

ANNUAL REPORT 2009-2010



MIDA



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MISSION STATEMENT

The Micro Investment Development Agency exists to provide leadership in developing an integrated approach to the growth of the micro enterprise sector on a sustainable basis through the provision of financial services by its island-wide network of Community Development Funds, (CDFs), and with stakeholders in the sector to facilitate the delivery of non-financial services to those wishing to start or expand their micro businesses through an efficient and well motivated staff.

CORPORATE DATA

THE BOARD

Mr. Cleveland Stewart	-	Chairman
Mr. Berris Pitter	-	Acting Managing Director
Mr. Moses Jackson	-	Director
Mrs. Merline Daley	-	Director
Ms. Tova Hamilton	-	Director
Mr. Timothy Scarlett	-	Director
Mr. Floyd Green	-	Director
Mr. Omar Azan	-	Director
Ms. Debbie Dunkley	-	Director
Ms. Valerie Viera	-	Director
Mr. Don Creary	-	Director
Mrs. Beverley Rose-Forbes	-	Director
Mr. Matthew Deleon	-	Director
Mrs. Sonia Stephenson	-	Company Secretary

Registered Office & Address
12 Camp Road
Kingston 4

Auditors
KPMG
Chartered Accountants
6 Duke Street
KINGSTON

Bankers
RBTT Bank Jamaica Limited
17 Dominica Drive
Kingston 5

Attorneys-at-Law
Nunes Scholfield Delon & Co.
6A Holborn Road
KINGSTON 10

Management & Administrative Staff

MANAGEMENT:

1. Mr. Berris Pitter - Acting Managing Director
2. Mrs. Sonia Stephenson - Manager – Human Resource Development & Administration

ADMINISTRATIVE STAFF:

3. Mrs. Millicent Walters - Administrator
4. Miss Rhona Donaldson - Executive Secretary
5. Miss Corrine Clarke - Junior Accountant
6. Mrs. Shanna Russell - Information Technology Technician
7. Mr. Andre Hoilett - Senior Accounting Technician
8. Mrs. Juliet McLarty - Receptionist/Telephone Operator

SHAREHOLDERS' REPORT

◆ APPRECIATION:

The Micro Investment Development Agency, (MIDA), in presenting its 18th Annual Report for the year ended 31st March 2010 extends its appreciation to stakeholders, including: all those entrepreneurs throughout Jamaica served by MIDA's network of Community Development Funds (CDFs), the Directors, management and staff of the Agency and to each employee of the CDFs.

◆ SHAREHOLDER'S EQUITY:

For the year under review the shareholder's equity stood at \$176.77 million as against the previous year sum of \$189.28 million.

The decline in equity of \$12.51 million is illustrated below:

a) Additional loan loss provision for the year	(\$19.22)million
b) Equity contribution from operations for the year	<u>\$6.71 million</u>
Realized losses for year	<u>(\$12.51)million</u>

◆ MIDA'S DECLINING EQUITY BASE:

Over the last three (3) financial years (2008-2010) the Agency has been experiencing a declining equity base, with 2008 accounting for both the largest and most rapid decline of \$124.67 million. This was due to the Agency having to write-off \$147.45 million for bankrupt CDFs' in 2008, a decision taken by the former Board of Directors in an effort to "clean up" MIDA's loan receivables. Additionally, because of the inextricable link between the CDFs and MIDA, any losses incurred by these entities will eventually affect the financial position of MIDA. Please see Table 1 for the movement in the equity base since 2008

TABLE 1

Financial Years ending	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Equity:	176.77	185.09	225.21	349.88
Percentage decline	4%	17.81%	35.63%	

The continuing write-off of uncollectible loan receivables and the loan provisioning, have further contributed to the erosion of the capital base of MIDA. In March 2009, loan provision of \$39.87 million was made while for the financial year ended March 2010 an amount of \$24.16 million was written-off and a provision of \$19.22 million was booked.

TABLE 11

LOANS WRITTEN-OFF & LEVELS OF PROVISION

Financial Years ending	2010 \$'000	2009 \$'000	2008 \$'000
Loans written-off:	24.61	NIL	147.45
Level of loans Provision:	19.22	39.87	NIL

◆ TOTAL ASSETS:

The Agency posted total net assets of \$348.59 million as at 31st March 2010 compared to \$376.46 million for the previous year, a net decline of \$27.87 million or 8%. The following contributed to the decline:

- (a) A net decline of \$13.11 million in the agency's loan receivable portfolio due largely to the following:
 - (1) Write-off of loans receivable of \$24.16 million of which \$22.13 was provided for in the last financial year, while the remaining \$2.03 million was written-off directly against profits.
 - (2) Loan loss provision of \$19.22 million

- (b) A net reduction of \$7.82 million in the Resale Agreement

- (c) Repayments of \$30.02 million (Principal) towards the National Insurance Fund and Development Options loans by the CDFs automatically shrunk the assets of the Agency and further contributed to the decline in the total assets of the Agency.

◆ **FUNDING:**

Development Options Limited granted a loan of \$20.00 million for 18 months, at an interest rate of 11% on the 15th October 2009. This loan was granted under the Government of Jamaica/Government of Netherlands (GOJ/GON) Micro-FIN credit scheme for on-lending to the micro enterprise sector. This loan was used to on-lend to the network of Community Development Funds (CDFs) to assist in satisfying the demand of clients throughout the island

● **LIABILITIES – TERM LOANS:**

(a) Development Options Limited (D.O.L.)

Since July 2003 the agency has been accessing loan funds from Development Options Limited under the Government of Jamaica/Government of Netherlands (GOJ/GON) Micro-FIN credit scheme and has to date obtained \$124.33 million under the program and has repaid \$107.74 million (Principal) leaving a balance of \$16.89 million as at March 31, 2010.

(b) National Insurance Fund Small & Medium Enterprise Credit Facility (NIF)

Between the period February 2007 and January 2008 the Agency received loans totaling \$61.70 million under the above-mentioned credit facility and has to date repaid \$55.63 million (Principal) leaving a balance of \$6.072 million as at March 31, 2010.

For the period under review the Agency repaid \$37.27 million (Principal) on its term loan from the National Insurance Fund and Development Options Ltd, leaving a total balance of \$22.96 million compared to \$40.24 million for the prior period.

- **REVENUE AND EXPENSES:**

For the year under review the Agency posted finance and other income totaling \$37.33 million compared to \$38.88 million for the previous year, a decline of \$1.55 million, or 4%. The fall-off in income was associated with the continued decline in the Agency's loan receivable portfolio.

Administrative expenses for the year under review totaled \$28.11 million compared to \$31.50 million for the previous year, a decrease of \$3.39 million, or 12%. The decrease was mainly in the area of staff costs which decreased by \$2.732 million when compared with the previous period and was as a result of the Agency's thrust to downsize its operations.

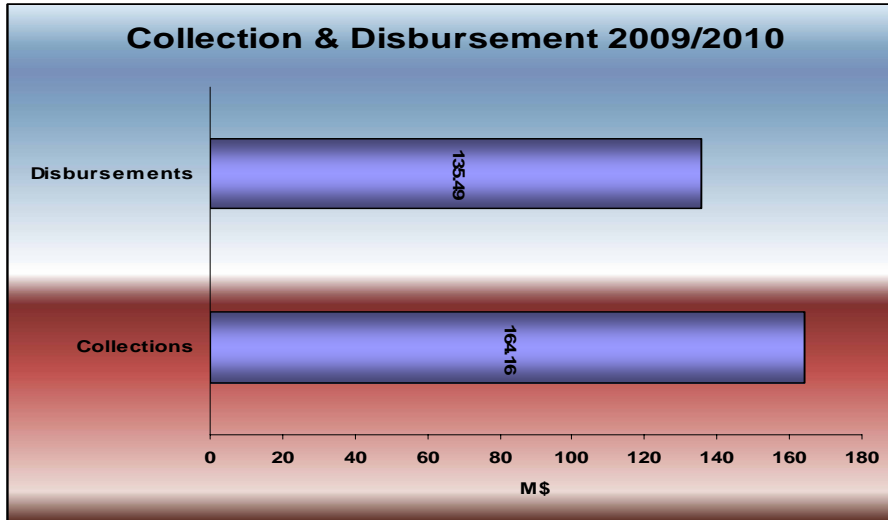
- **PROFITS/LOSSES:**

Whilst the Agency remains profitable on its operation and posted a net profit of \$6.71 million for the year ended 31st March 2010 an increase of \$2.76 million or 70% over the previous year; however when adjustments were made for loan loss provision of \$19.22 million, it resulted in net loss of \$12.51 million as against \$35.92 million for the previous year a reduction of \$23.41 million. Should the above trend continue then the Agency could return to a profitable position in the future.

- **LOANS DISBURSEMENT & COLLECTIONS:**

For the year under review the Agency delivered \$135.49 million in wholesale credit to its network of CDFs, compared to \$171.90 million for the previous year, a decline of \$36.41 million or a 27% decline, while collections totaled \$164.17 million as against \$210.04 million for 2008/2009, or a \$45.87 million decline or 28% fall-off in collections. Figure 1 shows the comparison of disbursement and collection for the year under review.

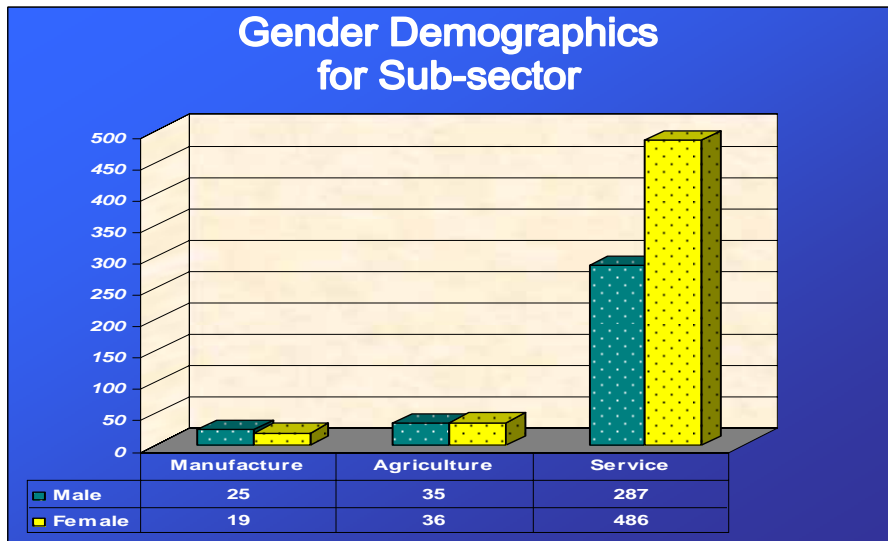
Figure 1



LOANS TO THE MICRO ENTERPRISE SECTOR

For the year under review MIDA and its network of CDFs disbursed \$135.49 million to finance 888 micro enterprises, a decrease of 21.5% or 1,086 of enterprises funded for the previous year. The distribution of loans to male versus female is represented in figure 2 below.

Figure 2



■ **AVERAGE LOAN SIZE:**

The average loan size disbursed for the year by the CDFs was \$152,583 compared to \$158,237, (a decrease of 3.7%).

■ **SUB SECTOR FUNDING**

➤ **Service Sector:**

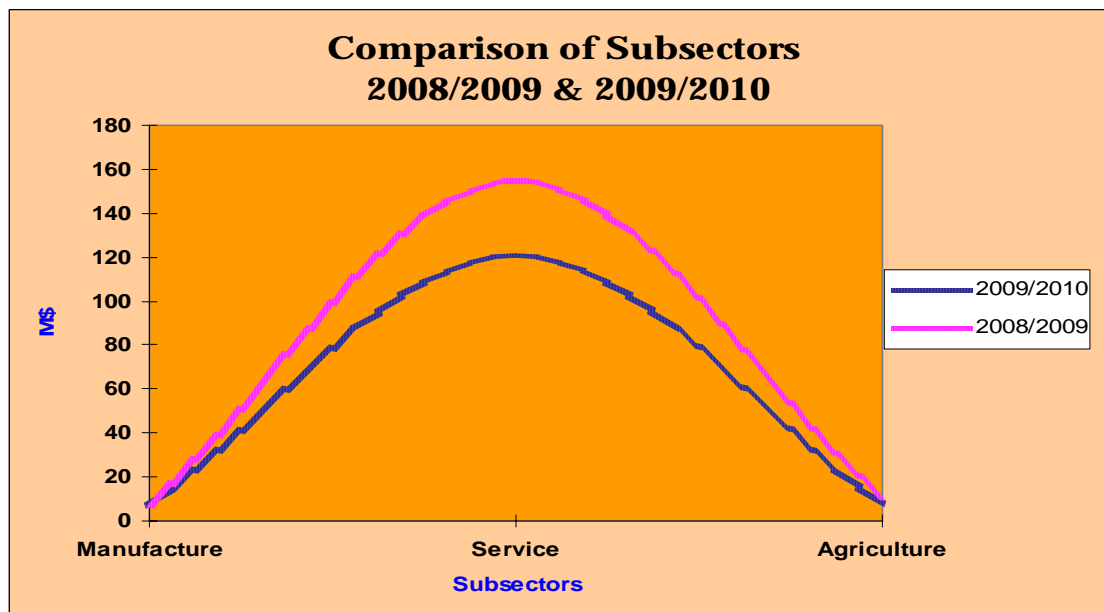
The service sector received \$121.04 million or 89% of total loans disbursed compared to \$154.8 million or 90% for the previous year. The service sector continues to be dominant in accessing funds from MIDA.

Service sector includes: grocery shops, computer service, cook shops, grocery shops, restaurants, wholesale operations, motor vehicle repairs, transportation, retailing, beauty saloons, vending and many others.

➤ **Agricultural Sector:**

Small farmers engaged in cash crops, fishing and small livestock rearing received \$7.72 million or 5% of the total value of loans granted, compared to \$10.31 million for the previous year.

Figure 3



➤ **Manufacturing:**

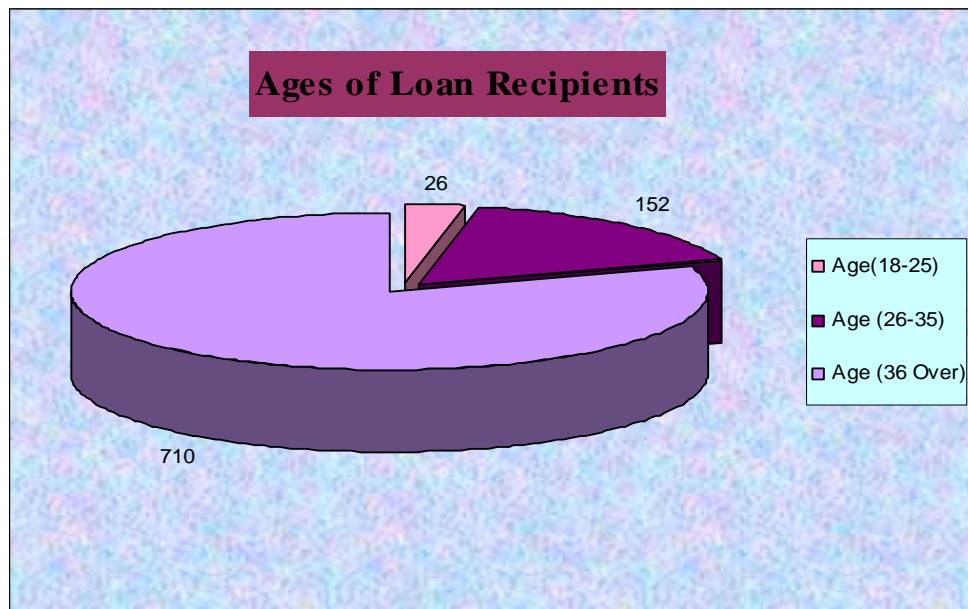
Small manufacturers have accessed \$6.73 million in loans, or 5% of the total value of loans disbursed for the year, in comparison to 6.88 million for the previous year, reflecting a slight reduction of 0.15 million. Figure 3 shows the comparison of the subsectors for years 2008/2009 and 2009/2010.

■ **LOANS BY GENDER & AGE GROUP:**

For the year under review, 888 businesses were granted loans of which 541 were lead by women, or 61% of the total number of loans for the year.

Loan recipients between 26-35 years of age received 152 or 17.2% of the total number of loans granted. Recipients between 18–25 years of age obtained 26 or 3% of the number of loans granted, with borrowers of age 36 and over accessing 710 or approximately 80% of the total number of loans. Figure 4 represents the information above.

Figure 4

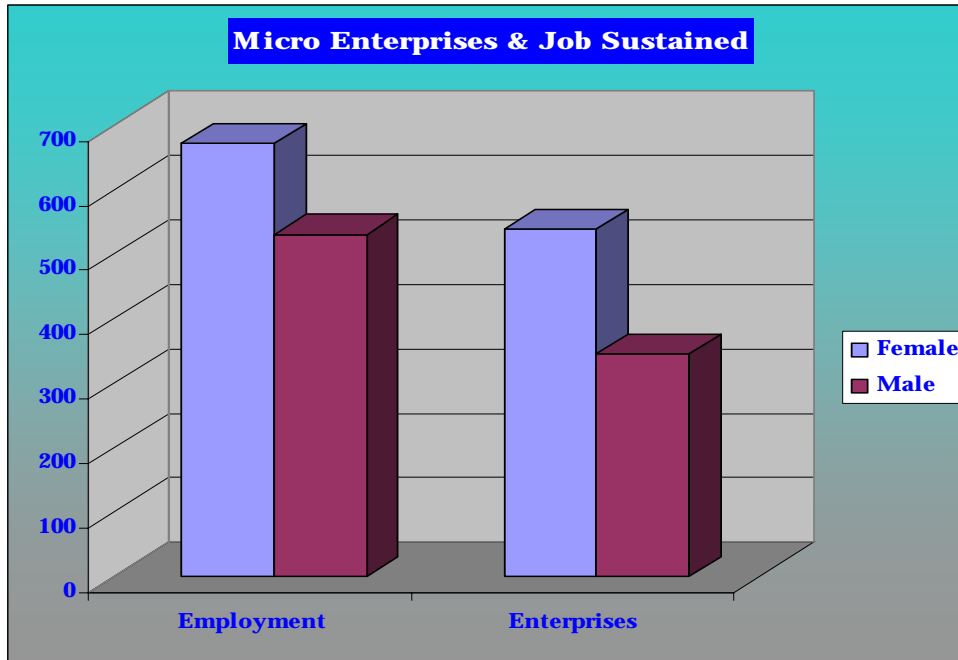


■ **EMPLOYMENT SUSTAINED & GENERATED:**

Through MIDA’s network of CDFs 1,205 jobs were sustained and generated as a result of the additional loan financing of \$135.5 million accessed by 888

micro entrepreneurs. Also, for the year under review 673 of employment sustained and generated were females representing 55.8% of the total number, while the remaining 532 or 44.15% were males. This information is represented in Figure 5 below:

Figure 5



Positive Impact of MIDA and its Network of Community Development Funds

Notwithstanding the less than desirable performance of the CDFs and their negative impact on the equity base of MIDA, the net contribution of MIDA and these entities to the micro-enterprise sector and by extension to the economy over the last eighteen (18) years must be highlighted.

- The Agency through its network of CDFs delivered credit to the sector totaling \$2.357 billion from which 27,049 entrepreneurs benefited.
- Created and sustained approximately 40,402 full-time and part-time employment

- Provided and sustained permanent employment for approximately 90 members of staff of the CDFs
- Grown the equity base of MIDA from a low of \$30.9 million in 1991 to a high of \$349.87 million in 2008 and has in recent years declined to \$176.77 million
- Created history in 1993 when it raised \$100.0 million through a bond issue to the private sector to boost it's loan program. The seven years bond was fully redeemed in 2000.
- Was entrusted with the fiduciary responsibility of managing five (5) loan portfolios.

FUTURE OUTLOOK

The task of the newly appointed Board of Directors is to continue the restructuring exercise of MIDA and it's network of CDFs which was started by the former board. Additionally, the new board of Directors is mandated is to re-brand MIDA as an efficient, effective and profitable wholesale credit institution providing credit to the Micro, Small and Medium-Sized Enterprises (MSMEs) thus enabling the sector to stimulate growth and development in the economy. The task is being accomplished however there is yet much more work to be done.

**DISCLOSURE OF SENIOR MANAGEMENT
EMOLUMENTS
2009/2010**

MANAGING DIRECTOR		MANAGER, HRD & ADMINISTRATION	
Basic Salary	\$3,170,466	Basic Salary	\$1,859,303
Participation in the company's pension plan	5% of Basic Salary	Gratuity	25% of Basic
Clothing/Uniform	\$99,000	Clothing/Uniform	\$99,000
Vacation leave	20 days	Vacation leave	20 days
Motor Vehicle Allowance	NIL	Motor Vehicle Allowance	\$300,000
Travel Allowance	NIL	Travel Allowance	NIL
Housing	NIL	Housing	NIL
Staff Loan Balance	\$503,273.70	Staff Loan Balance	NIL
Club Membership	NIL	Club Membership	NIL
Health Scheme	Participation in Group	Health Scheme	Participation in Group
Life Insurance	While on the Job	Life Insurance	While on the Job

HUMAN RESOURCE DEVELOPMENT DEPARTMENT

The department continued its recognized responsibility to conduct activities in an effective, legal, fair and consistent manner while keeping sight of the fact that our employees are our most important asset. However, the need to be focused on maximizing return on investment from the organization's human capital while supporting the Agency's goals and direction was stymied by the fact that a merger of the Agency with another institution/Agency with which MIDA shared synergies, loomed again on the Agency's horizon. This culminated in an eventual relocation to offices at 12 Camp Road, Kingston 4, which is adjacent to the offices of the Jamaica Business Development Corporation (JBDC).

During the period under review, the Agency's staff complement was reduced from ten (10) to eight (8) persons. This is in keeping with the Agency's thrust to downsized it's operations, in line with the declining loan portfolios being experienced at this time. Job functions in the Agency were reallocated in an equitable manner in order to better manage the additional duties and responsibilities that would be borne by the remaining staff.

In continuing the preparation for a merger, the Chairman of the Management Committee, Executive Interim Chairmen, and Managers of the seven (7) remaining Community Development Funds, were involved in a detailed assessment of the operations of their respective CDFs. This exercise was facilitated by a sub-committee of MIDA's Board of Directors. The loan portfolios and the financial records of each entity were meticulously scrutinized and evaluated to determine the soundness and viability of their operations.

In this regard, the Human Resource department provided background data on each Manager of these entities to assist with the determination of the management capability within the CDF network.

Recruitment & Selection

During the period the Managing Director, having served the Agency since 1992, demitted office and since his departure the Accountant, Mr. Berris Pitter has assumed the functions as Acting Managing Director. One new entrant was recruited within the Agency to fill the position left vacant by the Acting Managing Director.

Staffing within the Community Development Funds (CDFs) has remained constant, as the CDFs for the most part, have maintained their staff complement.

Technology

The Department, through the Information Technology Technician, continued to maintain the Agency's website and to track and monitor the daily transactions within the CDFs. This process is undertaken by way of information being uploaded at the CDFs, and is undertaken in order to ensure timeliness and integrity of the uploaded data.

Training and Development

The department's continued effective co-ordination and professional development of our staff resulted in two (2) of our employees gaining first degrees after completing the relative course of studies.

MIDA'S NETWORK OF CDFs

LOCATIONS	CONTACT PERSONS	TELEPHONE
Portmore Community Development Fund Ltd. Shop #7 & 8 Palm Plaza 23 West Trade Way Waterford P.O., St. Catherine	Dale Crooks - Credit Officer	708-9855 Fax: 939-6163
Portmore Community Development Fund Ltd. Shop #10A, 9 Kings Street Linstead, Street	Glenroy Tomlinson – Credit Officer	903-2213 985-6539
Portmore Community Development Fund Ltd. Shop #6A, 1 Glendon Court Plaza Old Harbour, St. Catherine	Dale Crooks - Credit Officer	745-3565-6
Portmore Community Development Fund Ltd. Shop #14, The Builders Arcade 6 Red Hills Road Kingston 10	Colin Prince – Credit Officer	926-3814 Fax: 920-8430
Portmore Community Development Fund Ltd. 11½ Manchester Avenue May Pen P.O., Clarendon	Glenroy Tomlinson – Credit Officer	902-4848 Fax: 902-0707
Lower Trelawny Community Development Fund Ltd. 2 Trelawny Street Falmouth	Dustan Harper – Manager	954-5685 or 617- 2195 fax: 617-0506
Eastern St. James Community Development Fund Ltd. Shop #5, RGB Plaza, 7 River Bay Road Montego Bay P.O., St. James	Lynmore Munroe – Manager	971-4086 Fax: 971-7836
Westmoreland Community Development Fund Ltd. Shop #17, Williams & Sons Plaza 16 Rose Street Savanna-la-mar, Westmoreland	Paul Subaran – Manager	955-9899 / 9836 Fax: 918-1447
St. Ann's Bay Community Development Fund Ltd. 66 Main Street St. Ann's Bay	Camille Johnson – Office Manager	972-1250 Fax: 972-1966
St. Elizabeth Community Development Foundation Ltd. Shop # 7 Market Side Plaza Black River P.O., St. Elizabeth	Valrie Dellop – Manager	965-9354-5 Fax: 965-9355
Greater Portland Development Fund Ltd. Shop #6, 50 West Street Port Antonio Portland	Janet Lamount – Manager	993-3722 Fax: 715-6508

FINANCIALS