

SERVICING MICROENTREPRENEURS IN ALBANIA

ALBANIA GRANT REPORT THIRTEEN

Period from June 11, 2001 to September 10, 2001

To the United States Agency for International Development

In fulfillment of the 1998-2003

USAID/Opportunity International Cooperative Agreement

NIS-A-00-98-00019-00

Submitted by Opportunity International

October 2001

PRINCIPLE OBJECTIVES

1. Complete 3rd Management Training Regimen
2. Provide advanced Loan Officer Training based on Management, Amount and Repayment capability (MARS evaluation)
3. Continue MIS conversion from existing system to Emerge
4. Review and revise PSHM market strategy and plan
5. Evaluate satellite expansion potential to areas still unserved by credit agencies
6. Seek OI consultant to evaluate and provide suggestions to PSHM management for growth
7. Review of PSHM lending products

ACTIVITIES

1. Complete 3rd of 3 Part Management Training Session

7 PSHM managers participated in the third of a three-part management training program in cooperation with the Opportunity International Partner from Montenegro. This session of training focused on key Management skills including problem solving skills, creative thinking, action planning. The Force Field Analysis tool was the center of the training, helping each manager analyze existing management issues, identifying barriers to change and aiding in planning for change. Management capability and responsibility has increased significantly due to the three-part training in 2001.

2. Provide Advanced Loan Officer Training based on MARS Evaluation

Stuart White, the president of the Small Business Enterprise Initiative and retired Vice President of Small Business Credit for Midlands Bank (now HSBC) in the U.K. presented a four day training session to PSHM management and Loan Officers. The training was designed to enhance the credit and cash flow analysis of staff and prepare them to better assess business capabilities. Training focused on improving the Loan Officers' ability to evaluate key business areas including: Management Capability, Amounts, Repayment Capability and Cash Flow. The importance of cash flow analysis and management capability was stressed. If these areas meet PSHM standards, then security is designed and evaluated to provide the loan collateral. From the training Loan Officers learned to use a more critical and analytical approach in accessing the cash flow and business capacity for loans.

The training has been replicated by PSHM management to all active PSHM Loan Officers, increasing the capacity of PSHM to evaluate clients and provide relevant advice to clients.

3. MIS Conversion

The PSHM conversion of its existing MIS to the Emerge product from Temenos continues. PSHM expects to have all loan data transferred by the middle of the fourth quarter and convert to the new accounting system at the beginning of 2002 to correspond with PSHM's business cycle. Opportunity International MIS team member provided an additional week of onsite training and support.

4. Review and Revise PSHM Market Plan and Strategy

PSHM staff and management reviewed and revised the Marketing Plan and Strategy for PSHM. The results are a market study outlining strengths, weakness, opportunities and threats to PSHM in the Albanian market, developing a communication strategy, increasing advertising efforts, public relations and networking. This planning process will aid PSHM in finding new and creative ways of expanding its outreach to existing clients as well as new microentrepreneurs. An action plan and advertising plan are direct results of this activity.

5. Evaluate Satellite Expansion Potential to Areas Still Unserved by Credit Agencies

PSHM identified a Loan Officer for the city of Vlora. Businesses in Vlora currently are served only by FEFAD bank based in Fier. PSHM has also begun to investigate the banking infrastructure, notary system and land registration offices in Lac. An existing loan officer has been identified to develop the market in Lac. Strategies for reaching both Vlora and Lac have been developed.

6. OI Consultant Evaluation and Suggestions to PSHM Management for Growth

Dan Wilkins, the former Country Director of the OI operations in Montenegro visited PSHM for 10 days to consult with management on all areas of PSHM's current operations. The bulk of the visit focused on evaluation of PSHM operations to reach a high number of clients. The visit provided PSHM with an action plan including several areas of improvement. PSHM has or is implementing many of these suggestions in its efforts to increase outreach. Due to the visit, staff involvement and ownership of PSHM issues increased and energy levels increased.

The visit was also useful during the transition of C.E.O.s in the beginning of June.

7. Review PSHM Lending Products

PSHM reviewed its lending products based on client input and loan officer assistance. Interest rates for subsequent loans are reduced for clients with very good repayment, group lending products were changed to become more attractive to more clients, loan application forms were revised to include new analysis tools based on the MARS training listed above. These changes and others are helping PSHM become more competitive in the Albanian market for small entrepreneurs.

Other Activities:

- A profile about PSHM appeared in the bi-weekly economic magazine "Monitor"
- An article about PSHM ran in the daily newspaper "Dita Informacion"
- Regularly scheduled PSHM Board of Directors meeting
- Basic Marketing Training in coordination with Land O Lakes VSO representative
- H.R. Manual and Credit Policy Manual approved and distributed

DIFFICULTIES AND CONSTRAINTS

Previous issues of the Mortgage office, especially in Tirana and Durres have been discussed with the representatives of the Land Tenure Project. Some progress has been made in areas such as Kruje. Collections efforts were slowed during the summer due to vacation schedules of government offices.

FUTURE ACTIVITIES

1. PSHM Self Evaluation and action plan for Opportunity International Accreditation
2. Training and hiring new loan officers in Durres, Elbasan, Vlora
3. Opening satellite office in Vlora
4. Opportunity International Consultant visit to focus on Operations
5. Seek additional funding for SME sector activities
6. Participation in Land O Lakes Dairy symposium and Vlora PanAir
7. Direct Marketing Campaigns in all branches and select satellite areas
8. MIS Training in all aspects of the MIS system
9. Participation of 1-2 staff members in Opportunity International Regional Human Resource Training

PROGRAM INDICATORS

As of September 30, 2001

Number of Active Clients: 1,389
Number of Loans Made This Period: 549
Cumulative Number of Loans Made: 4,008
Amount Lent This Period: US\$1,138,678
Cumulative Amount Lent: US\$4,725,036
Current Loan Portfolio: US\$ 1,711,598
On-Time Repayment Rate: 96.8%