>	<u>1,274,000</u>	<u>22,768</u>	<u>30,607</u>	<u>45,535</u>

* Amounts average seven (7) Persons per loan.

MICRO-ENTERPRISES			Loan Amount	TERM.	%	AMOUNT TO BE LOANED			INTERESTS TO BE GENERATED		
NUMBER OF LOANS						1	2	3	1	2	3
1	2	3				1	2	3	1	2	3
300	400	600	100	2 Weeks	3%	30,000	40,000	60,000	1,050	1,400	1,650
280	390	580	150			42,000	58,500	87,000	1,470	2,048	2,393
260	370	550	200	3 Weeks		52,000	74,000	110,000	1,820	3,145	4,675
240	350	520	300			72,000	105,000	156,000	3,060	4,463	6,630
220	330	490	400	1 Month		88,000	132,000	196,000	3,740	5,610	8,330
210	310	460	500			100,000	155,000	230,000	5,000	7,280	11,500
100	290	430	600	2 Months		108,000	174,000	258,000	5,400	8,760	12,900
160	270	400	700			112,000	189,000	280,000	5,600	9,450	14,000
140	250	380	800	3 Months		112,000	200,000	304,000	6,720	12,000	18,240
120	230	360	900			108,000	207,000	340,000	5,400	13,200	20,400
90	220	340	1,000	4 Months	90,000	220,000	400,000	8,400	25,200	38,400	
70	210	320	1,500		105,000	315,000	600,000	9,600	32,000	48,000	
60	200	300	2,000		120,000	400,000	700,000	10,000	38,000	56,000	
50	190	280	2,500		125,000	475,000	780,000	12,000	54,000	78,000	
40	180	260	3,000		120,000	540,000	840,000	10,500	59,500	84,000	
30	170	240	3,500		105,000	595,000	880,000	8,000	64,000	88,000	
20	160	220	4,000		90,000	640,000					
<u>470</u>	<u>4,520</u>	<u>6,730</u>			<u>1,559,000</u>	<u>4,519,500</u>	<u>6,625,000</u>	<u>104,240</u>	<u>352,886</u>	<u>512,556</u>	
<u>220</u>	<u>6,920</u>	<u>10,230</u>			<u>2,205,000</u>	<u>5,365,000</u>	<u>7,899,000</u>	<u>127,008</u>	<u>383,193</u>	<u>550,023</u>	

IV. PROJECT DESIGN AND IMPLEMENTATION

A. Implementation Plan

Four phases will be executed by ADEMI's personnel in order to achieve the lending of funds to their beneficiaries.

1. Promotion

The objectives of this operational phase are:

- To get ADEMI a name among the micro-enterprises.
- To arouse micro-enterprise interest for requesting credit.

Promotion will be made through the following channels:

a. Press

Publicity about ADEMI has had an impact at the level of future clients who come to the institution for more knowledge of its programs.

b. Meetings in the Communities

At the level of solidarity groups, meetings are promoted in various communities to which micro-enterprises are invited. ADEMI's project perspectives are discussed. This phase is carried out by ADEMI's counselor.

c. Micro-Enterprises

There are already more than 600 enterprises in Santo Domingo who have obtained ADEMI loans; they are the best program promoters because they educate their friends and others. Each entrepreneur buys an ADEMI sticker, identifying his enterprise as a member of the Association. This also helps with the promotion.

2. Identification

Once the entrepreneur has contacted ADEMI, he is visited at his workshop. This visit is very important because it helps define the

eligibility of the entrepreneur and whether he has a project that merits a loan from ADEMI. For this purpose, the city of Santo Domingo has been divided into zones, with a counselor in each one. This helps minimize transportation problems. During the identification visit, if it is decided that the person qualifies for the program, the counselor fills out the credit application with the entrepreneur.

This application defines the project, the use of the funds to be loaned, and conditions of the loan. The identification and pre-selection is made by the counselor. The credit request is revised by the micro-enterprise supervisor and by the credit committee.

If the credit is approved, a meeting between ADEMI and the entrepreneur follows. This meeting is very important because there a consciousness is created about the importance of paying the loan on time and of his role as an entrepreneur within the community.

3. Credit Process

The loan processing period for micro-enterprises, from the initial contact to the handing over of the loan, is a maximum of 15 days. The process includes all the previous identification phase, summarized as follows:

- a. Initial contact meeting.
- b. Workshop visit.
- c. Loan application.
- d. Study and consideration by the credit committee (coordinated by the Executive Director and the Credit Analyst).
- e. Disbursement of the loan.
- f. Follow-up.
- g. Training (according to loan level).

For the solidarity groups, the procedure up to the disbursement of the loan also takes 15 days, and includes the following step:

- a. Promotion.
- b. Group meeting.
- c. Constitution document.
- d. Credit application.
- e. Study and consideration by the credit committee, which in this category includes the promoter.
- f. Disbursement of the loan.
- g. Recuperation.
- h. Follow-up.

Micro-enterprise loans, once approved, are disbursed through savings accounts opened in the name of each entrepreneur beneficiary in Banco Popular Dominicano. The entrepreneur withdraws the money loaned according to his needs, and when the moment of cancelling the loan comes he deposits the payment in ADEMI's account at the same bank. The next step is returning the deposit slip as a receipt to ADEMI's office, thus requesting the promisory note that guaranteed the loan.

For solidarity groups, loans are in the form of a check made out in the name of each one of the respective cooperators, and these pay with deposits at the bank the same way as the micro-enterprises do. Solidarity groups also have savings accounts with the objective of initiating a process toward their financial self-sufficiency.

4. Follow-Up

The follow-up objectives are:

- a. To secure loan recovery.
- b. To discover problems in the enterprise.
- c. To keep contact with the entrepreneur and help him in any way possible.

The follow-up is not technical or managerial assistance, even if it might have an impact on these areas of the firm. The follow-up visit is quick and short to help to maintain contact between ADEMI and the enterprise; it helps establish a mutual relationship between the entrepreneur and the counselor.

Only with a serious supervision program will it be possible to achieve ADEMI's objective, which is strengthening those informal sector production units that might turn into job generating ones as a consequence of their increased income and operational expansion. Thus, the permanent contact between the Association and the beneficiaries, through the promoter, will constitute the essence of the methodology to be used by ADEMI.

The scheme for the development of the institution includes credit on a financially escalating basis to the same production unit, in which the role of the supervising agent, the promoter, is critical. The promoter, besides contacting, orienting, and filling-out the credit application for the solidarity group or micro-enterprise, will give the payment notices to the beneficiaries in advance of the payment period for the given term. If small- and medium-size loans given to solidarity group (with 1-2 week terms) are used as examples, the institutional presence is practically continuous. ADEMI does not give managerial assistance directly to the entrepreneur nor does ADEMI offer training courses. A great number of ADEMI's clients (probably more than half of them) do not require any type of counseling.

These are very small businesses which receive small credits on very short terms. These enterprises are so small that they cannot absorb, do not require, and cannot spend their time on managerial counseling or accounting courses, etc. However, there exists a sector of those micro-enterprises which is already suitable for some basic concepts and which will take advantage of technical assistance. For this reason, ADEMI has established close links with a new counseling and training institution, Instituto de Asesoría Empresarial (INASEM). They offer accounting and managerial assistance to the enterprise. INASEM signs a contract with the enterprise, for from DR\$5 to DR\$20 monthly, depending on their capacity. They also seek to offer basic accounting and sales courses. These courses will also be self-financing. Therefore, ADEMI will not interfere in the field of managerial assistance but will help the enterprise to obtain such aid, not only from INASEM but from other agencies, such as INFOTEP, FDD, and others.

Program efforts will be focussed to benefit directly 7,000 persons in 1,000 solidarity groups to which 4,150 loans will be given for an amount equivalent to DR\$1,498,000. Likewise, 16,590 loans will be given to micro-enterprises for a value of DR\$9,549,650, creating and strengthening 2,810 production units that will benefit directly 14,050 persons (see Table 3).

In Tables 5, 6, 7, and 8 details of the projected 2-year loan program can be seen. This program is both for micro-enterprises and for solidarity groups.

In order to achieve these objectives, ADEMI will require funds totalling DR\$1,298,562, as seen in Table 9, where the distribution of the funds according to expense is detailed. Additionally, in Table 10 is included a detailed funding distribution by financing source.

Other financial projections related to funds flows are presented in Tables 11 and 12.

ADEMI requests from the Agency for International Development (AID) the amount of DR\$498,652 to be granted from their financing program for private voluntary organizations, with the purpose of establishing a 2-year fund for the operational expenses of ADEMI's program of Financial and Managerial Assistance to Micro-Enterprises and Solidarity Groups in the Informal Sector of the Economy.

TABLE 3

ADEMI'S FINANCING PROGRAM OBJECTIVES

D E S C R I P T I O N	FIRST YEAR	SECOND YEAR
<u>MICRO-ENTERPRISES</u>		
No. of Groups To Develop	1,040	1,770
No. of loans to Grant (RD\$)	5,227	11,363
Total Amount to lend (RD\$)	2,391,550	7,158,100
No. of beneficiaries ⁽¹⁾	5,200	8,850
Average amount per loan (RD\$)	458	630
Average amount per beneficiary unit	2,300	4,044
<u>SOLIDARITY GROUPS</u>		
No. of beneficiary groups	400	600
No. of loans to grant	1,750	2,400
Total amount to lend	637,000	861,000
No. of beneficiaries ⁽²⁾	2,800	4,200
Average amount per beneficiary (RD\$)	227.5	205

(1) Five persons average per micro-enterprise

(2) Seven persons average per group

TABLE 4

MINIMAL SAVINGS LEVELS

SOLIDARITY GROUPS

<u>LOAN NO.</u>	<u>LEVEL</u>	<u>TOTAL LOAN RECEIVED</u>	<u>MINIMAL SAVINGS</u>
1	30	30	\$ 5.00
2	40	70	\$ 5.00
3	50	120	\$10.00
4	60	180	\$20.00
5	70	250	\$30.00
6	80	330	\$40.00
7	90	420	\$50.00

MICRO-ENTERPRISES

<u>LOAN NO.</u>	<u>LEVEL</u>	<u>TOTAL LOAN RECEIVED</u>	<u>MINIMAL SAVINGS</u>
1	100	100	\$ 5.00
2	200	300	\$ 15.00
3	300	600	\$ 30.00
4	400	1000	\$ 40.00
5	500	1500	\$ 50.00
6	600	2100	\$ 60.00
7	700	2800	\$ 70.00
8	800	3600	\$ 80.00
9	900	4500	\$100.00
10	1000	5500	\$125.00

TABLE 5

FIRST YEAR PROJECTION FOR THE MICRO-ENTERPRISE PROGRAM

LOAN AVERAGE AMOUNT (RD\$)	NUMBER OF LOANS	TOTAL AMOUNT (RD\$)	TOTAL INTERESTS
100	476	47,600.00	1,666
150	59	8,850.00	310
200	760	152,000.00	6,460
300	847	254,100.00	10,799
400	709	283,600.00	12,053
500	641	320,500.00	16,025
600	531	318,600.00	15,930
700	436	305,200.00	15,260
800	351	208,800.00	14,040
900	232	208,800.00	10,440
1000	135	135,000.00	6,750
1500	48	72,000.00	4,320
2000	1	2,000.00	120
2500	1	2,500.00	150
TOTAL	5,227	2,391,550.00	114,323

* ADEMI's first two operational months showed real results which allowed a revision of the original projections.

TABLE 6

SECOND YEAR PROJECTION FOR THE MICRO-ENTERPRISE LOAN PROGRAM

LOAN AVERAGE AMOUNT (RD\$)	NUMBER OF LOANS	TOTAL AMOUNT (RD\$)	TOTAL INTERESTS
100	750	75,000.00	2,625
150	150	225,000.00	787
200	1,300	261,200.00	11,101
300	1,578	473,400.00	20,120
400	1,380	552,000.00	23,460
500	1,234	617,000.00	30,850
600	1,084	650,400.00	32,520
700	932	652,400.00	32,620
800	782	625,600.00	31,280
900	629	566,100.00	28,305
1000	492	492,000.00	24,600
1500	392	588,000.00	35,280
2000	313	626,000.00	37,560
2500	212	530,000.00	31,800
3000	122	366,000.00	25,600
3500	15	52,500.00	3,675
4000	2	8,000.00	560
TOTAL	11,363	7,158,100.00	372,743

TABLE 7

FIRST YEAR PROJECTION FOR SOLIDARITY GROUP LOAN PROGRAM

LOAN AVERAGE AMOUNT (RD\$)	NUMBER OF LOANS	TOTAL AMOUNT (RD\$)	TOTAL INTERESTS
210	400	84,000	2,310
280	350	98,000	2,695
350	300	105,000	3,675
420	250	105,000	3,675
490	200	98,000	4,165
560	150	84,000	3,570
630	100	63,000	2,678
TOTAL	1,750	637,000	22,768

TABLE 8

SECOND YEAR PROJECTION FOR SOLIDARITY GROUP LOAN PROGRAM

LOAN AVERAGE AMOUNT (RD\$)	NUMBER OF LOANS	TOTAL AMOUNT (RD\$)	TOTAL INTERESTS
210	600	126,000	3,465
280	500	140,000	3,850
350	400	140,000	4,900
420	300	126,000	4,410
490	250	122,500	5,206
560	200	112,000	4,760
630	150	94,500	4,016
TOTAL	2,400	861,000	30,607

TABLE 9

FUNDING REQUIREMENTS FOR ADEMI'S

TWO-YEAR FINANCING PROGRAM

(RD\$)

C O N C E P T	FIRST YEAR .	SECOND YEAR	TOTAL
OPERATIONAL EXPENSES	207,000	291,652	498,652
LENDING FUNDS	537,300	262,610	799,910
TOTAL	<u>744,300</u>	<u>554,262</u>	<u>1,298,562</u>

TABLE 10

FUNDING DISTRIBUTION ACCORDING
TO FINANCING SOURCES

FINANCING SOURCE	- FIRST YEAR	SECOND YEAR
Local Private Sector	87,300	62,700
Public Sector	150,000	-
International Development Agency	207,000	291,562
Inter-American Development Bank.	300,000	200,000
TOTAL	<u>744,300</u>	<u>554,262</u>

TABLE 11

TWO - YEAR FUNDS FLOWS

DESCRIPTION	FIRST YEAR	SECOND YEAR
A. Financing Source		
1. Balance	0	644,654
2. Lending Funds		
a) Public Sector	150,000	0
b) Local Private Sector	87,300	62,700
c) IDB	300,000	200,000
d) Interest	<u>114,981</u>	<u>342,125</u>
Subtotal	<u>\$652,281</u>	<u>\$1,249,479</u>
3. Administrative Funds		
a) A. I. D.	<u>\$207,000</u>	<u>\$ 291,652</u>
Subtotal	<u>\$207,000</u>	<u>\$ 291,652</u>
Total	<u>\$859,281</u>	<u>\$1,541,131</u>
B. EXPENSES		
1. Operational expenses	\$167,000	\$ 281,652
2. Fixed asset Purchases	40,000	10,000
3. Losses Stimated 2% of the loans	<u>7,627</u>	<u>45,749</u>
Subtotal	<u>\$214,627</u>	<u>\$ 337,401</u>
AVAILABLE LENDING FUNDS	<u>\$644,654</u>	<u>\$1,203,730</u>

TABLE 12

INCOME TO BE GENERATED BY INTEREST

C O N C E P T	F I R S T Y E A R	S E C O N D Y E A R
1. Interests received	\$ 114,981	\$ 342,125
Less losses due to delay	<u>7,627</u>	<u>45,749</u>
TOTAL	<u>\$ 107,354</u>	<u>\$ 296,376</u>

B. Evaluation of Project Accomplishment

1. Schedule

a. First Month

Signature of AID/ADEMI agreement.

Hiring of personnel.

Training of personnel.

Purchase of equipment and materials.

Start promotion.

Identification of first beneficiaries.

b. Second Month and On

Credit granting in the city of Santo Domingo.

c. Fourth and Fifth Months

Identification of secondary cities to start operations.

Coordination visits with local institutions.

Final selection of secondary cities.

Preparation to start operations.

Progress report to AID.

d. Sixth and Seventh Months

Start promotion in secondary cities.

Identification of first beneficiaries in secondary cities.

Start granting loans in secondary cities.

e. Eighth Month and On

Continue loan granting in secondary cities.

Progress Report AID.

f. Thirteenth Month

Annual report to AID.

g. Twenty-Third and Twenty Fourth Months

Evaluation.

h. Twenty-Fifth Month

Final report to AID.

2. Observations

Due to the fact that the present document constitutes a dialogue, ADEMI is well disposed to discuss any further aspects that AID may consider.

V. BUDGET

In the following table, resources requested by ADEMI to perform the proposed financial and managerial program, directed to micro-enterprises and solidarity groups of the informal sector, are presented in detail.

The value of program comes to a total of \$1,652,382, from which \$498,652 are being requested from AID for operational expenses. The rest of the sum will be contributed by ADEMI and other sources, both local, public, and private, as well as international.

From the amount requested from AID, a 79.4% corresponds to personnel, 19.2% to administrative expenses, and 1.4% to incidental expenses.

BUDGET TABLE

ADEMI TWO YEARS BUDGET (RD\$)

	FIRST YEAR			
	AID	ADEMI	OTHER SOURCES	TOTAL
<u>I. Operational expenses</u>	<u>207,000</u>			<u>207,000</u>
<u>A. Personnel</u>	<u>144,282</u>			<u>144,282</u>
<u>1. Salaries and wages</u>	<u>127,075*</u>			<u>127,075</u>
-Director	13,000			13,000
-Sub-director	-			-
-Head of SG Division	6,500			6,500
-Head of ME Division	6,500			6,500
-Head of Accounting Division	7,800			7,800
-Head of Projects and Funds Identification Division	-			-
-Financial Analyst	9,100			9,100
-SG Promoters	19,500 (4)			19,500
-ME Promoters	43,875 (9)			43,875
-Accounting Assistant	4,500			4,500
-Statistics/Computer	9,100 (2)			9,100
-Secretary	4,500			4,500
-Messenger/Cleaner	2,600			2,600
<u>2. Salary Benefit (10%)</u>	<u>12,707</u>			<u>12,707</u>
<u>3. Transportation and Fuel</u>	<u>4,500</u>			<u>4,500</u>
<u>B. Administrative expenses</u>	<u>59,500</u>			<u>59,500</u>
<u>1. Communication and basic serv.</u>	<u>12,000</u>			<u>12,000</u>
<u>2. Supplies and Publication</u>	<u>5,500</u>			<u>5,500</u>
<u>3. Equipment (Furniture, Comp.)</u>	<u>40,000</u>			<u>40,000</u>
<u>4. Bail and Insurances</u>	<u>2,000</u>			<u>2,000</u>
<u>C. Incidental expenses</u>	<u>3,218</u>			<u>3,218</u>
<u>II. Loan Fund</u>		<u>107,354**</u>	<u>550,000</u>	<u>657,354</u>
GENERAL TOTAL	207,000	107,354	550,000	864,354

*Includes Christmas Bonus

**Total interests Projected less 2% due to delay losses.

BUDGET TABLE

ADEMI TWO YEARS BUDGET (RD\$)

	S E C O N D Y E A R			
	AID	ADEMI	OTHER SOURCES	TOTAL
<u>I. Operational expenses</u>	<u>291,652</u>			<u>291,652</u>
<u>A. Personnel</u>	<u>251,652</u>			<u>251,652</u>
<u>1. Salaries and wages</u>	<u>221,502</u>			<u>221,502</u>
-Director	14,300			14,300
-Sub-director	10,400			10,400
-Head of SG Division	7,100			7,100
-Head of ME Division	7,100			7,100
-Head of Accounting Division	8,550			8,550
-Head of Projects and Funds	7,100			7,100
-Identification Division				
-Financial Analyst	10,010			10,010
-SG Promoters	53,625 (10)			53,625
-ME Promoters	80,437 (15)			80,437
-Accounting Assistant	5,005			5,005
-Statistics/Computer	9,555			9,555
-Secretary	5,460			5,460
-Messenger/Cleaner	2,860			2,860
<u>2. Salary Benefit (10%)</u>	<u>22,150</u>			<u>22,150</u>
<u>3. Transportation and Fuel</u>	<u>8,000</u>			<u>8,000</u>
<u>B. Administrative expenses</u>	<u>36,000</u>			<u>36,000</u>
<u>1. Communication and basic serv.</u>	<u>14,500</u>			<u>14,500</u>
<u>2. Supplies and Publication</u>	<u>8,500</u>			<u>8,500</u>
<u>3. Equipment (Furniture, Comp.)</u>	<u>10,000</u>			<u>10,000</u>
<u>4. Bail and Insurances</u>	<u>3,000</u>			<u>3,000</u>
<u>C. Incidental expenses</u>	<u>4,000</u>			<u>4,000</u>
<u>II. Loan Fund</u>		<u>296,376**</u>	<u>200,000</u>	<u>496,376</u>
GENERAL TOTAL	291,652	296,376	200,000	788,028

*Includes Christmas Bonus

**Total Interests Projected less 4% due to delay losses.