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FROM SMALLER-SCALE SUSTAINABILITY TO NATIONAL IMPACT: ATTAINING A HIGH PERFORMANCE APPROACH TO CREDIT AND MICROENTERPRISE DEVELOPMENT

An Evaluation of Grant
OTR-1058-A-00-8157-00 to
Opportunity International by the
Agency for International Development

by,

Cheryl A. Lassen

October, 1992

MATCHING GRANT EVALUATION OF OPPORTUNITY INTERNATIONAL

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1. Executive Summary

Opportunity International has worked for 21 years to establish indigenous small business development institutions which can increase employment and income for the poor majority in the developing world. Among American private voluntary organizations (PVOs), Opportunity is recognized as one of the most experienced agencies in its field and particularly distinguished for building sustainable microenterprise credit institutions with quality local governing structures.

In 1988 Opportunity International signed its sixth grant agreement with the Agency for International Development/Office of Private and Voluntary Cooperation. AID/PVC agreed to match $2.25 million over five years with $3.35 million from OI and its partners ($5.6m total) for purposes of: building credit and microenteprise development agencies in Africa; supporting young credit agencies; regenerating slow-growth agencies; documenting and spreading program innovation; and strengthening international confederation. Four years into the grant agreement, this independent evaluation was done to assess progress.

In 1987 Opportunity International was poised to undertake an ambitious, five year growth strategy. If one considers aggregate numbers, OI's goal to expand benefits has indeed been accomplished. It grew from 15 to 30 partner agencies, from 12 to 15 countries, from 1600 to 9300 loans per year, and from rotating $1.65 million to $4.5 million annually. In terms of impact, Opportunity International and its network of partners expanded benefits from 3500 jobs in 1987 to 14,300 jobs in 1991. It built technically competent microenterprise credit systems free from serious financial malfeisance whose average on-time repayment rate in 1991 was a quite good 92%.

But growth in the number of partners has created new challenges and stresses: strategies and methods for national-impact programs; need for much more operating and loan capital; organizing a burgeoning portfolio of agencies; and closing the gap of scale and performance differences among partners. In addition, the field of small and microenterprise credit has advanced to where high performance programs make thousands of loans yearly. There is pressure to have a model of agency building of OI and its partners competitive with other large, high performance programs in order to attract major funding. If the theme of the past five years has been growth in the number of agencies and benefits, the theme of the next five years should be expanding the scale of programs, growth and diversification of resources, refurbishing of policies and procedures which don't contribute to high performance/national impact programs, and managing contradictions of growth, particularly increasing inequalities between two larger programs in the Philippines and Indonesia, and partners elsewhere.

TABLE 1.1 LOANS MADE

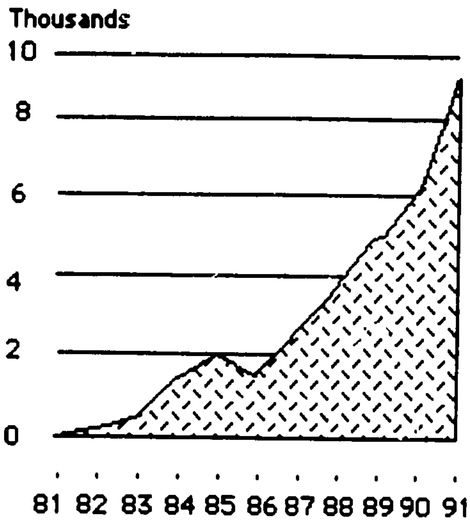

TABLE 1.2 DOLLARS LOANED

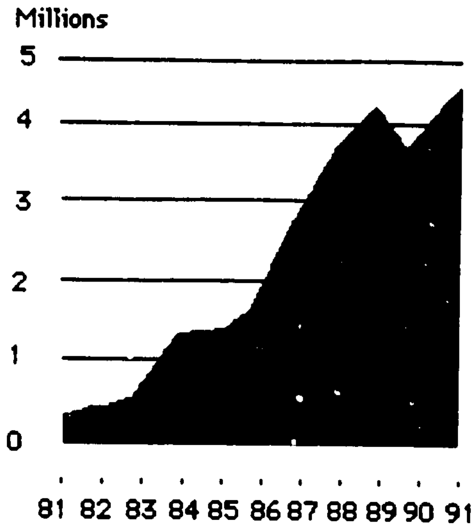

TABLE 1.3 JOBS CREATED

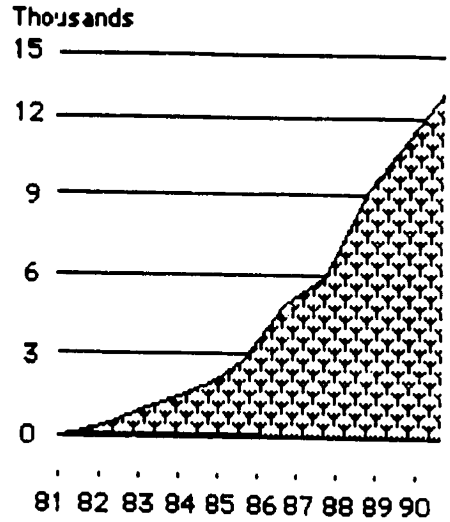

TABLE 1.4 PARTNER AGENCIES OF OPPORTUNITY INTERNATIONAL

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Financially Independent Agencies	0	2	2	3	8	8	9	9	10	11	13	13
Financially Supported Agencies	4	6	6	7	2	7	6	12	14	13	14	17
TOTAL AGENCIES	4	8	8	10	10	15	15	21	24	24	27	30

TABLE 1.5 PARTNER AGENCY RANKINGS -- 1991

A. JOBS CREATED

1.	Indonesia	5558
2.	Philippines	3928
3.	Honduras	1452
4.	Guatemala	704
5.	El Salvador	515
6.	Pakistan	484
7.	India	461
8.	Colombia	376
9.	Jamaica	260
0.	Dominican Rep.	189
11.	Peru	173
12.	Sri Lanka	55
13.	Nicaragua*	46
14.	Costa Rica	13

B SIZE OF LOAN PORTFOLIO

1.	Philippines	$1,397,382
2.	Indonesia	798.002
3.	Honduras	618,464
4.	Colombia	514,924
5.	Pakistan	347,246
6.	India	308,763
7.	Costa Rica	224,300
8.	Jamaica	208,972
9.	El Salvador	200,651
0.	Guatemala	196,534
1.	Dominican Rep.	147,582
2.	Peru	130,261
3.	Sri Lanka	116,404
4.	Nicaragua*	38,320

* Agency in Nicaragua is new. All other countries have at least one partner with 5+ years of operation.

Achievements and Strengths of Opportunity International

Opportunity International and its network of partner agencies are microenterprise lenders of distinguished stature. In 20 years they have lent $24.5 million and created 66,000 jobs. Few other American PVOs working internationally can legitimately claim to have facilitated this scale of economic benefits.

Opportunity International is linked to a portfolio of 30 partner agencies in 15 countries. Among these is a wealth of diversity, experience and innovation in the sizes and types of enterprises served, credit mechanisms, other business services, and links to banks, churches and the private business sector. OI-affiliated agencies usually make a range of loan sizes all the way from poverty loans to subsistence producers to working capital loans to microenterprises to fixed asset loans to dynamic micro and small enterprises. The scale of mature partners (those which have had several years to develop a loan portfolio) range in size from agencies that make less than one hundred loans and create 100-200 jobs per year to much larger programs that make thousands of loans and create thousands of jobs annually. In the Philippines and in Indonesia, two nations made up of islands, Opportunity has assisted the formation of 'national impact' programs that consist of building multiple partner agencies, each with its own governing structure. There are 9 OI partner credit agencies in the Philippines that together have a capacity for broad geographic coverage and 7 partners in Indonesia.

Other organizations can learn from how Opportunity International forms quality governing structures. OI itself features a board that believes strongly in its fundraising and policymaking roles. Local board members are carefully selected and trained to manage resources well so that the agency becomes self-sustainable. Increasingly, boards and executive directors are recruited because of prominence and for "big vision" about wanting to accomplish significant programs. An example of this is TSPI in the Philippines whose board vowed in 1986 to create a nation-wide network of 12 microenterprise credit agencies, and who have steadfastly pursued this goal even though funding has not come as quickly or abundantly as planned. Similarly in Jamaica, the board and executive director of ASSIST opened four branches outside Kingston in 1992 to expand benefits widely beyond the capital city. It may take years to capitalize new sub-national partners or branches, but managers of these agencies are pro-active and do not wait to expand until donors hand them big donations. These examples and other OI partners such as ones in Indonesia, Honduras, and Zimbabwe demonstrate that PVOs not only implement socially significant microenterprise programs, but can also initiate large scale solutions based on the strength of their vision.

During this grant, Opportunity International has been able to accomplish most of the quantitative targets to expand benefits it set five years ago. These include starting operations in Africa, doubling the number of partner agencies from 15 to 30 and increasing the aggregate amount of benefits from 3,500 jobs created per year in 1986 to 15,000 (14,300 jobs created in 1991). An area where OI has not been able to achieve its target is resource mobilization. Over five years, OI aimed to increase its budget from \$1.5m to \$3.5m. In 1992, OI is operating on a budget of \$2.47m. Regional and local partners have increased their fundraising, and in 1991 they mobilized \$3.5m in addition to the \$1.8m raised by OI in the United States. However, many partners are undercapitalized for their capacity, and the proliferation of partners has created other stresses as well.

Weaknesses and Needs

The rapid expansion of the portfolio of OI partners is both exciting and challenging in terms of where and how to invest. It is exciting because some partners are proposing designs of world class merit in their potential to alleviate unemployment and poverty. An example is Benjamin Montemayor, executive director of TSPI who is committed to moving the network of Filipino partners from 5,000 jobs created annually to 60,000 jobs by 1997. But this will bring a major financial challenge to capitalize the Filipino partners and a management challenge to scale up systems for massive service delivery, as well as forming decentralized partners into a cohesive national program. There is also much demand for starting partners in new regions--Africa, Eastern Europe, former Soviet Republics, the United States--which can benefit greatly from OI's experience in sustainable small business institutions.

In addition, there is the difficult issue of what to do with the part of the portfolio that is not dynamic or new. OI's agency building model in the early to mid-1980s stressed the ability of a partner to be self-sustaining after 5-7 years of technical and financial assistance. In hindsight, earlier methods did not prepare partners enough to expand services, Should OI make an effort and invest scarce funds to change personnel, retool and recapitalize smaller agencies? Partners are cultivated to be autonomous, so it is not easy to acquire the authority to problem-solve with undynamic ones. Also, smaller, more traditional agencies will not show as quick or big a return as investing in those with ambition and scope. But half the countries where OI partners operate feature these smaller programs, and performance inequalities are increasing. In 1987, partners in the Philippines and Indonesia created 47% of the jobs and lent 27% of the funds of the OI portfolio. By 1991 they created 63% of the jobs and lent 57% of the funds. In five more years, the two SE Asian programs may create 90% of the benefits if the vision, model and capacity of slower growing partners remains unchanged.

Major changes have taken place in the field of credit and small enterprise development which can orient the growth of OI and its partners. Over the past decade, PVOs have demonstrated that they are capable of mounting credit programs of very large scope and scale. In 1985 a PVO with 300 loans was considered sizeable and one with 1,000 loans was large. Today, Zambuko, the OI partner in Zimbabwe, will make 300 loans in the first year of operations and "high performance" programs generate income and employment for many thousands annually. Recognizing the importance of non-formal credit institutions that lend without collateral requirements that exclude the poor, governments, banks, socially conscious investors and major technical donors are making increasing provisions to allow lenders to the informal sector greater access to capital. It would be a shame for any OI affiliates to be left behind these trends, even if they are uncomfortable with them today. Partners in the Philippines and Indonesia show clearly the potential for assisting much greater numbers with national impact models linked to borrowed capital and banking systems.

Over the next five years, Opportunity International and its partners should concentrate on: developing models of significant scale and scope; capitalization; and forming a global confederation that is effective at raising everyone's performance to a high level.

**__Need to Refurbish OI's Agency Building/Strengthening Model to Encourage Growth and Greater Scale__ A number of partners have opted to value sustainability of a smaller scale program as a priority, rather than taking risks and pursuing solutions on a more meaningful par with huge problems of unemployment and poverty. Further encouragement of "big vision" is necessary, along with the recruitment of boards and executive directors capable of accomplishing them. OI itself needs to adopt a more compelling vision about much higher level (even breakthrough) solutions rather than setting targets for incremental increases. Program staff have made a variety of suggestions in Chapter 6 for improving the size, capitalization and length of time in which agencies can expand services to a large scale.

Among the OI partners there are interesting models for large scale poverty lending and microenterprise credit services, plus noteworthy programs implemented by others. It is no small accomplishment to find solutions to poverty and organizational dynamics at the community level, and to form viable financial institutions simultaneously. OI and all its partners need to become more familiar with how these models function in a social, management and financial sense, and to analyze their methods, costs and sequences for scaling up. Documentation is scant about how national impact programs to develop the informal sector poor have been built, and the kinds of stresses and problem-solving such models pose.

**__Capitalization: Need to Increase and Diversify Resources__ OI and its partners recognize that they must become more proficient at using borrowed funds and linking to banking systems. More than half of the partners already use borrowed funds in a variety of arrangements, but more expertise is needed within the institution about formal financial systems and the adjustments they must make to operate with borrowed capital. There is also a need to increase large scale funding accessed from technical donors, and to improve the effectiveness of headquarters and regional staff at identifying major funding opportunities and preparing and negotiating technical designs. Opportunity International needs not only to expand but diversify its fundraising and US-based income, 63% of which comes from board gifts and acquisitions and the AID Matching Grant.

Marketing (how a track record is presented and how donors think of it) oftentimes is as important in securing major financial backing as is performance itself. Indeed, many large scale programs first obtained funding based on marketing. OI and the partner portfolio have not been as well known as other credit and microenterprise PVOs for several reasons. Each OI partner has a different name, which doesn't help to identify the size and breadth experience of the global confederation. The partners make a variety of sizes and types of loans rather than doing one thing with a distinguishing scale or approach. Thus there is not a unique niche with which one can identify these agencies. Other than statistics about loans and jobs, partners do not analyze or furnish evidence about the impact, which does not make their quality as apparent to outside observers. Only in a few countries are OI affiliates among the very top recognized programs in microenterprise credit, which is something technical donors look for in addition to competence in lending and financial management. And OI and its partners have been rather low profile about how much they are committed to high performance/national impact models and where and how they are bringing them about. All of these are areas to improve as it is recognized that global reputation can have a positive influence on gaining major financial backing.

****Need to Build a Global Confederation to Increase Scale and Performance**** Local autonomy and decentralization have been OI strengths but also weaknesses. They have been strengths in the sense that OI is highly respectful of local governance structures, who are willing and able to assume management responsibility. As the numbers of partners and countries of operation increase, however, there is a need for common performance standards and quality control; for the transfer of powerful innovations like national impact models; for synergy in such things as marketing and fundraising; and for solving the stresses and inequalities of growth. There also needs to be a clearer global vision about means and ends. Agency building and sustainability are not ends: they are means to benefit greater numbers of poor producers.

Under the present Matching Grant program, apex organizations have been formed to assemble partners in Latin America (ORADME), the Philippines, Indonesia, etc. But these organizations still have not attained a strength of decision-making where they can set standards and make them stick, and where partners are motivated to step up performance because they are pursuing a global vision about expanding benefits. Nor is there organization at present that cuts across regions. This is the challenge of all of the agencies who consider themselves "partners:" to form a more synergistic, disciplined global confederation, free of regionalism, that will get greater results. This apex is the most important type of organization OI and its partners can strengthen.

Lessons for AID

What are the implications to the Agency for International Development about Matching Grants, trends in the microenterprise development, and OI's situation? Matching Grants have greatly assisted OI to build a network of small business development agencies in a cost-effective way. They have been flexible in terms of countries and applications, and over time they have allowed much more effort and resources to go for service delivery than applying for grants. There is only one drawback: the financial needs of an experienced institution-builder like Opportunity International are bigger than what a Matching Grant provides, especially when it is being urged to adopt national impact programs as a model. If OI can do things to increase the scope and scale of agencies' service delivery, what can AID do to be a better partner to OI, and to reduce the transaction costs of having to seek funding from all different offices, regions and levels of the Agency? AID too must adopt to the changing capabilities and needs of PVOs with high performance models.

Conclusion

Opportunity International is an agency that has accomplished much, but still has complex issues to resolve about growth, treatment of star and undynamic partners, confederative structures to raise performance, and capitalization. Chapter 3 explains the OI model, reviews what has been accomplished under this Matching Grant, and presents a statistical summary of the portfolio of OI partner agencies. Chapter 4 presents the strengths and weaknesses of the portfolio. It analyzes how some partners are forming national impact models; discusses poor performers and inequalities among agencies and regions; and gives views of OI staff about causes of performance differences and what to do about them. Chapter 5 focuses on OI itself: policies about growth, resource mobilization and composition of income, and formation of confederative structures. Chapter 6 presents recommendations in the areas of program, finance and confederation.

The conclusion of this evaluation is that Opportunity International has matched the funds provided by AID/PVC and employed them competently. It definately merits favorable consideration for further AID funding. OI needs to continue to focus on building agencies that are not only sustainable but motivated and trained to increase significantly financial and socio-economic development services to the poor. Its efforts to build national impact models and to capitalize them through diverse resources are meaningful for the entire microenterprise development field. Building on the best and the new are necessary but not sufficient, however. Methods and structures must continue to develop to boost the rest.

Chapter 2 Evaluation Methodology

This external evaluation takes place in the fourth year of a five year AID Matching Grant. Its scope of work calls for the evaluation to analyze three components. The first component is the specific work done under this Matching Grant. The second is to review how OI's model has been applied to agencies at various institutional phases (young, mature/dynamic, and slow-growth), and to analyze the strengths and weaknesses of this portfolio of partner agencies. The third component is to examine the general institutional strength and direction of Opportunity International (ie., aspects other than program methods).

Fieldwork took place in August. Visits were made to a new partner started in Zimbabwe and to a 'regenerated' partner that floundered initially but has since corrected itself and shows promise for national scope and impact in Jamaica. A review of program statistics was also made of every agency in the OI partner portfolio that retails credit. This review looked at changes over time in size of loan funds, scale of service delivery and benefits, average loan size and financial sustainability. Particular attention was paid to mature partners that were either very dynamic or stagnant. Interviews and a review of program documents were made to identify what was responsible for their pattern of institutional development.

A survey was also made with seven senior OI program and management staff at headquarters and in Asia, Africa and Latin America. They were asked about the attributes of a "high performance" credit and microenterprise development agency; what explained high and low performers; and what OI's future strategy should be to bring partners to high performance prime. The evaluator believed that these senior officers definately had the best insights about what needed to be encouraged, changed or refined. However, since they are decentralized around the world, and are also advocates for the interests of their particular region or level, what needed to be pulled together was a critique of the global system and ideas about the best way to continue developing it.

A trip was also made by the evaluator to Chicago to meet with OI's new executive director and director of programs. Future OI directions, resource sufficiency and fundraising were discussed as well as evaluation fieldwork and preliminary conclusions.

Sincere thanks go to Mark King, OI program officer, who answered many questions, furnished overviews and insights and assembled all the information and statistics underlying this report. Appreciation is expressed to Mr. E. Maphenduka and the staff of Zambuko in Harare, Zimbabwe and Mr. P. Miller and the staff of ASSIST in Kingston, Jamaica for their cooperation in the field. Thanks to Larry Reed, David Bussau, Leigh Coleman, David Befus, Dennis Ripley and Eric Thurman for their thoughtful written and verbal responses to the survey. Also thanks to Devorah Miller, AID/PVC small enterprise officer, for patience and facilitation.

Chapter 3. Opportunity International's Approach: Accomplishments, Changes and Challenges

1. Opportunity International's Program Model

Originally founded as the Institute for International Development, Inc., OI began in 1981 as a group of concerned Christian business persons in the United States who wished to promote increased levels of self-help, employment and income through small enterprise development. In the period 1971-1978, IIDI tried to broker small US investments in developing countries and/or make loans itself to local small enterprises. By 1979, however, it recognized that it was necessary to build local institutions so that local board and staff could deal with local development challenges. The program model that has evolved since 1979 has grown more detailed and sophisticated but always within the same basic model of building local credit and microenterprise development agencies.

A prominent and rather unique aspect of OI's approach is the strength of its respect for local decision-making and the quality with which it builds local governance structures. OI itself is proud that key organizational decisions and strategy are made by its board, who also take the lead role in giving or getting private contributions to the organization. Boards of partner agencies are fashioned in this mold. It takes 12-24 months for OI to recruit and train a local chairman and board. A decade ago, a local board might have consisted of middle class Evangelicals such as pastors, school teachers, shopkeepers and accountants. Newer boards, however, recruit prominent local business people and professionals with financial and other means, contacts, and high standards for management and social impact. Like the staff and clients, these boards also receive periodic training to strengthen their vision and strategic planning skills.

Once a board is formed, an executive director is hired and a several year process begins to form the lending and microenterprise development mechanisms and management systems of the new partner. In the past, OI has paid for the majority of operating costs and given an endowment of loan capital to new agencies over a period of 5-7 years. After this, the model assumed that these were "mature" partners who were capable of sustaining themselves financially and making decisions about their program on their own. Since 1987, however, 13 new agencies have started without a similar striking increase in funds raised. The implication is that OI can no longer afford to spend $350,000 to $750,000 per each new partner, nor can it take 5-7 years for young agencies to gear up their lending operations and learn to fundraise locally.

As the number of partners have grown, there has been a parallel diversification in the kinds of lending mechanisms used. OI and its partners have always stressed job creation. In the early and mid-1980s they made loans as large as $30,000 to small enterprises whose expansion created several new jobs. At least half of the partners still practice this kind of fixed asset lending that expands the number of jobs in existing enterprises. Over the last several years, the heavy emphasis in the field of informal sector credit has been smaller, shorter, working capital loans and also assistance to much poorer producers than established small enterprises. As a result, many OI partners today make loans to self-employed and even subsistence producers who are just entering the money economy and have rudimentary or no experience with business. Thus the group of OI partners make loans to many different sizes and types of enterprise. They make agricultural loans as well as loans to manufacturing, services and trade. Some partners work predominantly with group credit, others with individuals. Some partners offer short training seminars or business consultancy visits. Others help groups plan and undertake community improvements. Other partners choose to organize and assist castes with particularly socio-economic disadvantages.

Two measures are common among all of the partners to indicate performance. At the beneficiary level, the primary indicator is jobs created. At the program level, the indicator is financial sustainability. Because all of the programs lend, they are also frequently compared on the basis of their credit statistics, as this evaluation will do. The definition of "job creation" has become fairly standardized among partners. OI counts the number of fulltime jobs directly created or preserved due to assistance each year.

2. The Structure of Opportunity International and Its Partner Agencies

Along with its model of board-led local institutions, OI has formed a decentralized staff structure for supplying technical assistance to indigenous partners. As a result of the proliferation of partners, the structural relationship among agencies is changing and will continue to do so in the next few years.

Senior OI program staff are highly specialized and skilled in forming credit and microenterprise development agencies. In addition to their overall knowledge about lending mechanisms and non-financial assistance to microenterprise, one has a unusual expertise in computerized financial management systems; another in board formation; another in program analysis and technical writing; and another in donor contacts and negotiations. The most senior staff do not sit together at headquarters, but are assigned to operate offices that give technical assistance to the partners in Asia, Latin America and Africa. At OI headquarters in Elmhurst, Illinois the principal activities are representation and fundraising. The executive director is primarily a fundraiser. The director of programs is an experienced administrator, but is new to the field of credit and microenterprise development. He works with another program officer who is technically specialized and knows the variation among partner agencies well as a result of having worked with OI for 5 years.

In Latin America and Africa, OI pays the cost of the regional directors and the regional offices. In Asia, OI has had a longstanding affiliation with an Australian PVO, Maranatha Trust, which provides technical assistance and fundraising to Asian partners. Maranatha brings the advantage of fundraising in Australia and with European sources, especially Evangelical donors. Although two thirds of its efforts go to assisting local partners, Maranatha does have interests and activities beyond OI and local partners which it pursues.

Given the large distances and unique geography that exist in Asia, sub-regional technical assistance structures have recently been started. Both the Philippines and Indonesia are countries that consist of a confederation of islands. In order to expand lending operations in such a terrain, it has been easier to start agencies on several islands rather than form one partner with branches. Thus there are seven partner agencies in the Phillipines and seven in Indonesia. Each of these clusters has a sub-regional confederation and a sub-regional technical assistance office. Maranatha is also forming a sub-regional office for the India, Sri Lanka and Pakistan partners. In Latin America, the partner agencies also have a regional confederation, ORADME, in addition to the regional office in San Jose, Costa Rica.

Although operations have grown more far-flung and partners more numerous, key decision-making remains centralized in the OI board and top OI staff. Despite its policy activism, most board members are not international development specialists. As part of fundraising, some board members have made trips to visit partners in Central America. But for technical advice and comparative experience, the board depends on senior staff and the regional structures they have set up and manage.

When one considers that OI's total budget in 1991 was only $2.5 million for headquarters operations, regional and sub-regional technical assistance, and support to young partners and new agencies, it becomes apparent that the costs associated with this are really very modest in relation to other American PVOs that operate in many countries and across several geographic regions. There are several reasons for this cost-efficiency. One is the economy of scale derived from specializing in one main activity (microenterprise credit) and a tested way of building local institutions. Another is the volunteerism and contributions of local boards. Another reason is that sub-regional technical assistance reduces the costs of international salaries and travel. Finally, operations are quite modest at all levels in terms of numbers of staff, furnishings, transport, etc.

3. The Religious Factor

The cost efficiency of OI and its partners is not just a lucky happenstance: it correlates with the high sense of mission everyone in the organization feels about assisting the poor. Most PVOs are known for their social philosophies, but in the case of Opportunity International and all of its affiliates, spiritual

Graph 3.1

Opportunity International and Its Global Confederation of Partners

OPPORTUNITY INTERNATIONAL

Elmhurst, Illinois

ASIA REGION

Maranatha Trust [1]

Philippines
- TSPI
- KMBI
- RSPI
- TPKI
- HSPI
- ASKI
- TSKI
- APPEND [2]

Indonesia
- MBM
- MATEPE
- DBM
- LSS
- UPEM [2]
- YBK
- TBL

Pakistan - ADI

India - CDS
- TBF

Sri Lanka - JSA

LATIN AMERICA REGION

ORADME [3]

Colombia - AGAPE
Costa Rica - ADAPTE
Dominican Republic - ASPIRE
El Salvador - AGESAL
Guatemala - FAPE
Honduras - IDH
Peru - ACUDE
Nicaragua - ANDAME

AFRICA / CARIBBEAN REGION

Zimbabwe - Zambuko
- Manna

Jamaica - ASSIST

Affiliated Fundraising Organizations

CANADA - CIDO
UNITED KINGDOM - Opportunity Trust
UNITED STATES - Women's Opportunity Fund

Notes:
Other than informal relationships, there is no formal structure or contractual agreements that bind these agencies together.
Although partner agences span several geographic regions, there is also no "global" organization in which they all participate.

1. Maranatha Trust is an Australian PVO in a kind of partnership with OI. In addition to serving as regional technical assistance to OI partners, MT has its own activities. Both OI and MT are formed by Evangelical Christian business people.
2. APPEND is the newly formed apex of the Filipino partners. DB M is a training agency/apex for Indonesian partners.
3. ORADME is the confederation of OI's Latin parter agencies. OI funds technical assistance through ORADME.

values are very central to why and how the organization functions and are constantly reaffirmed. Religious values play little or no role in the selection of who gets a loan. (For example, a pastor is accepted by OI partners as a credible character reference for borrowers whereas this type of reference is infrequent among non-religious PVOs.) Except in the Philippines where churches are a major part of the popular culture and serve as an entre for community organizing, OI partners do not lend through church structures nor concentrate benefits on members of evangelical churches. But religious values do play a major role in motivating local board and staff members to be dedicated in serving others, to use resources efficiently, and to avoid corruption. The organization prides itself on its christian business ethic.

4. "Transformation Lending": OI's Credit Approach

Opportunity International began in 1978 with concerned Christian business people venturing capital to medium and small enterprises in Central America. In a few years time, it switched to making loans to small enterprises that would create jobs. Throughout the early and mid-1980s, what the OI partners were most known for was fixed asset lending. For example, loans of several thousand dollars would be made to garment makers to buy sewing machines, to print shops to buy presses, or to shoe manufacturers to buy machines for cutting and stitching. In some cases, a loan was made to purchase the whole operation, which became a worker-managed enterprise. Making 12-24 month fixed asset loans to small enterprises or to dynamic microenterprises transforming themselves into formal small businesses has been an expertise of OI and its partners for a decade or more.

In the mid-1980s as credit to small farmers and to the informal (unlicensed) business sector increased, OI partners increased their lending to microentrepreneurs. As size decreases, there is less need for fixed assets and greater need for working capital. Activities of the smallest producers are based much more on simple forms of production and/or commerce. As such, working capital loans have a much shorter term than credit for fixed asset investments because they finance activities with a more constant cashflow. Enthusiasm ran high among donors for shortterm, working capital loans. Many OI partners turned to making these kinds of loans because they could get grants and/or soft loans for them, and because they could benefit greater numbers. In the 1990s, the horizon for production credit has been pushed even lower to the severely poor. Group savings and loan mechanisms first employed by the Grameen Bank showed the way for organizing fairly large size economic groups and making a series of very small, short term loans to the destitute members (who were often women with responsibilities for feeding their families). These group mechanisms showed the way to benefit massive numbers of poor, even though they promote "income generation" rather than the development of enterprises. Several OI partners plan huge scale-ups based on this type of poverty lending, especially in the Philippines where the target is to create 60,000 jobs annually.

Thus OI and its partners make a variety of sizes of loans for both fixed assets and working capital. With a mechanism like the Manna Corporation in Zimbabwe (discussed in Chapter 4) they even take venture positions in small enterprises in order to manage them and develop their products and markets to high business levels. OI staff have elaborated a policy that OI and its partners provide credit and microenterprise development services to poor and/or small producers at various rungs on the economic ladder.[1]

The graphic on the next page explains these different levels of micro and small enterprise, and the credit and business services appropriate to them.

5. <u>The 1988-1993 Matching Grant</u>

Opportunity International (formerly the Institute for International Development Incorporated-IIDI) has had a long and successful track record using Matching Grants from the Agency for International Development to form local credit and microenteprise development agencies. Its current contract with AID/FVA/PVC is OI's sixth Matching Grant and is worth $450,000 a year for five years ($2.25m).

The design of MG-VI did not make big departures from the way OI operated, but sought to enhance the program model in areas that were weak or newly emerging. A 1987 independent evaluation by AID of MG-V recommended that technical assistance and confederative structures be strengthened, that innovations and successful credit and micro-business development methods be documented and replicated, that OI develop new and sufficient forms of resources, and that young partners receive support for a few more years until they developed to maturity. AID wanted to promote small enterprise development in Africa and requested OI to build operations in that region. Thus MG-VI had components for building confederative structures; identifying and documenting innovations; "regenerating" older partner agencies; supporting young agencies; and developing new operations in Africa.

The OI theme for the 5 year period was growth--in benefits, partner agencies, countries, and resources. In the Philippines and Indonesia, local partners working with OI and Maranatha Trust were starting to develop interesting models for national scale programs. Since both of these countries have many islands, the model was based not on opening branches, but on starting a number of new local agencies, each with its own governing board and program that would correspond to regional needs. Thus the logframe of MG-VI foresaw the creation of 20 new partner agencies, assistance to 17,000 businesses, and the creation of 23,000 jobs during the 1988-93 period. It also aimed to graduate 16 partners (from OI

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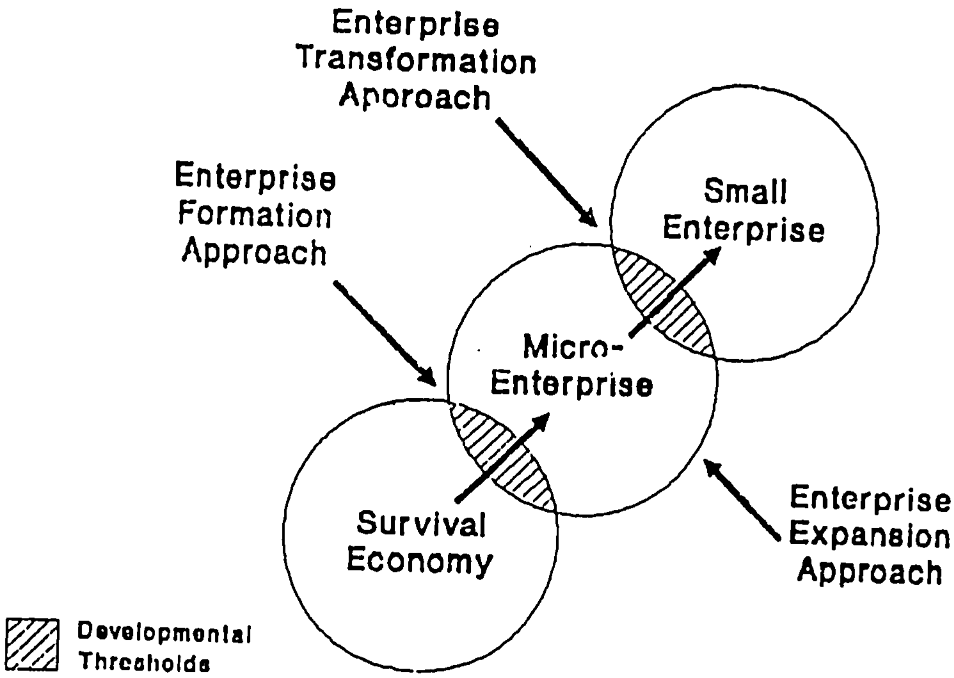
[1] See: Larry Reed and David Befus, <u>Transformation Lending: Helping Microenterprises Become Small Businesses</u>, Opportunity International, January, 1992.

Figure 3.1

APPROACHES TO MICROENTERPRISE DEVELOPMENT



Source: A.I.D. Microenterprise Stocktaking Synthesis Report, Boomgard, 1989

Approach	Enterprise Formation	Enterprise Expansion	Enterprise Transformation
Goal	Move clients from survival economy into microeconomy	Improve the performance of microenterprises	Graduate clients from microenterprise sector
Clients	Highly disadvantaged groups or individuals	Small to medium sized microenterprises	Larger microenterprises
Services	Credit tied to minimal training and technical assistance.	Short term working capital loans	Working capital and fixed asset loans combined with training
Loan Size	$500	$700	$3,000
Impact	Poverty alleviation for the highly disadvantaged	Marginal increases in income and decreases in underemployment across a large number of clients	Employment and income generation

support), to regenerate five partner agencies, and to start two new partner agencies in Africa.

Traditionally in its relationship with the Agency for International Development, Opportunity International has received most of the funds to start and develop credit agencies from central AID funding (PVC Matching Grants) rather than regional or USAID mission funding within specific countries. The design of MG-VI continued this pattern, with the majority of funds going to support new or young partner agencies. OI requested $750,000 per year, or $3.75 million over 5 years, to implement its MG-VI design.

6. Results Accomplished during Matching Grant VI

Due to budget cuts, the OI Matching Grant could only be funded by AID/FVA/PVC at 60% of what was requested or, $450,000 per year. Despite this cut, quantitative targets about the number of businesses served and jobs created have been achieved. The effect of the MG budget cut has been to downscale growth in the number of partner agencies, the scale of partner agencies, and the distribution of growth between agencies in Indonesia and the Philippines and partners in other countries.

In quantitative terms, in the first three years of this Matching Grant, OI partners made more than 14,500 loans of a value exceeding $12 million which created or preserved 35,000 years of employment. (OI measures benefits in terms of a "job," which is defined as someone working fulltime for a year.) New partners were created in Zimbabwe (Zambuko and Manna), Nicaragua (Andame), India (CDS), Indonesia (TBL, DBM) and the Philippines (TSKI, RSPI, ASKI, TPKI, HSPI).

In terms of qualitative changes, three types of innovations advanced: building national impact programs; increasing the efficiency of credit delivery mechanisms; and broadening the spectrum of financial and other services available to beneficiaries. Most of these innovations came in the course of natural problems solving and program development of the various partners, rather than as a result of a formal research design. The next chapter which focuses on program models of several partners in greater detail will analyze the meaning of these innovations, especially those with "national impact models". However, it is soon apparent when one begins looking at all the partner agencies how many innovations have taken place regarding credit mechanisms, relationships with banks and formal banking systems, and expanding scope and scale. What has been lacking, however, is the critical and comparative analysis of these innovations, their documentation, and a program to introduce systematically major innovations to expand and improve benefits, increase capitalization, and become more cost-efficient.

Another objective of this Matching Grant was to regenerate agencies with slow or stagnant growth. Most of these agencies are located in Latin America or S. Asia. To illustrate the difference between a dynamic and an undynamic partner, below are two agencies that are similar in age and assets, but quite different in outlook about expanding services:

Table 3.1 Comparison of a Dynamic and an Undynamic Partner Agency

	1987	1988	1989	1990	1991
MATEPE - Indonesia					
Dollars lent (000s)	$102	$114	$138	$136	$182
Number of Loans	212	286	349	499	460
Jobs Created	406	488	785	652	769
TBF - India					
Dollars Lent (000s)	$ 92	$ 73	$113	$ 98	$ 43
Number of Loans	42	50	88	138	193
Jobs Created	142	111	198	180	163

OI has a mixed record on fulfilling this objective of improving undynamic agencies. There definately have been successes in doing this, but inequalities of performance and growth among partners in various countries remain serious, and efforts to regenerate agencies have not come close to eliminating them. The mini-case study about ASSIST (Jamaica) in Chapter 5 is a success story that proves this can be done. ASSIST stagnated in its first four years of operation. It finally made major management change in both the board and executive director. Today it has a national impact model, has opened four new branch offices across Jamaica, and has received major new funding from USAID Jamaica. Regional directors have worked hard to convince several of the slow-growth partners to be less conservative and/or make management change. Such change has been made in the Dominican Republic (ASPIRE) and the agency is no longer de-capitalizing. Management change has also been made in Sri Lanka (JSA). Technical assistance has improved credit mechanisms and financial management systems, as well as helping partners to win new grants and soft loans. Nonetheless, growth and performance inequalities are widening. These disparities will continue to be analyzed in Chapters 4, 5 and 6.

A final objective of this Matching Grant has been to strengthen confederative structures. With the proliferation of partner agencies and all of the innovations that have occurred among the OI partners and in the field of microenterprise credit itself, this need for apex structures has taken on added importance. It is especially necessary in the national programs being implemented in the Philippines and Indonesia where the approach of these models has been to create multiple partners rather than a branch system. OI has done well to strengthen ORADME, the regional apex among Latin partners. MT has created two apex agencies for partners in the Philippines (APPEND) and Indonesia (DBB). What is still missing, however, is the structure, rules/authority, and process for global confederation. The partners resemble agencies in 15 countries each pursuing their individual policies rather than a highly motivated and disciplined group with a shared commitment to high performance programming. Lack of apex structures also slows cross-fertilization between the more and less dynamic partners and contributes to inequalities in performance and growth.

7. Program Statistics of the OI Portfolio

As we have discussed, OI and its partners evolved during the decade of the 1990s from an approach that made fixed asset loans to micro and small enterprises to an approach that has made mostly working capital loans to much smaller microenterprises. As Table 3.2 shows, the average size of loans and the credit per job created have grown smaller over time, as the number of beneficiaries and jobs created has risen. The nature of many of these jobs has also changed from positions in formal, albeit small, enterprises to what is largely family and self-employment. These trends reflect what has happened overall in relation to informal sector credit, and average loan sizes will probably continue to decline and numbers of benefits/beneficiaries increase as more partners adopt loan mechanisms that serve really destitute producers with poverty loans.

Table 3.2 Program Statistics of Opportunity International, 1981-91

	1981	1986	1991
Amount Lent(000s)	$362	$1848	$4500
Jobs Created	488	2977	14,300
Number of Loans	58	5627	9,333
Ave. Size Loan	$6180	$1010	$482
Credit per Job	$742	$620	$315
Number of Partners	4	15	30

At the same time that there has been significant growth in benefits and capacity to lend (Table 3.3), the distribution of this capacity is quite unequal among partners in various countries (Tables 3.4 and 3.5). The reason for this is essentially that some partners have much better models and management to expand scope and scale than others.

8. Developments in the Field of Microenterprise Credit and Their Implications for OI and Its Partners

The 1980s were a decade in which many PVOs learned how to give loans rather than grants and to operate credit mechanisms. Over the last few years there has been considerable pressure for PVOs engaged in credit operations to manage with the principles of financial systems. Briefly put, these principles urge a large volume of loans to be made, commercial (market) prices to be charged on credit to poor producers, and non-financial services to be pared down significantly or eliminated in order to contain costs

Table 3.3

Total Jobs Created 1979 - 1991

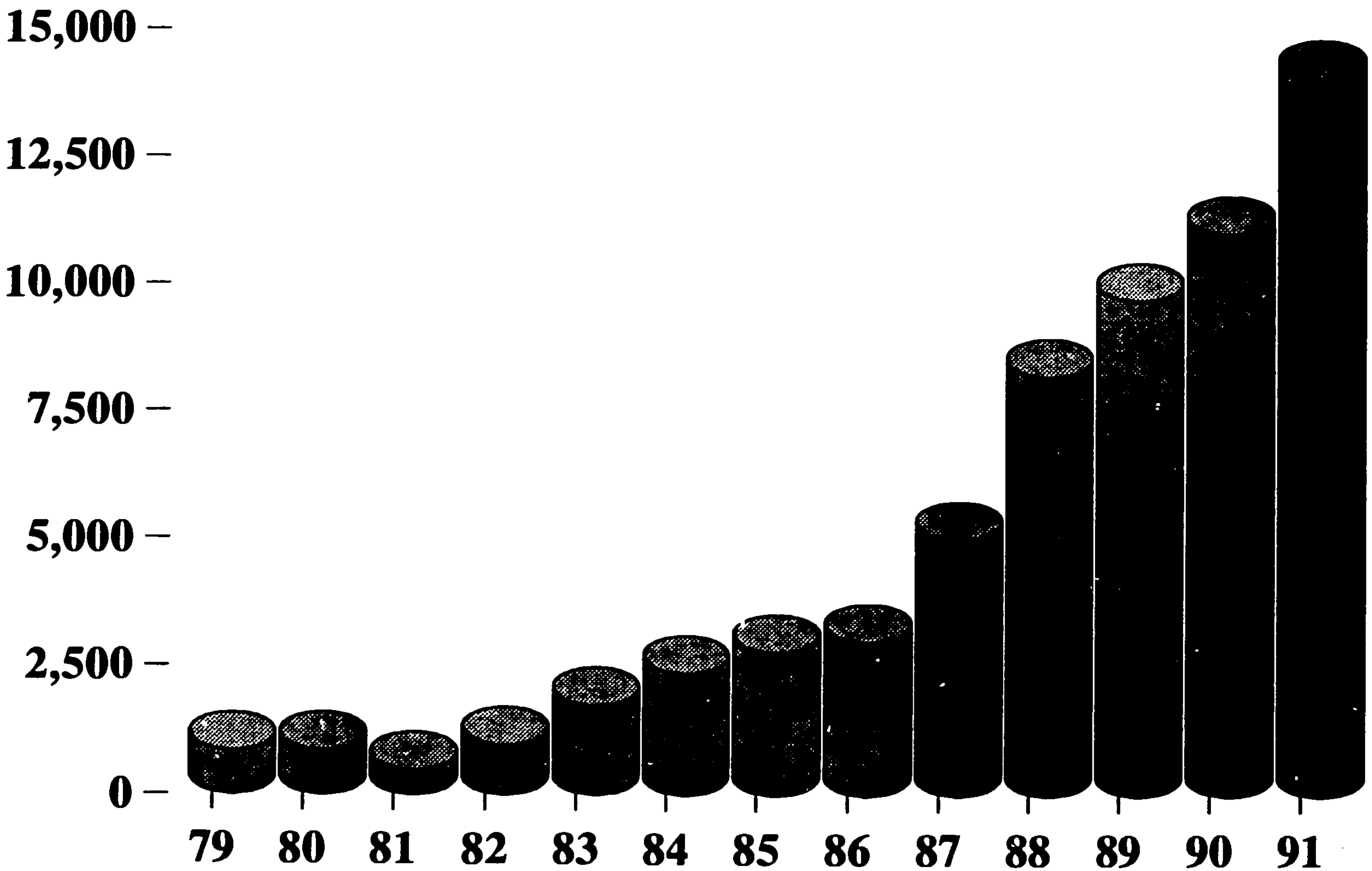


Table 3.4

Partner Ranking
Portfolio Size - 1991

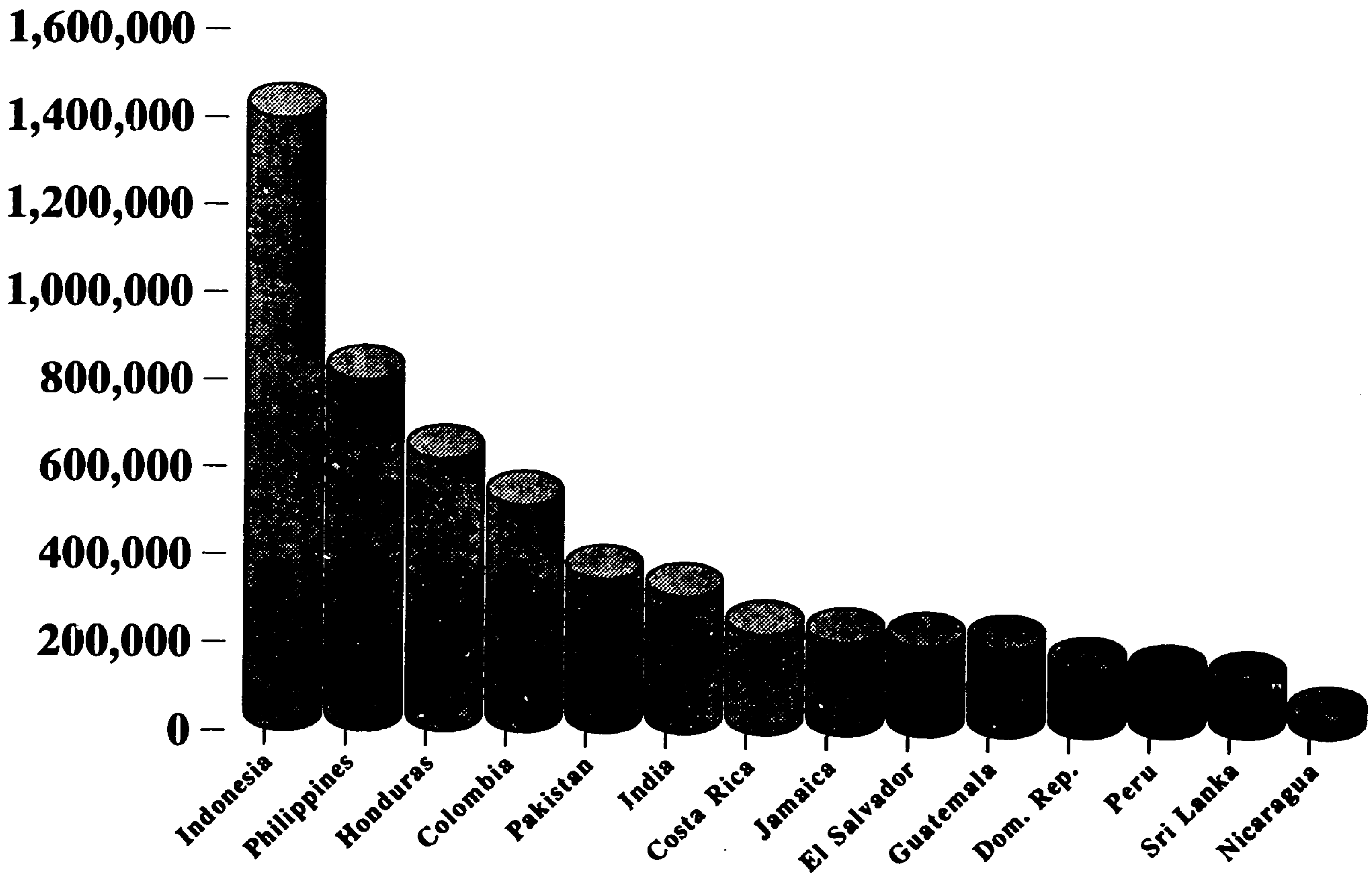
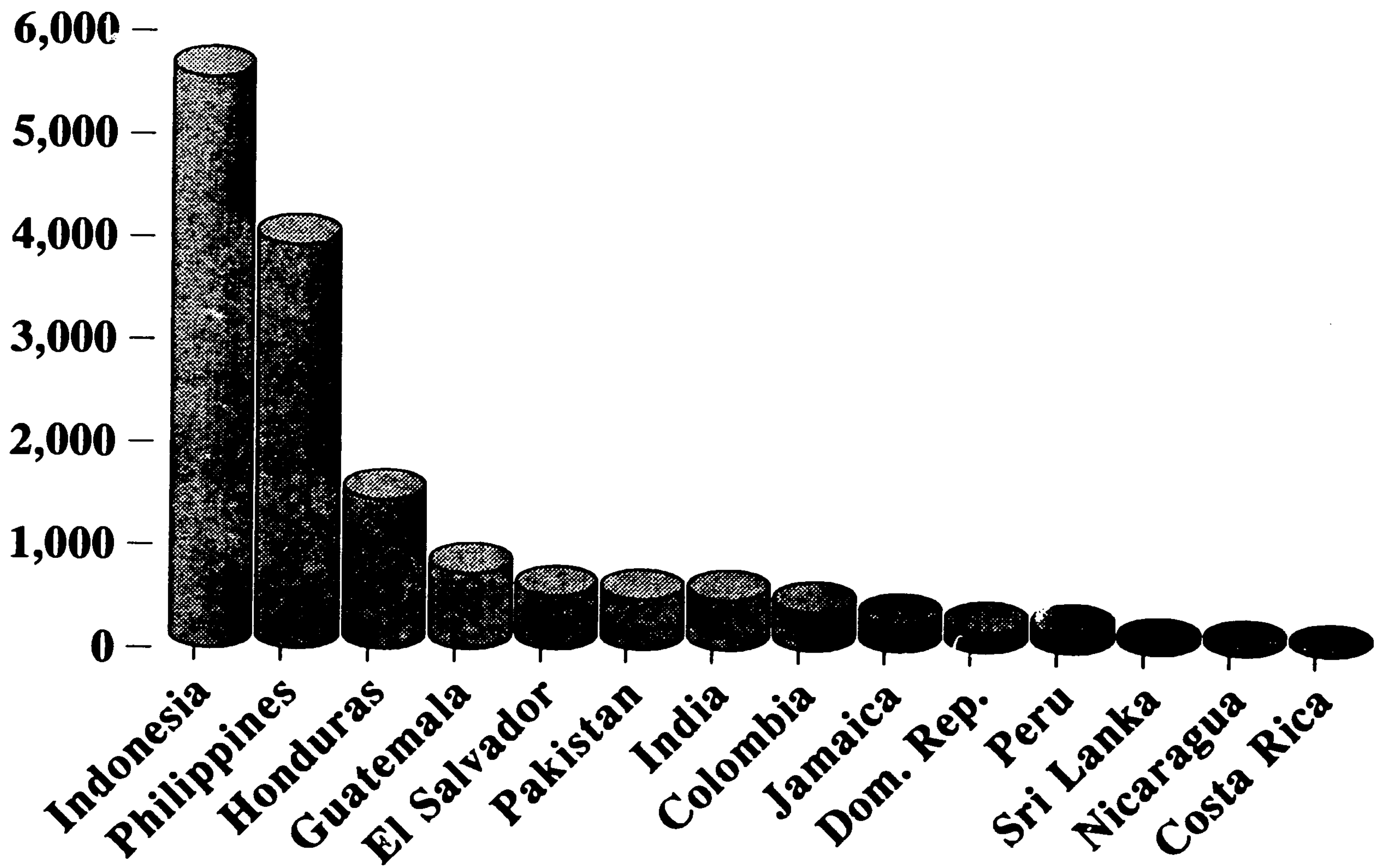


Table 3.5

Partner Ranking
Jobs Created - 1991



and breakeven while serving thousands. PVOS have had to cast aside old prejudices about project size, interest rates to small producers, and "integrated development" models that lavish multiple services on few beneficiares. They have also had to learn to operate as self-sustainable service enterprises rather than programs that receive and spend the subsidies of others. As PVOs have struggled to incorporate financial systems principles and become service enterprises, they wrestle with how to do this while alleviating poverty. Financial systems may lend to large numbers at commercial rates, but they do not do anything to eliminate poverty. Poverty originates not just in a lack of assets, but with ignorance and lack of power. The criticism leveled at PVO lenders making many thousands of microenterprise loans annually at market rates is that they fail to have the socio-economic impact that pulls people out of the vicious circle of poverty: they are just a new version of the local loan shark. OI and its partners are adept at making this criticism, especially of competitor agencies in Latin America that reach huge scales of borrowers very quickly. The truth is that the very best agencies ("world-class") for credit and microenteprise development must be capable of all three attributes today. They must have large scale and scope that can serve a significant portion of the local informal sector market for credit. They must be run like service enterprises, not welfare agencies. And their methods must be effective for raising income, assets, skills and employment rather than keeping small producers on a treadmill where they continually borrow and repay, but never really advance.

Opportunity has been good at building service enterprises and is sensative to a quality of services that advances the poor. Its weakness is that the scale and scope of its models have not been competitive with the world's best programs. For example, Accion International has just announced a new 5-year campaign whose goals are: 1) to serve 748,000 new microenterprises by 1995; 2) to disburse $1 billion in small loans; and 3) to create 1 million new jobs. The point for OI is not that they have to match this stunning scale, but to develop an agency model and a portfolio where mature partners* serves thousands.

* A "mature" partner agency is one that has had 5+ years to develop its lending mechanism, management systems and portfolio size.

Chapter 4 Dynamic and Non-Dynamic Partners in the OI Portfolio and What Causes Their Performance Differences

The purpose of this chapter is to understand better Opportunity International's track record of institution building by looking at high and low performance partner agencies. Every American PVO that has assisted multiple programs has performance differences among them. Several factors account for this. First, the older the institution, the more pronounced the differences, because models and circumstances that formed early programs are not the same as those that formed later ones. There are also differences in the quality of staffing and management, and in the amount of investment. In this chapter we seek to understand what causes some partners to expand benefits more rapidly, and the potential such programs have to be competitive with the world's best models. We also want to understand the slower growth agencies and what can be done to spur their performance.

4.1 Performance Differences among OI Partners

There is wide discrepancy in performance among OI assisted agencies. Another look at the 1991 rankings for size of portfolio and jobs created shows just how skewed the capacity to create benefits is. Asian partners have been quicker to adopt group lending mechanisms to the very poor that lowered average loan size and improved efficiency. But LA partners have also done this. The average loan size per job created among LA partners dropped from $752 in 1981 to $528 in 1987 to $302 in 1991. So inequalities are not due simply to an inflation in the numbers of benefits of Asian partners, but rather reflect real differences in scope and scale.

PARTNER AGENCY RANKINGS -- 1991

JOBS CREATED		SIZE OF LOAN PORTFOLIO	
1. Indonesia	5558	1. Philippines	$1,397,382
2. Philippines	3928	2. Indonesia	798.002
3. Honduras	1452	3. Honduras	618,464
4. Guatemala	704	4. Colombia	514,924
5. El Salvador	515	5. Pakistan	347,246
6. Pakistan	484	6. India	308,763
7. India	461	7. Costa Rica	224,300
8. Colombia	376	8. Jamaica	208,972
9. Jamaica	260	9. El Salvador	200,651
0. Dominican Rep.	189	0. Guatemala	196,534
11. Peru	173	1. Dominican Rep.	147,582
12. Sri Lanka	55	2. Peru	130,261
13. Nicaragua*	46	3. Sri Lanka	116,404
14. Costa Rica	13	4. Nicaragua*	38,320

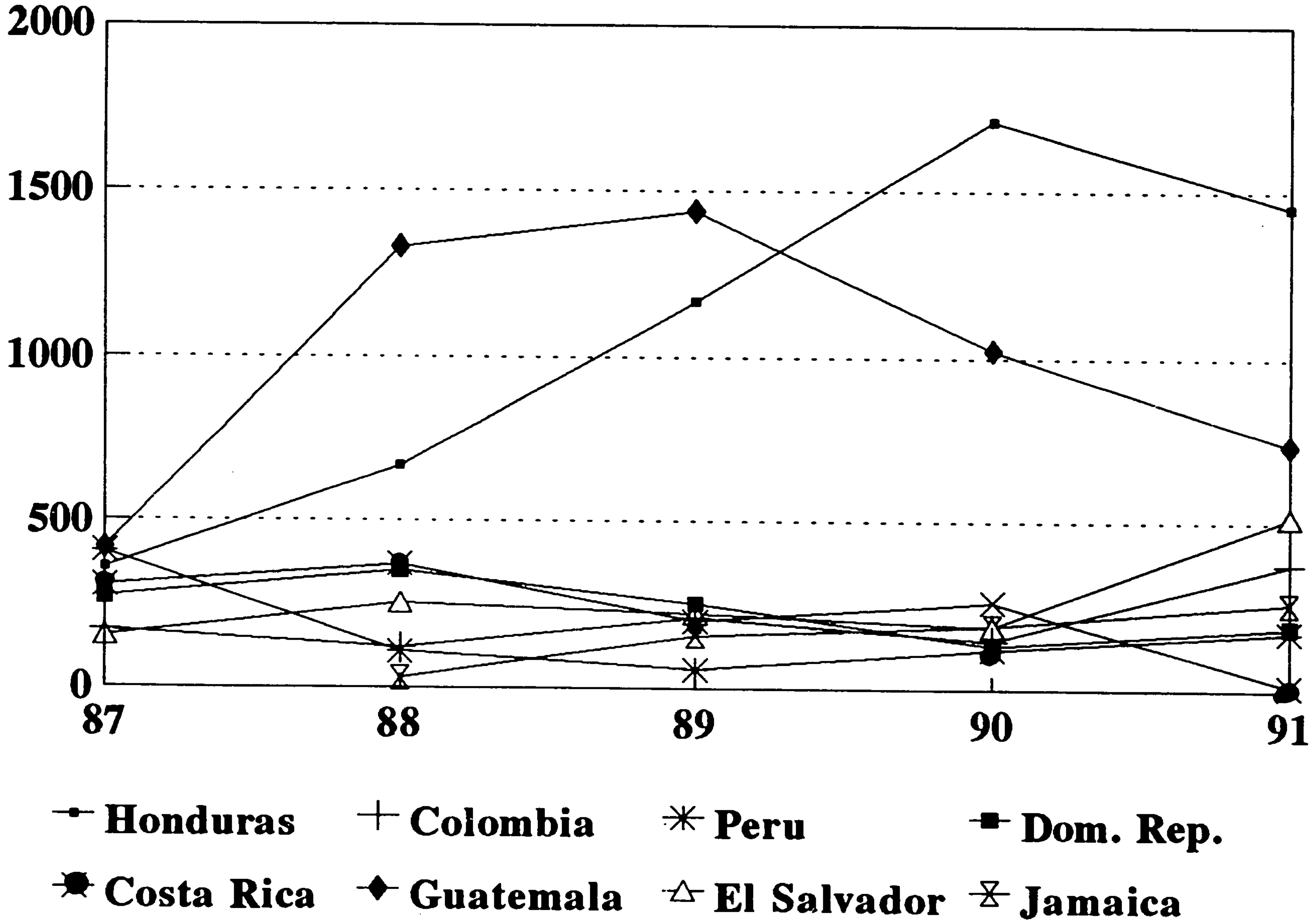
* Agency in Nicaragua is new. All other countries have at least one partner with 5+ years of operation.

Table 4.1 **Regional Trends in Partner Agency Growth and Development**

		1987	1991
Total Confederation	jobs	4,964 (15 partners)	14,000 (25 partners)
	funds lent	$2,621,373	$4,525,769
	credit per job	$528	$323
LAC Partners			
	jobs	2,083 (8 partners)	3,757 (9 partners)
	funds lent	$1,621,411	$1,592,759
	credit per job	$778	$424
Philippines & Indonesia			
	jobs	2,336 (3 partners)	8,850 (11 partners)
	funds lent	$ 707,218	$2,583,747
	credit per job	$302	$291

In 1987, the partner agencies from the Philippines and Indonesia created 47% of the jobe in the OI global confederation and lent 27% of the funds. In 1991 they created 63% of the jobs and lent 57% of the funds.

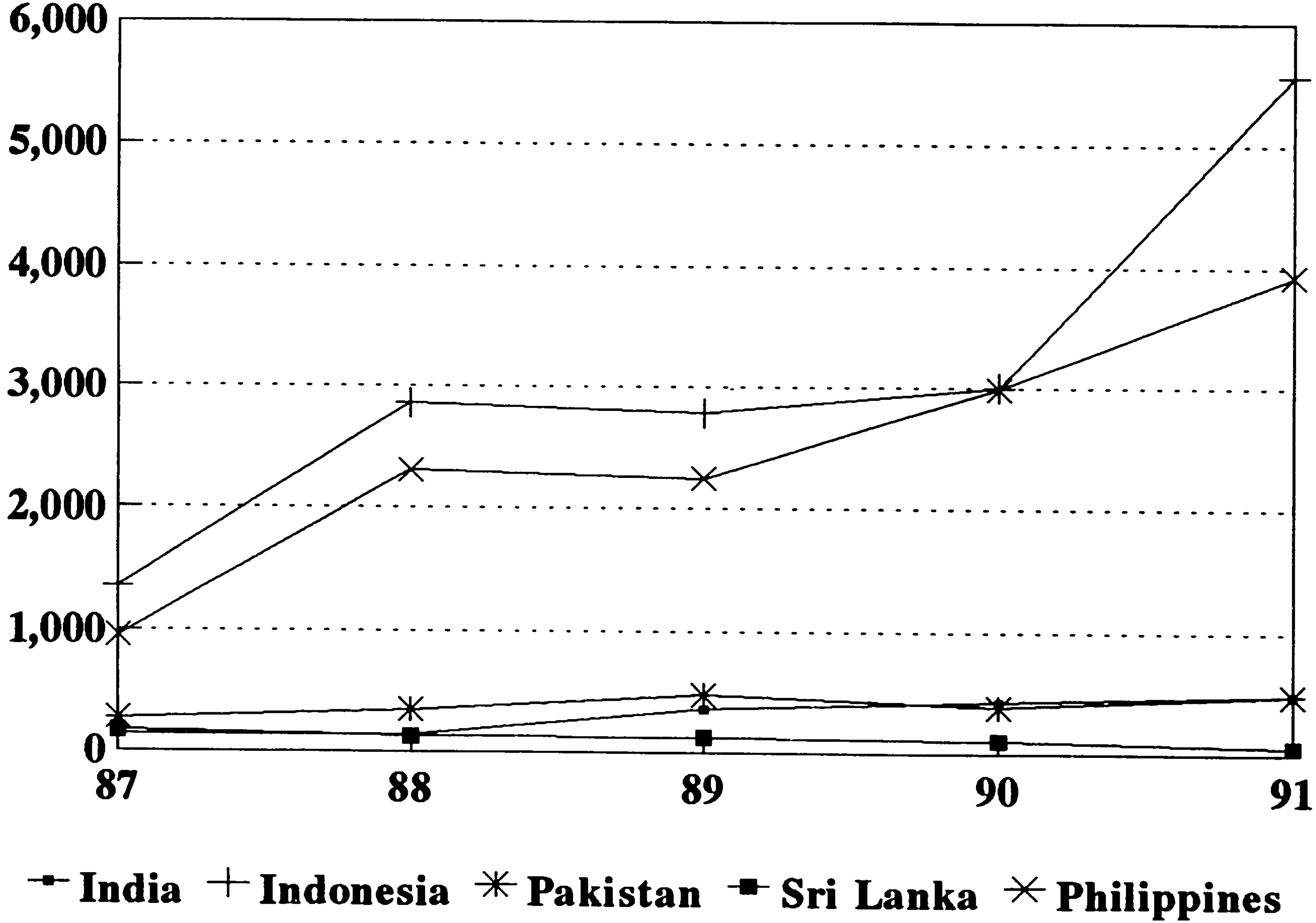
Graph 4.1 **Latin America Region Partners Jobs Created Annually**



25

Graph 4.2

Asia Region Partners Jobs Created Annually



In fairness, multiple partners exist in both Indonesia and the Philippines. These are countries with many islands, and it was decided to broaden scope by creating partners with their own local governing structures rather than branches. The partners in these two countries each manage their own affairs, but they are also very inter-dependent in terms of fundraising and receiving training, procedures and management systems from the lead partner. In Latin America and the rest of Asia, OI seeded one partner per country, except in India where a second agency was recently started.

Five Year Growth Trends

Five years ago, the lead partners in the Philippines (TSPI) and Indonesia (MBM) were already larger in terms of benefits than partners elsewhere. They are densely populated Asian countries where job creation is more labor-intensive than in other geographic regions. This fact not withstanding, if we compare growth trends, the programs in Indonesia and the Philippines have continued to expand benefits on a greater scale and at a greater rate than any of the partners elsewhere. In 1987 the partner agencies from the Philippines and Indonesia created 47% of the jobs of the OI global confederation and lent 27% of the funds. By 1991 they created 63% of the jobs and lent 57% of the funds. In contrast, in 1987 the partner agencies from Latin America created 42% of the jobs abd lent 62% of the funds of the global OI confederation. In 1991, these Latin partners created only 27% of the jobs and lent only 35% of the funds.

What caused this major turn around? Certainly in one of the countries, Peru, there was hyper-inflation (3000+) which wiped out the value of the portfolio. But by in large, macro-economic factors were not responsible. What explains this is a very effective national impact model being employed in the Philippines and Indonesia coupled with well organized, effective regional technical assistance by Maranatha Trust. In Latin America as well as the other Asian partners these were older, less dynamic models not aiming for high growth with regional technical assistance that was not as well organized and effective. By far and away, however, it is the program model that appears to make the biggest difference.

2. National Impact Models

The basic principles of financial intermediation are to offer a volume of credit at a price and efficiency that enables an agency to be self-sustaining. It requires time for a lender to reach a large scale and sustainability. How much time depends on the methods and experience of the lender, plus the amount of capitalization and degree of subsidy of operating and capital costs. Speaking of non-profits rather than government or commercial credit systems, some PVOs enjoy very high levels of capitalization for their large scale credit program designs from the start. This enables them to expand quickly from zero to thousands of loans. Neither OI or any of its partners have as yet been handed millions of dollars from one source to scale up one program in a particular locale. Rather, when OI and its partners talk about a model for national impact, it is driven by the vision of an agency's governing structure, and it implies an expanded scope and a gradual scaling up that depends on fundraising success. In essence, then, OI's model is vision-driven rather than fund-driven and it appears to create scope more than scale. Several variations of it are outlined below among mature, developing (young) and newly created partners.

2A. The Filipino Partners

Tulay Sa Pag Unlad (TSPI) was started in Metro Manila in 1981 with technical assistance from OI's regional affiliate, Maranartha Trust. It had a steady although unspectacular growth until 1985 when a political earthquake occurred in the Phillipines with the overthrow of Ferdinand Marcos. The new administration of Corazon Aquino appealed to the PVO sector to bypass the bureaucratic inefficiency and corruption of government agencies in order to bring services to millions of Filipinos of modest means. The board of TSPI responded with an unusual vision to create and train new partner agencies throughout the country. Rather than opening branch offices, a network of affiliates would be created, each with its own board and staff to tailor the agency to local circumstances. Such a decentralized management model made sense in a country composed of several thousand islands.

Originally TSPI proposed to create a network of 15 Filipino partners, funded principally by foreign aid. Eventually, nine partners were created funded largely by grants, including this OI's Matching Grant. TSPI working in concert with local partners, Maranartha Trust and Opportunity International have demonstrated that a national network of microenterprise credit agencies can be created in several years time (1987-1993). The main advantages of this arrangement are that it establishes an infrastructure capable of serving many thousands with a decentralized management that is close to local opportunities and problems. There are two disadvantages of such a model, however. One is that with so many partners, the process of getting them to agree and move in a coordinated way vis-a-vis donors, etc. is more complicated and time consuming. The presence of APPEND, the national coordinating and representational agency among the partners improves the process somewhat, but it does not make it as direct as a branch-type model. Also, partners like TSPI that could have had a very large loan portfolio were restrained in their growth because so much investment went to creating new agencies.

Aware of the latter drawback, strategies are shifting with the Filipino model. There is more emphasis on using borrowed funds rather than grants, and on poverty lending models that reach large numbers through group mechanisms. TSPI's target over the next 5 years is to provide credit to 25,00 ultra-poor, and for other partners to reach another 50,000+. Given that TSPI currently reaches 2000 borrowers a year, this implies a dramatic increase in the scope. Methods for massive expansion of scope and for capitalization using borrowed funds are very much what is needed to utilize the institutional capacity of this nationwide network of PVO credit agencies.

2C. ASSIST in Jamaica--A Caribbean Partner's Drive to Expand Scope

ASSIST, the Agency for Selection and Support of Individuals Starting Trade, began in 1986, although it was not until 1989 that it recruited leadership with the vision and skills to expand and develop the agency in a dynamic way. It's services are similar to most OI partners: loans primarily to existing microenterprises in such sectors as agriculture, artisan manufacturing, services, trade and food. Loan sizes range between $25 and $4500, although the large majority of loans are below $250 in size and go to self-employed microentrepreneurs. At the time of the evaluation, ASSIST had a portfolio of outstanding loans of approximately $130,000 in value.

What is unusual about ASSIST is not its lending methods which are standard for microenterprise credit, but its drive to develop nationwide coverage. Both the executive director and the chairman of the board of ASSIST have been to Asia and seen the more dynamic models of OI partners in the Philippines and Indonesia for credit agency expansion and development. Among the partners in the Latin American-Carribean area, ASSIST is unique in developing a 5 year vision to achieve national coverage and put it into place. Even among microenterprise credit agencies in Jamaica, ASSIST is unique with respect to its vision and efforts to achieve national coverage.

Once ASSIST's leaders saw the national model in the Philippines, they came back convinced that the route forward for them was dramatic expansion in services and fundraising. At the same time, however, they formed a critique of OI's model for partner development and decided they would have to modify this model in order to accept greater local responsibility for capitalization in order to fuel the expansion and growth that they sought. They were skeptical that with so many overseas partners, OI could provide them with the $1.5 million necessary to create a national model. OI had certain sources of funding such as its Matching Grant, but ASSIST's executive director, Paul Miller, also believed that he should approach other sources such as multilateral banks. As ASSIST looked at the practices that had developed over years with partner agencies in the Latin America-Carribean region and were critical of OI's approach in two respects. First, they felt the approach to agency development was too slow and undynamic: it was not necessary to spend 5+ years training the board, director and staff before addressing expansion. Second, they felt OI was too timid about demanding dynamism and growth from local partners and setting up a system that rewarded performance (versus giving something to all partners irrespective of results in expanding benefits). ASSIST believed that the malaise affecting several of the Latin partners is that they had learned to cover their costs at a modest scope, but were too conservative and content to be sustainable at a low level of operations rather than expand. ASSIST wanted a hi-growth, national model which they thought required a "jerk-pull" to quickly create a geographically widespread capacity and then work to capitalize it and solve the problems to serve such a large market.

Armed with its vision of achieving national scale and its critique of what OI could and could not do for it, ASSIST is moving forward at a rapid pace to create a system in Jamaica that is halfway between a system of branches and the decentralized, autonomous local credit agencies of the Philippines. ASSIST has opened four offices outside Kingston and plans to open more. Each of these offices has a local board of advisors that provide management oversight, serve as the loan review committee, and either give or get local resources for the program. For example, the local chairman of one of the new branches owns a car dealership. As the new branch started, fixed costs were kept low by using office space, telephone, fax, and other administrative services furnished by the dealership. ASSIST's chairman of the board, D. Anthony Williamson, has provided strong leadership by his insistence on giving and getting Jamaican resources for ASSIST. Williamson argues that the biggest difficulty to overcome with a local board is the psychological feeling that any financial contribution they make is insignificant vis-a-vis large international donors. Williamson recognizes that a board must mobilize resources in order to acquire the legitimate authority to lead the organization, and that local contribution is an important symbol to international donors who respond not just to technical capacity but to the quality of local vision and will to achieve it.

What are the strengths and weaknesses (or, vulnerabilities) of what ASSIST is doing and the significance of what this Jamaican agency is doing for OI partners elsewhere? ASSIST is providing an alternative model to TSPI for fast-paced scale up to national coverage. Some of the ingredients of this model are technical, such as good financial information systems and a well-defined package of loan policies and procedures. Other ingredients are financial, such as the use of the banking system (through the National Commercial Bank) to provide disbursements and collections, and eventually to provide capital. Other ingredients are human and organizational, having to do with a strong vision and the nurturing of a high level of commitment among board and staff. Of course, this rapid massification creates an urgent need for capitalization. There is great pressure on the board and staff to raise funds, and also pressure to use borrowed funds and savings (with which ASSIST has limited experience). The agency experiences many cashflow problems, both for loan capital, and to pay the operating costs of this expanded infrastructure. For example, loan officers cannot function without transport to get around to prospective borrowers. Nor will staff work hard for extended periods on 'commitment' without paying decent salaries. ASSIST's experience with rapid expansion is too new to see results as yet. The scope and quality of benefits that will emerge from this depends on clever problem-solving, because actual funds will lag behind the need for capital for several more years. One need that is emerging, however, is ASSIST's need for a different type of technical assistance from OI than traditionally has been provided. ASSIST argues for technical assistance that is more aggressive in getting partners to act on problems and weaknesses that inhibit dynamism and growth. ASSIST would also like to see assistance that boosts technical skills and international channels for local staff to raise money. They argue that directors of some of the most dynamic partners would be better at international representation and fundraising than OI's regional directors whose fundraising techniques and contacts have not kept pace with the needs and possibilities for capitalization. They suggest that OI do away with traditional regional TA structures and use MG funds for a new structure of international participation which gives dynamic partners greater opportunity to learn from one another and influence the system, regardless of whether they are located in Asia, Africa or Latin America.

2D. Zambuko and Manna in Zimbabwe--Two Agencies Beginning with the Concept of High Performance and National Impact

Although Opportunity International had a troubled credit affiliate in Kenya in the 1980s, the start-up of Zambuko and Manna Trusts in Zimbabwe marks the reentry of OI into the Africa region. It also is a test case for OI to refurbish its traditional institution-building model developed in the late 1970s and early 1980s.

Zambuko Trust is a brand new microenterprise credit program. It had been functioning only eight months when the evaluator visited, but in that short period it had already made 121 loans for Z$271,923 which created or sustained 300 jobs. (US$1 = Z$3) Seventy percent of the first loans were for manufacture; 20 percent for commerce; and 10% for service, agriculture and food industries. Two thirds of the loans have been granted to women. The loans are from 1 to 18 months at interest rates set by the Zimbabwean Government, which currently stand at 18% per annum.

The sizes of enterprise receiving credit from Zambuko are mixed, ranging from an ultra-poor, self-employed peddler who needed a bicycle, to microenterprises with several employees that are purchasing fixed assets. The preferred type of borrower is someone who has exhibited discipline and responsibility toward the enterprise with regard to reinvesting profits and making it grow, and who appears to have tapped into markets with good potential for expansion. For example, Gloria Mazakwaedza typifies this profile of a dynamic microentrepreneur. She is the proprietor of "Healthy Lunches" and has received two loans from Zambuko. Two years previously she began her business selling lunches to factory workers in the industrial zone ringing Harare. The lunches were made using her small domestic refrigerator and two hot plates. Demand was great. Based on this, she took out a first loan for Z$4000 for an industrial refrigerator which she quickly repaid in 3 months. Her second loan for Z$4000 is to buy two industrial stoves. With these two loans she has hired seven workers and her profits per month have more than doubled. Zambuko staff observe that they have not had to go out and do any promotion to attract good borrowers like Gloria since almost no one lends to dynamic microentrepreneurs except moneylenders.

Manna Corporation is not a credit agency but rather a venture capitalist. It works with micro and small enterprises with high growth potentials but who need something more than just finance. Generally these small enterprises have purchasing tenders from larger businesses, but they need assistance in proper financial management, improved production process, expanded markets, legal registration, etc. By taking a position in the young businesses, Manna can have a larger and more consistent say in management. Rather than collecting interest on a loan, Manna's earnings will be in direct proportion to the financial success of the new business. This arrangement is a form of "business incubation" for young Zimbabwean entrepreneurs. Manna Corp. currently has no staff, and its advisory services are provided by experienced business people, accountants, lawyers, etc. who serve on its board of directors.

Most venture capital funds expect that out of every 10 investments, five will fail, three will have modest success and two will have major success that compensates for the lackluster performance of the rest. Manna's strategy is to make all of its investments succeed. For example, it raised the income of one microenterprise, Leatherware, Inc. from Z$2,402 in 1987 to Z$239,791 in 1989 while creating 12 new jobs. Leatherware planned to buy Manna out at a price six to eight times Manna's original investment. At the time of the evaluation, Manna had 6 investments, five of which were formally registered businesses, which created 133 new jobs at a rate of one job for every US$190 invested. Manna's goal is to attract not just grant funding or guarantee funding,but local investors.

These two new agencies in Zimbabwe reflect the changes OI is making to update its institution-building model. With the traditional model, local board and staff learned gradually and were not encouraged to make more than 25-50 loans the first year of operations. Zambuko is off to a fast-paced start and may lend as much as US$300,000 in its first year. With the traditional model, growth targets were based on percentage increments over previous years, and started with a very small base. The vision for Zambuko and Manna is not based on incremental increases, but rather on achieving a share of the national market for microenterprise credit. The board and staff of the two new agencies have been carefully selected to include people capable of high level representation in order to acquire funds. Their orientation will be to avoid excessive dependence on limited OI grant funds by developing their own fundraising skills and by learning how to use borrowed or venture capital. The new African partners are receiving the best that OI directors from other regions have to offer. The forte of Asian directors is board formation and the strength of Latin America directors credit methodologies. Both strengths are available to new African partners.

Opportunity International is very aware that the future lies not with building sustainable small to medium size credit agencies, but rather with "national models" capable of managing credit funds of US$1 million or more and serving thousands of borrowers per year. Among its partners, the most well-understood and documented model is that of the Philippines, which is based on decentrallized management of multiple local agencies. The examples of Jamaica and Zimbabwe represent emerging examples of national impact models that are centralized rather than decentralized in management structure.

3. Slow Growth Partners

Efforts failed during the evaluation to get regional directors and senior headquarters staff of Opportunity International to do a comparative ranking of partner agencies, and to distinguish slow growing partners. Two newer staff were legitimately uninformed about most of the local agencies. However, regional directors would not make critical distinctions about performance distinctions about the portfolio, or the agencies in their respective regions. However, using the indicator of "number of jobs created annually" and applying it to agencies that have had 5+ years to develop their scale of operations, one can identify partners that have had trouble growing.

Table 4.2 Jobs Created Annually by Less Dynamic Partners

Agency	Country	1986	1987	1988	1989	1990	1991
ACUDE	Peru	432	405	105	50	119	173
AGAPE	Colombia	69	174	121	213	146	376
ASPIRE	Dom. Rep.	152	271	352	254	131	189
ADAPTE	Costa Rica	89	304	370	202	261	13
TBF	India	74	142	111	196	180	163
JSA	Sri Lanka	185	69	128	126	104	56

Conditions for lending have been difficult for the agencies in Peru and Sri Lanka. But management is also a factor in the above agencies, with either turnover or a traditional executive director unwilling or unable to expand benefits and a board that has not changed him.

Among Latin American partners from 1987 to 1991, total dollars lent went from $1,621 million to $1,542 million, but the number of loans increased 1019 to 3757 per year. This reflects a shift in clientele from small enterprises purchasing fixed assets to microenterprises and self-employed producers borrowing smaller amounts, often for working capital. David Befus, OI's regional director, noted that several improvements have been made recently including greater accountability and reporting of loan statistics and financial reports, new technical proposals funded in Colombia, Peru, the Dominican Republic and Costa Rica, and the stabilization of agencies such as ACUDE and ASPIRE so that they no longer ate into capital. Nonetheless, agencies such as ADAPTE have clearly lost momentum. They continue to stagnate despite technical advice and appeals from OI to change management. Their behavior illustrates the difficulty in working with problem partners, since OI has no formal authority to intervine in a stagnant partner agency and the agency has no obligation to heed the calls from other affiliates to improve itself.

The dilemma of LA partners is reflected below in Table 4.3 where most of the partners cover their costs, but with portfolios that are small and do not have national impact in their local markets.

Table 4.3 Size, Sustainability and Efficiency of OI's Latin America Region Partners -- 1991

	AGESAL	FAPE	AGAPE	ACUDE	ADAPTE	IDH	ASPIRE
No. loans	444	333	2631	114	326	1452	168
Value (000s)	201	197	515	130	225	618	148
% value in arrears	23%	18%	5%	12%	*	20%	9%
% sustainable 1/	103%	100%	95%	80%	68%	100%	99%
Cost per dollar lent	.28	.29	.43	.51	2.24	.18	.33

Source: <u>ORADME Informe Anual, 1991</u>
* Staff difficulties in producing information.
1/ Based on covering operating costs.

<u>Regional Differences</u>

Although examples of slow-growth OI partners can be found in both Asia and Latin America, and inequality between the partners of these two regions in terms of aggregate benefits and growth rates have been present for several years. As a group, more agencies in the Latin America region are smaller and less dynamic than Asian partners. Several factors may account for this. The common explanation is that most Latin partners are older and were formed with methods and management that made sustainability the primary goal. While there is some truth in this, partners everywhere are very aware that they will not be seen favorably by their peers or by donors without growth. So why haven't they grown?

David Befus offers a different explanation. He believes that donors for Latin America haven't financed the OI program model based on fixed asset lending that assists small enterprises to expand jobs because they have been mesmerized by the "minimalist" approach popularized by institutions such the Grameen Bank and

Accion. He argues that donors have been blind to the many deficiencies of minimalist models, especially those that offer little or no microenterprise development services and make working capital loans for high interest rates. There is no doubt that major donors have bought into the programs of agencies like Accion International. What attracted them was not working capital loans, however, but designs able to scale up quickly to benefit thousands and that used the principles of financial systems so that large "institution-building" subsidies were not necessary for long periods of time. Grameen and Accion were offering designs for high performance/ national impact models in the early 1980s. Other PVO agencies in Latin America not affiliated with Accion have won multi-million dollar grants and soft loans because they too offered designs that quickly expanded to large scale. Befus is right that major donors are biased, but the bias is about scale, not about the superiority of one credit mechanism over another.

Leaving aside for the moment of how well OI and its partners have marketed their model and capabilities (this is analyzed in Chapter 5), OI has always had certain partners in Latin America that have been very good and have had the capacity to absorb much more capital than the size of their portfolio. The Instituto de Desarrollo Hondureno of such a partner that has been well-managed and with very good methods and systems for years. Why didn't IDH come up with a national impact design on a scale like that of the Philippines or Indonesia? In this evaluator's opinion, the reason is underinvestment by OI and the local partners in what it takes to become the number one program in their country or in the Central American region. None of the Hispanic partners has received the more intensive technical assistance and capitalization given to partners in the Philippines and Indonesia. A glance at the regional technical assistance budgets for Asia and Latin America shows that the former has had more resources for program development than the latter for several years.

Table 4.4 OI Regional Technical Assistance Budgets, 1986-1992
(in 000s of Dollars)*

	1986	1987	1988	1989	1990	1991	1992
Asia	217	251	247	451	347	322	280
Latin America	69	66	74	100	137	128	140

* These are figures reported in OI income statements for operating regional technical assistance to partners. They do not include loan funds or assistance directly to partner agencies.

Asian partners' greater resources has to do with the fact that Maranatha Trust is an Australian PVO that has successfully raised funds for Asian partners and for its own expenses in Australia and Europe. Regional technical assistance has helped Latin partners also, but the assistance has not been as much consistency or fundraising success.

4. Views of OI Senior Staff about Performance Differences and Fast and Slow Growth Partners

As part of the evaluation, a survey about the strengths and weaknesses of the portfolio and future program development directions was taken among senior headquarters staff and regional directors in the field. Questions asked include: what is high performance? What makes some partners high performing and what keeps others at low performance levels? What aspects of OI and its model for agency building should change to promote high performance and benefits on a much larger scale? And, what should be OI's strategy to invest in and develop partner agencies in the future? Senior OI staff are aware of the innovations, the inequalities and needs, and the regional differences among programs. They know there are not enough funds for everyone and that choices have to be made about where and how to invest. This questionnaire sought to become familiar with the views of the senior staff and the variations and reasoning among them.

4.1 What are the attributes of a high performance credit and microenterprise development agency?

OI staff responded in terms of the possibilities of the partner agencies they work with. Larry Reed, OI regional director for Africa, responded that developed agencies should have this capacity:

* Revolve over $1 million in loan funds per year
* Make more than 700 loans per year
* Create more than 1000 jobs per year
* Operate from several branches (or create new partners)
* Cover a significant percentage of the businesses needing credit in one's target area (be the top 1 or 2 local programs)
* "Transform" (ie., significantly expand the assets, income and employment of) at least 20% of the clientele
* Use borrowed funds
* Have systems that provide information on a regular basis about lending performance, arrears, impact.

Dennis Ripley, OI director of programs in Chicago, responded that there should be minimum standards that all partners should meet such as legal incorporation, annual independent audits, a functioning board, accurate and timely reporting, and a signed memorandum of agreement with OI. To indicate performance, he proposed a formula to calculate how much income benefit there would be from funds lent, a measure which he calls "return on investment." He also proposed that agencies should be able to expand the size of their loan fund and amount of benefits by a certain annual percentage, and mentions 4%.

The difficulty with cost/benefit or ROI statistics is that their validity is hard to agree on and they are not easy to measure.

Annual percentage increases emphasize growth, but of an incremental nature. And if one starts with a low base, it may be insignificant growth. Better is to recognize quantitative levels that a high performance program has to meet or exceed (a $1m loan fund, 1000 jobs, etc). However, this definition has to be revised periodically to keep up with what is possible in the field. And, partners have to be encouraged to keep growing once they exceed it.

2. What are the characteristics of high performing partners? What keeps some agencies stuck as low performers?

Most OI senior staff responded that it was the same factors that made some partners high performers (because they had them) and others low performers (because they didn't). The variables they identified as critical were: 1) leadership/vision; 2) efficient and effective lending systems; and 3) funds. Above all, there was unanimous agreement that the executive director and board had to be recruited and cultivated for "big vision," and the qualifications to plan and expand programs and attract funding to carry it out. Poor performing agencies usually have had poor management and a board unwilling to change the executive director.

The regional director for Latin America, David Befus, never responded directly to these questions about the attributes of OI partners that make for high or low performance. He argues that donors are very biased in favor of "minimalist-massification" models which make large volumes of short term, working capital loans to the self-employed. What these donors look at are the numbers of loans made rather than the performance of the lending mechanism (ie., collection, self-sustainability) and the quality of the employment created. He states that "none of the OI partners in Latin America believe in the minimalist-massification model that doesn't pay attention to the quality of income and employment created." Befus has all kinds of criticisms, many valid, of microenterprise credit programs that have operated with financial principles (high loan volume, prices that cover costs) but that have had little or no methods for bringing poor producers out of poverty. He is correct that credit programs for the informal sector have to have not only good methods for financial intermediation, but also poverty alleviation; and it is an artform as to how these two are combined. What is hollow about the criticisms of other "minimalist-massification" models, however, is that Befus and the LA partners have not spelled out clearly what their alternative is, nor explained and demonstrated how it can be made to operate cost-effectively on a large scale. If Befus is correct that LA partners create a better income earning capacity and employment than other local lenders (and if empirical evidence indicates that), what is missing is to prove that they can scale up and still be cost-effective.

3. Is high performance and massification merely a function of capitalization?

The OI staff responded that there were certain examples such as IDH in Honduras with good management and good systems where it was, but that most partners there were things other than capitalization necessary for scaling up. Particularly the very young and very old partners may lack the computerized systems and personnel to handle more funds. It was acknowledged that one of the areas where there must be more learning is how to scale up rapidly and absorb big tranches of money. The OI partners have been formed with gradual increases in loan funds.

4. What should be done with the low performing partners? What should OI's program development and investment strategy feature over the next 3-5 years---"build on the existing best," advance everyone some, concentrate on a new 'breakthrough' approach, etc.?

As to what should be done with low performing partners, Reed suggests that a determination should be made about what the causes of slow growth are---whether it is a lack of OI training and support or a lack of the partner's management capability, effort and risk-taking. If it is the latter, a series of clear milestones for improved performance should be drawn up, and if the partner meets them, the TA relationship can continue. If it doesn't, then the relationship should end. As Reed comments, "there is no point in killing ourselves if a local board isn't committed to making things work." This view about setting performance targets and ending the relationship if they are not met is shared by several other senior staff who agree that they shouldn't waste scarce resources if management isn't willing to change.

The conundrum of the OI model is that it works very well when there is an executive director and board with the experience and means to risk striving for big things. But it works poorly to displace those who are too conservative,inept or inexperienced to either make big changes or step aside and let management be reconstituted. There is no definition of high performance or clear standards for performance to provide norms to analyze what a 4 year old or 6 year old or 8 year old agency is supposed to be able to do. There is no hard-hitting system of peer review where agencies are confronted about whether they are the top 1-2 agencies in their market and what they need to do to get there. Regional directors do confront boards and staffs of undynamic agencies, but one executive director observed that the partners can be practiced at turning a deaf ear to their weaknesses when they want to. There is also no concise comparative analysis identifying the causes either of poor performance or of stellar performance. All of these things might be tools to get partners to make the management changes which are usually the key to spurring performance.

As for programming strategy, most staff favored concentrating investment on those partners with the drive to scale up massively, or on new agencies who could be brought along more effectively and faster based on "lessons learned." The preference of the OI staff is to work with the most receptive partners or in fresh situations, although the preference of the OI board is to develop existing capacity before starting new agencies.

Chapter 5 OI Headquarters and Confederation: How They Bear on Partner Agency Development

This chapter is about factors other than program methods which affect the performance of OI and its partners. Three topics will be considered: OI income and fundraising, global confederation, and the vision and strategy of the OI board to shape future growth and development.

5.1 Capitalizing Growth: OI Income and Strategy for Resource Acquisition

As a result of OI's commitment to expand benefits, and a major increase in scope of operations (from 15 to 30 partners), there are a lot more agencies sharing the same pie. What has happened to organizational income over this period? As Table 5.1 shows, OI revenues also rose, but not at the rate projected. When OI five years ago set its sights on creating 15,000 jobs annually and doubling the number of partner agencies, it also aimed to increase the budget from $1.5 million to $3.5 million annually. The 1992 budget is $2.47 million, only half of the targetted increase.

Other changes also took place. Headquarters costs rose at a faster rate than headquarters expenses. In 1986, headquarters expenses were 37% of headquarters income, but in 1992 they were 44%. While this in itself is not a big percentage increase, the indicator is nonetheless moving in the wrong direction. Another indicator moving in the wrong direction is the productivity of fundraising efforts. In 1986, a dollar spent by OI on fundraising brought in $4.92 but by 1991 it brought in only $2.61.

Several factors explain this. One is that in 1990-91 the executive director had unforeseen legal problems unrelated to OI that eventually caused him to have to leave the organization. This, plus the departure of the number two headquarters decision-maker to become Africa regional director diminished headquarters productivity during the management transition. Aside from changes in key personnel, however, OI has a need to increase and diversify the number of sources that provide operating and loan capital and unrestricted funds for its activities.

Sources of OI Income

Throughout the 1980s, the bulk of OI's income came from three main sources. One is AID Matching Grants. Another is from members of the Board of Directors and from friends and associates recruited by the board who also make major donations. (These latter major donors are called the OI Board of Governors, although their function is to contribute rather than govern.) A third source of income is Maranatha Trust, which mobilizes public funds from the Australian Government and private funds from Australia, New Zealand and Europe, especially from evangelical donors such as the Tear Fund. The funds mobilized by MT go to support Asian partners and technical assistance, although Zambuko in Zimbabwe recently did

Table 5.1 Opportunity International Income and Expenses, 1986 - 1992

(in Thousands of Dollars)

	1986	1987	1988	1989	1990	1991	1992 (projected)
Total Income (includes Asia Region income)	$1,497	$1,507	$1,647	$1,950	$2,416	$2,314	$2,470
Total Expenses (includes regional and partner expenses)	$1,419	$1,440	$1,822	$1,931	$2,400	$2,473	$2,462
Headquarters Income	$1,058	$1, 061	$1,263	$1,488	$1,681	$1,739	$1,790
Headquarters Expenses	$ 394	$ 438	$ 454	$ 512	$ 609	$ 744	$ 779
HQ Surplus for Field	$ 664	$ 623	$ 809	$ 976	$1,072	$ 995	$1,011
HQ Expenses as % of HQ Income	37%	41%	36%	34%	36%	43%	44%
HQ Surplus per Local Partner	$ 55	$ 42	$ 37	$ 44	$ 44	$ 37	$ 34
HQ Private Funds Raised per Marketing Dollar Spent	$ 4.92	$ 4.66	$ 5.91	$ 6.02	$ 5.26	$ 2.61	$ 3.79

receive support from the Australian Government via MT. Non-USG funds raised by the regions are a legitimate match to the Matching Grant, even though they do not run through OI's books and are not funds over which it has spending control. The two sources of income that OI itself raises and controls are the Matching Grant and OI Directors and Governors. Calculating from income statements, in 1991 these two sources were 63% of OI's income. If one looks at the five year trend of OI income (1987-1992) expressed in Table 5.2, new sources of income either from AID, mass marketing or foundations and other technical donors grew very little.

Beyond large trends, one can find specific examples of progress. USAID funds support partners in both the Philippines and Indonesia. World Bank funds have been accessed by ADI, OI's partner in Pakistan. The new agency in Zimbabwe is being financed by a grant from the Ford Foundation. USAID Jamaica has just signed a multi-year grant agreement with ASSIST. OI also has three affiliates which raise modest funds for overseas partners: CIDO in Canada, Opportunity Trust in the United Kingdom, and the Opportunity Women's Fund.

In the 1980s when OI started a new partner, the cost of endowing it with operating and loan capital ran anywhere from $300,000 to $750,000. With so many partners starting in the past 5 years, these levels of support were no longer possible. Young agencies learned to operate with less endowment. They learned earlier and faster how to raise funds. And they learned how to operate with borrowed funds.

Despite these gains, OI is challenged to raise a more sufficient amount of funds, to raise the productivity of its headquarters fundraising efforts, and to diversify both public and private sources of support. In the future, some of the most important targets OI headquarters sets and monitors should be resource sufficiency and diversity and fundraising productivity.

Borrowed Funds and Savings

Thusfar more than half of the OI partners use borrowed funds or have linkages to the banking system of some sort. This obviously will become an important source of capitalization in the future. Because many partners have been endowed, they are not accustomed to charging the higher rates necessary for paying capital costs, nor are many of them accustomed to volume and efficiency necessary to live on the margin between what one borrows for and what one lends for. Enabling them to do this, to graduate clients to the formal banking system, and to negotiate tolerable soft loan arrangements are all important priorities. OI and its partners need a person with greater expertise in banking and finance to help partners link to local banking systems or to become development banks like MBM.

Marketing

For a number of years, OI prided itself on having modest AID funding and on the prowess of its board in supporting the organization. Insufficient links with technical donors and other sources of institutional support is a legacy that now must be overcome. This means that OI and its partners must be very aware of what is happening in the field of credit and microenterprise development, what the expectations for high performance are, where the big money for national impact programs is, and how to get it. With the exception of programs in the Philippines and Indonesia, OI and its partners have not invested large amounts of time in making connections with technical donor and understanding their project development cycles and submitting technical bids for large scale projects. While partners have a track record of making loans for many years, most do not have a track record for the massification of benefits and may not know how to present a design for the rapid scaling up that entails. Donors are not adverse to fixed asset lending, but it is incumbent upon OI and its partners to show that this kind of lending not only creates better jobs, but can do so on the same scale and efficiency as mechanisms for short-term, working capital loans.

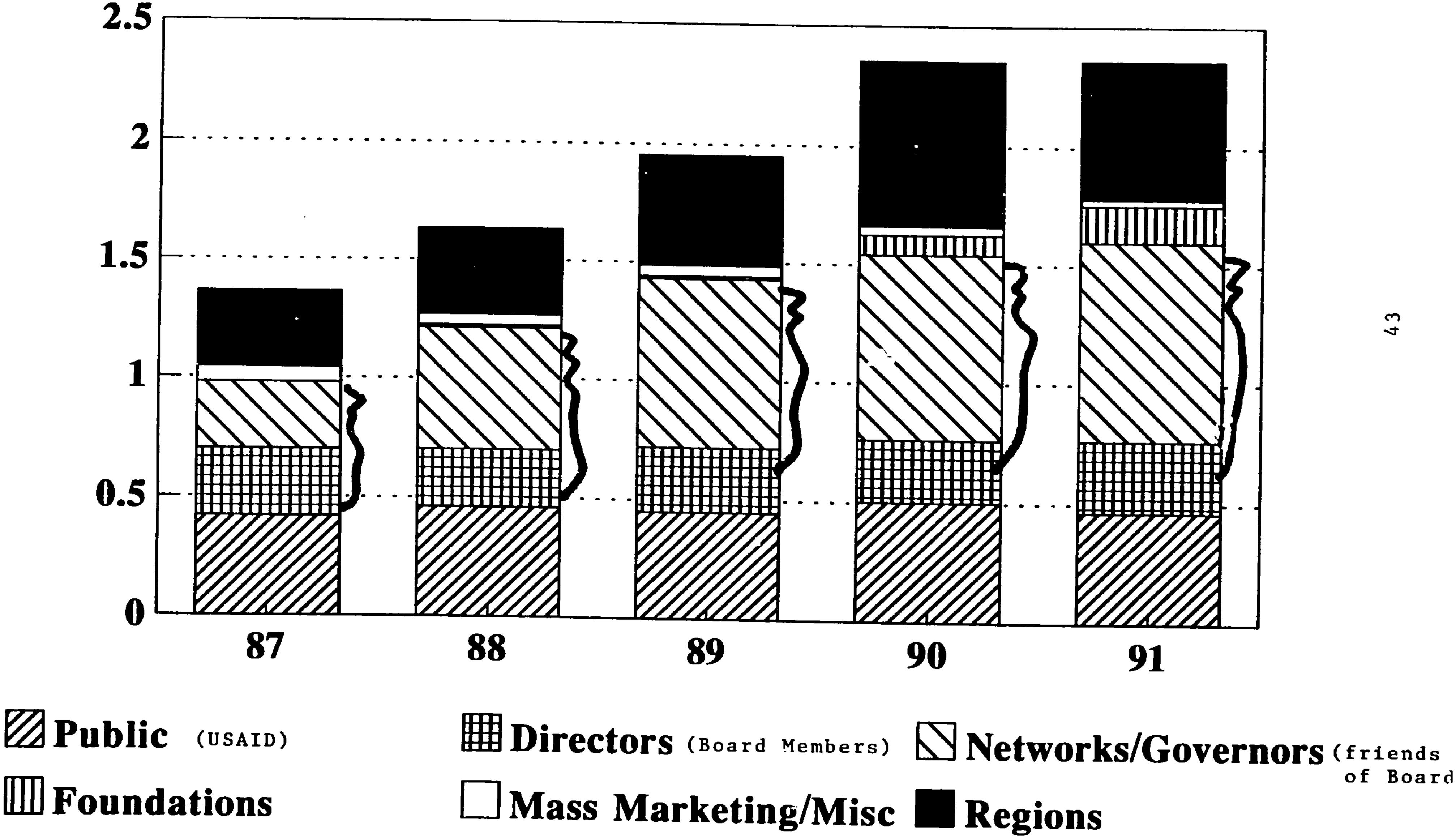
Funding exists for those with high performance visions and designs. The boards and senior staff (particularly executive directors) of OI and partner agencies must consist of those ambitious to extend services to a large scale. One of the executive directors interviewed during the course of this evaluation said that he realized that in order to succeed, he had to discard the OI model that encourages executive directors to take their time and gradually build technical competence in lending. "Massification," he said, "is akin to the 'jerk-pull' method in weight-lifting. One doesn't take a long time and do it incrementally, because the high levels of financial backing it requires will never be won without demonstating the willingness and ability to move quickly to get services out to people." In addition to this kind of understanding, there must be much better coordination between local, regional and OI headquarters personnel to win technical funding. Sometimes big money may be at the local level, but it may also be at the central level. Representation must be effective at both these levels.

5.2 Global Confederation

The current Matching Grant has spent considerable sums of money on regional systems of technical assistance and organization. Before it pours more money into these, it should analyze them critically to decide if what they are creating will really result in a global system of high performance agencies. If regionalism rather than globalism is legitimized, it will be more difficult to replicate the dynamism and scale of the national impact programs in SE Asia. If technical assistance emphasizes personalized relationships between regional directors and local boards and staffs rather than systems for selecting and training boards and staffs and establishing lending and management systems, it will be difficult to scale up quickly and significantly. If the regional and sub-regional apex organizations are moral support fraternities rather

Table 5.2

Opportunity International Funding Composition 1987-91



than members who make and enforce hard decisions to improve themselves, they will basically become a social organization rather than a union for economic advancement. Although there is a lot of talk about global confederation and it is inevitably slipped into all Matching Grant funding proposals, this evaluator did not detect a clear vision for what is global confederation, and a strategy to establish it quickly and effectively.

OI and the partners must look at the lessons within their own institution about what it takes to have high performance, high growth programs. It must look at the lessons of others with national impact models. Once it understands this kind of model, it will know how to orient partners--mature, young and new. Orientation should not depend on individual regional directors and what their preferences, strengths and weaknesses are. Loose, personalistic, ad hoc systems cannot sustain technology transfer of the kind needed for national impact models. As OI and its partners understand that high performance models are what is expected in this field, they can set performance norms accordingly. The norms will no longer be about gradual incremental growth in services, or being able to survive financially without OI funding. They will be about having solutions and service delivery that approach meaningfully the scale of the problems. And, beyond improving program design and performance, global confederation must be effective for marketing and capitalization.

In short, part of moving to a new, higher performance model of agency development is to evolve higher performance apex organization for OI and the partners. The more dynamic executive directors argue that "North-South" technical assistance is too polite and too coddling to shake up low performing partners. They argue for more global exchange and less balkanization into regions, and for apexes more activist in changing poor management.

5.3 The Nature of the OI Board about Their Views about the Partner Portfolio and Future Development

The strength of Opportunity's board of directors is that they take their obligations to give or acquire resources for the organization very seriously. They are primarily a fund-raising board and view organizational challenges in terms of this. Most directors are business people, not specialists in development or the content of what OI does.

OI's board has assumed that limited income growth is the major impediment to increased program effectiveness, and thus they have decided to slow down new agency start-ups and concentrate on increasing scale.[1] The board is somewhat complacent about the quality of local programs, technical assistance, apex structures,

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[1] "Strategic Directions for Opportunity International, 1992-1995, June, 1991.

etc. Funding is the problem, so why fiddle with the rest? They have tended to set performance norms and targets in a business-like way that appeals to those like themselves. They've fixed on jobs as the unit of impact and emphasized the steady, incremental increase in numbers benefitted from 6,000 to 10,000 to 15,000, etc. What the board has not done is to define and/or consider performance in terms of national challenges like poverty alleviation, doing something about the crisis of unemployment. While OI's marketing has been rather unemotional and numbers-oriented, its competitors have learned how to talk in terms of national significance, mega numbers, and models for massification. OI allows its partners to innovate and make breakthroughs. But in terms of what it demands of itself, the board looks for percentage increases instead of daring advances. If it is to bring about global high performance, the OI board itself must have a more compelling vision. It may not be like Accion's "Great Leap," but it has to turbo-charge partners rather than just support them.

Although the board is correct that capitalization is a challenge, it isn't the only challenge. The board wants the staff to concentrate on having bigger programs. But the expertise and the model for having national programs isn't there. It is there for expanding geographic scope, but not for rapidly scaling up, and not for an effective apex that can manage and coordinate all the local partners or branches without stifling local drive. Vision, model and methods, capitalization and confederation are inter-related: high performance is not just a question of funding.

Chapter 6. Reccommendations for Boosting OI and Partner Performance

I. Meeting Four Challenges to Growth

The principal issue of OI and its partners is growth, within agencies, among partners or branches in a country, and among the global confederation of partners. No one questions that OI and partner agencies have, with a few exceptions, competent microenterprise credit programs with responsible management that has guided them toward financial surviveability over time. This is serious accomplishment for older agencies. However, surviveability is necessary but not sufficient, especially if it results in undynamic, small programs. Truly high performance programs today must have both financial viability and a scope of service that benefits significant numbers.

Opportunity International previously concentrated on graduating partners after 5-7 years of support. It is recognizing that large scale models may require more lengthy support to accomplish national impact, and that some partners may not be able to solve all of the challenges of retooling from small-scale sustainability by themselves. It is also becoming aware that the confederations of partners must be effective in promoting and capitalizing higher performance programs. As it refines its model of agency building for the 1990s and beyond, OI must find solutions in four different areas.

1. **National Impact Programs There are partners (executive directors, boards) with nascent visions of national impact. Agencies in the Philippines, Indonesia, Honduras and Jamaica have experience with starting partners or branches that expand geographic scope. But since none has yet accessed mega funding; there is no yet a model for rapidly expanding the scale of services; and apex organizations are still quite adolescent. OI needs to digest the lessons of its own set of national impact programs and of other agencies, and decide how to orient dynamic, slow-growth and young agencies toward this model.

2. **Global Confederation The group of partners affiliated with OI is becoming numerous, accustomed to autonomy and far-flung. There is a great advantage both in benefit expansion and in marketing to get everyone focused about where to go and how. OI is challenged to develop leadership and structures that are respectful of local ideas, yet able to get everyone working for common goals and performance norms, and that can take actions to difficult problems and make solutions stick.

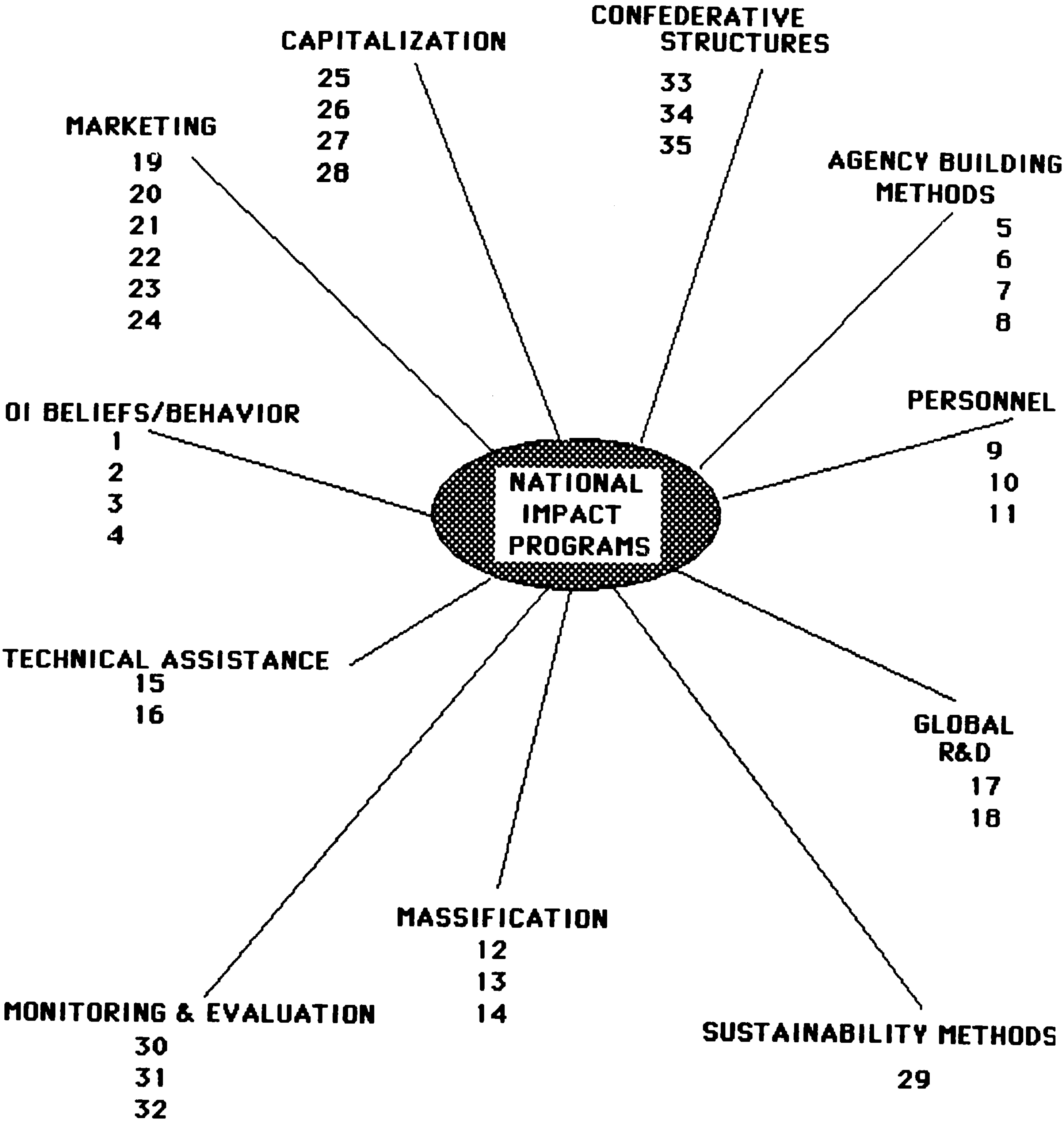
3. **Resources There is a need to expand and diversity fundraising and make it more cost effective. With AID itself, OI must lessen dependence on Matching Grants. Funding from other technical donors, bilateral, multilateral, and/or private, must also increase. There is also a need to use resources that are an alternative to grants, and to link to formal banking systems.

4. **Balance and Dynamism among Partners OI faces a challenge of what to do vis-a-vis older partners and/or undynamic programs. If there are carrots, what are they and what cost is involved? If there are sticks, what are they and will they be effective? Also, should OI try to maintain balance among the size of partner programs, or should it simply invest in programs with the best prospects for growth? If it invests only in new agencies and winners in a few countries, does that mean abandoning development relationships with less dynamic partners in 7-10 other countries, especially in Latin America?

II. Recommendations for Developing a Confederation of High Performance Programs

These recommendations fall into three large categories--program, finance, and confederation--and include 12 sub-categories 35 recommendations. Development of large scale, national impact programs is the ultimate purpose of these diverse recommendations. The graphic on the next page shows the major categories of refinement and change and briefly lists the recommendations. These have been derived from the many observations made by OI senior staff in the program survey and during the course of the evaluation, plus the conclusions of the evaluator. The recommendations are each given with a short discussion. The rationale for them has already been provided in the analysis of the preceding chapters. What follows, then, is a compendium of recommendations rather than a narrative that proceeds through a series of points.

Graph 6.1 Reccommendations for Boosting the Performance of Opportunity International and Its Partners



(Numbers in this graphic refer to the reccommendations that follow.)

II. A Refining the OI Program Approach and Methods

OI Beliefs and Behavior

1.**Compelling Organizational Vision The OI board needs to adopt a compelling vision based on national impact. Traditionally, it has measured performance in terms of incremental growth. These increments are calculated from an original small base rather than setting efforts vis-a-vis the real dimensions of a problem. A vision is needed that motivates partners to think in terms of "market share"--ie., of being the top 1-2 agencies in a country for microenterprise credit and development services. The board of OI itself must be more activist in terms of setting a standard of significance for the agencies it is affiliated with.

2.**Activist Vision of Global Confederation What is the reason for a partner agency in Colombia or Costa Rica to be interested in partners in the Philippines, and vice versa? How can they benefit from one another and/or detract from one another? What are partners rights and responsibilities vis-a-vis one another? How can they collaborate in building programs of national impact, on attaining high performance standards and on marketing themselves collectively? A strategic vision for that is needed.

3.**Defined Standards for High Performance The OI board has always been deferring to the governing structures of local partners in terms of decision-making about agency development. While this is understandable in terms of forming local ownership and control, it doesn't provide institutional development norms for the confederation of partners as a whole, nor does it provide a basis to define and correct poor performance. The need to define high performance norms is especially salient with older partners whose dynamism and growth has tapered off.

4.**Go Further with the Policy that Partnership for Institutional Development Does Not End after 5-7 Years

Policies and Methods for Building Microenterprise Credit Agencies

5.**Change the Gradualist Concept of Institution-Building In the 1980s, OI built partners with 5-7 years of operational support and a lengthy process of board recruitment and initiating and expanding a credit program. First year operations typically aimed at making 30 loans, and each year thereafter was a gradual percentage increase. This model cost between $350,000 and $750,000 per partner, with funds coming either from an AID Matching Grant or OI privately raised funds. Recent new partners like Zambuko demonstrate that it is possible to go much further, much faster and that local funds from both technical and individual private donors must be mobilized from the start. It is necessary to endow 1-2 years of start-up (eg., $200,000), but a major factor in site selection must be possibilities for local capitalization.

6.**Cultivate "Big Vision" among Partners Over the past decade, the predominant emphasis with boards and executive directors was on managing well the resources with which they were endowed for self-sustainability. "National impact programs" and "market share" were not the defining concepts around which boards and executive directors were recruited and operations designed. While not lowering respect for sound financial management, more emphasis must be given to building dynamic agencies able to continue expanding benefits to a significant scale. People with the vision for large, influential programs and the capabilities for attracting resources must be recruited to top leadership in both young and older partners.

7.**Be Flexible about Governing Structures and Institution-Building An underlying assumption of the OI model is that the capitalization of young agencies would come primarily from private sources. The realization is that as partners are added and national impact programs pursued, it is important to gain large scale technical funding. Connections and techniques large scale technical funding must be developed further, as well as flexibility in developing governing structures rather than starting first with board recruitment.

8.**Analyze Critically Models of OI Partners and Others for Scaling Up to Programs of National Impact The pros and cons as well as the costs of decentralized models in the Philippines and Indonesia must be analyzed as well as more centrally controlled models that build branches rather than autonomous partners.

Personnel

9.**Hire Executive Directors and Board Members Who Have "Big Vision" Regional staff emphasized the importance of an executive director with a vision for growth and significant scale who is able to do the representation necessary to attract support of this ambitious vision. They also favored formation of boards of influential people with similar ambitions for large scale impact who are well placed to give or get resources. Recruiting such resources is accepted in situations of new agency development. The more difficult task is to convince established partners to change undynamic directors and/or boards.

10.**Build Expertise in Formal Financial Systems Capitalization will depend increasingly on acquiring borrowed funds, leveraging resources and obtaining legal status to mobilize savings. For this, OI and its partners need expertise in banking and finance who can negotiate linkages to formal banks and assist in preparing partners to comply with regulations and use borrowed funds.

11.**Prepare Regional and Headquarters Staff to Be More Capable of Representation, Design and Negotiation with Technical Donors At both regional and headquarters level, senior staff must be capable of identifying large scale resources, making representations to technical donors and lenders, and preparing technical designs and documents. Needs were cited for technical writing capacity in the Asia region and more representation and follow through to technical donors by headquarters staff.

Building Large Scale Programs (Massification)

12.****Document and Make a Critical Comparative Analysis of the Unfolding Models among OI Partners for National Impact Programs** Documentation is lacking about exactly what these models consist of; what they have accomplished so far and are targetted to accomplish; what they cost and how they have been capitalized; governing structures; and the pros and cons of each model, including features that need to be changed, cheapened and/or made more effective. Consider both decentralized models that spawn several partners and centralized models that open branches.

13.****Become Familiar with Several National Impact Models beyond OI and Its Partners** Introduction should be made of several approaches that have proven capable of covering thousands of beneficiaries and of scaling up quickly and effectively. Also, exchange staff with geographically proximate large-scale programs so that the implementation details of massification become known.

14.****Start at least one rapid scale-up model of $3m or more.** Rather than increase presence in more countries, OI should aim to start a certain type of program: one with capitalization to expand quickly and continuously to a scale of thousands. A program of such scale will give experience with the capabilities that large technical donors seek.

Some boards and directors of OI partners have nascent desires for national impact programs. But, as one of OI's regional directors observed, "so far we do not have practiced systems and methods for massification."

Technical Assistance and Training

Two themes about technical assistance and training emerged in discussions with OI directors and top technical staff:

15.****Educate Boards, Executive Directors More about National Impact Models and High Performance Programming** Not only should there be comparative examples of this and operational details, but it should be accompanied with information about capitalization and skill-building techniques in technical design, proposal writing and high level representation.

16.****Develop More Formal Training Systems for Agency Building** The boards and senior staff of older partners frequently receive and train counterparts from new partners, but much of this is a casual agenda based on mentoring. There is a need to define both at management and loan officer levels what is needed to be known by staff who are new to such agencies.

Global Research and Development

17.**Prioritize Most Important Topics for OI and Partners and Insure Action Research Gets Done, Documented and Circulated There is plenty of 'innovation' among local partners, but little of it gets documented, formally analyzed, compared with other innovations that improve, cheapen or expand benefits, and tested or replicated with other partners. OI needs to define a few priority topics and processes for researching and documenting findings. In a system with many more responsiblities than rewards, this may be a way to recognize performance.

II B. **Financing National Impact Programs**

Marketing OI and Its Partners

18.**Have More Clearly Defined Niches or Expertises to Sell OI and Local Partners OI and local partner agencies have a relatively low profile for being as old and numerous as they are. In part this is because each carries a different name and because they do different things rather than emphasize a "trademark" approach or beneficiary clientele. Lending mechanisms serve several economic strata from the severely poor to small enterprises, but none with such predominance as to identify the institution in a high profile way with it. OI and its partners need to decide what they want to be known in the public's consciousness for, and to emphasize it in a decisive way.

19.**Develop an Attractive, Defined, Funding Appeal Other PVOs involved in microenterprise credit and/or poverty lending have successfully presented their program approach in an appealing way to small private donors. For example, FINCA programs appeal both in the US and locally for individual donors to sponsor a village bank. OI must also develop some appealing format that can be used to attract private donors. It is too dependent on annual large contributions of a few board members and friends whom they recruit to also make substantial contributions. OI has a long-standing association with christian business-people. It needs to define a more widespread appeal to this group.

20.**Document and Collect Evidence of Benefits and Impact A lack of evidence and documentation of benefits and impact also keeps the profile of OI and its partners low. For example, OI and some of its partners may argue that they are very effective at "transformation lending" which boosts microenterprises into small enterprises. But evidence is lacking to support that claim because partners do not keep impact files on a sample of beneficiaries or make small experimental studies to measure the difference between those with and without credit and microenterprise services. These studies need not be large, time-consuming or costly, but they are important to substantiate impact--especially with technical donors. Partners should summarize impact annually in the same way that they prepare an income statement.

21.**Prepare and Market National Impact Designs On occasion, large technical donors solicit and/or receive PVO proposals to build national impact programs, particularly after some type of natural disaster, civil war, birth of a nation or other extraordinary change. OI needs to anticipate these kinds of unusual situations and have a design for rapid scale up which it can market to technical donors willing to pay for large scale coverage.

22.**Prepare Brief Documentation on Accomplishments of OI and Its Partners Other than an annual report which lists the cumulative number of jobs created in each country, OI has little program literature where, in a short pamphlet or article, one receives an introduction to the technical substance of this global confederation, its breadth or its innovations. It needs more technical representation literature.

23.**Make More Frequent, Better Representation to Technical Donors in the US and Europe As important as it is to make contacts with donor representatives in Third World countries, it is also important to follow through and maintain contact with the headquarters representatives of these agencies. Speaking honestly, OI has several constraints to overcome. One is that other than AID/PVC, most of the funding for OI's local partners have come from religious foundations and individual major donors, so it is not deep in experience and contacts for this type of representation. Another is that OI relocated its office to Chicago when most large technical donors based in the US are on the East Coast. Another is that OI's new Executive Director and Program Director are not specialists in finance and enterprise development.

Capitalization

Historically, OI has funded itself and young partners from four principal sources: personal contributions and fundraising from OI board members; AID Matching Grants, funds raising in Australia and Europe by OI's regional affiliate, Maranartha Trust; and partners who raise funds locally. The start up of so many new agencies plus the growth in operations (and expenses) beyond the partner level, and links among 30 partners have created major needs to increase the amount and diversity of resources. It is a legitimate concern to AID as well as OI that the capitalization requirements of this growing confederation of credit and microenterprise agencies are being met with sufficient motivation, organization and planning, good designs and marketing, innovative and technically sound linkages to new types of resources, and efficient information-sharing, performance monitoring and problem-solving.

24.**Make Mobilize Borrowed Capital from a Variety of Sources This is a major agenda for OI and its local partners who need to prepare themselves and their borrowers to use loaned capital, as well as to identify and connect to the variety of sources that can supply it. In some countries, PVOs themselves can qualify with a modest amount of capital and legal preparation to become credit unions or banks. In other countries, they can link to existing local banks, government and private. Internationally, OI can link to socially conscious investors large and small as well as international banks and multinational lending agencies.

Sixty percent (60%) of the partner agencies use borrowed capital in some form. For those who do not (eg., India, Sri Lanka, Peru, Colombia, Zimbabwe, Nicaragua) the challenge will be to introduce it; and for those that do, the challenge will be to introduce more forms of it, and to prepare the partners for incorporating greater capital costs into their financial models.

25.**Diversify Private Donor Channel** One of OI's biggest strengths--its board that plays a major role in either giving or getting resources for the organization--is also a weakness in that OI has not developed other major mechanisms for raising private funds.

26.**Increase Technical Contracts and Grants, Including Those from AID** Partners in the Philippines, Indonesia, and now Jamaica have obtained USAID mission funding. But otherwise there is a disappointing lack of AID resources among a confederation very capable of absorbing funding and using it to create jobs. Despite Congressional earmarks for microenterprise development, one wonders how much AID funding there is available and the difficulties of local microenterprise agencies in obtaining access to it.

Questions which OI and its partners should consider to improve access to technical funding are: how to improve detecting where pots of money are available; how to present national impact designs; and how to coordinate at local, regional and headquarters levels to make contacts, develop funding leads and follow through on them. Technical donors vary on the financial dimensions and institutional configurations of what they will fund, and on the period and process of approval. But the requisites to know key project officers and patiently solve problems during convoluted approval processes are similar for all of them. Technical contracts are the primary source of funding for larger scale programs. They also pay some technical assistance and administrative costs beyond the local level, which is important for OI to find new and additional sources to the Matching Grant as sub-regional, regional and headquarters expenses grow.

27.**Improve Sufficiency and Efficiency of Resource Mobilization** This may be the most critical area of planning and targetting within the OI confederation, and of monitoring progress, exchanging information and problem-solving to improve results. Numbers of new agencies, size of operations and expenses are increasing not just at the level of partners, but also at sub-regional, regional and headquarters levels. Management must have a way of knowing what resources are being brought in and what resource channels are being developed. This is particularly true of OI, since more of its resources than ever before are being spent at headquarters, regional and sub-regional levels and less of its resources than ever before are available on a per-partner basis. Information-sharing must increase about funding contacts, resource plans and targets, technical designs, new and/or successful types of channels or resources being developed, funds raised, and their sufficiency. Part of the analysis of programs aiming for large scale service delivery must also focus on how the executive directors, boards and associated staff (local and regional) plan to capitalize their model.

Sustainability Methods

28.****Balance Sustainability with Viability and Improve Ability to Use Borrowed Capital** Two things can be done with partners to improve sustainability, one at a policy/vision level, and one at the level of models and methods. At the policy level, sustainability (ie., the financial survival of mature partners on their own without OI funding) has been emphasized for more than a decade. While this is commendable, some partners have pursued it too conservatively while taking insufficient risks to expand benefits and grow. Therefore, more of a balance between sustainability and the growth in services of a dynamic program should be emphasized. In order to make greater dynamism and viability possible, several adjustments must be made in the financial models and loan methods which will allow for greater use of borrowed capital. This will raise prices and force partners to increase volume and become more efficient in order to live on the margin between capital costs and earnings.

III C. Continuing to Build Global Confederation

Monitoring, Evaluation and Reporting

29.****Define and Establish Norms and Standards for High Program Performance among All Partners** Although they are not a "franchise" with well-defined rights and responsibilities among partner agencies, those affiliated with OI have the opportunity to help themselves by forming a consensus about what constitutes high program performance and making a collective pact to work toward the norms that they define. Forming a consensus about performance would create more authority to deal with partners who are poor performers and who have refused to change management (the primary reason for poor performance) in order to improve. It would demonstrate that all of the partners are aware of the norms and possibilities in the field of microenterprise development and are willing and able to take steps to adjust to the evolving horizons of high performance in the field of credit and microenterprise development. It would also create a more equitable basis for OI to match a partner agency's own commitment to become a high performance program.

Several of the characteristics of "high performance" that were suggested by OI program staff include:

**A significant scale of benefits including size of portfolio, number of loans made and number of jobs created. (Suggestion that an HPP revolve at least $1 million a year and create at least 1,000 jobs)

**"Market Share", ie., that the agency is the top 1 or 2 program in their (national) market

**Efficiency--program has learned to access borrowed capital and can cover operating and capital costs from local revenues

**National Vision--board and executive director are striving for large scale impact and effective at expanding services

**Effectiveness: low arrears, can provide regular information on services, impact, portfolio status, and financial status.

30.**<u>Define for the Public What the Approach of OI and Its Partners Are to Job Creation, and to Show the Extent and Effectiveness with Which Partners Practice This Approach</u> OI senior program staff have made the argument that what is unique about their approach vis-a-vis other microenterprise lenders is that they make loans to several levels of enterprise which go all the way from the severely poor self-employed to microenterprises that are expanding into formal small enterprises and are creating jobs for those beyond the proprietor and his or her family. They claim that OI and its partners provide better services to enable small producers to grow and "transform" their enterprise and argue that donors have been so influenced by minimalist credit programs making large volumes of short term, high-interest loans that OI partners do not receive the financial backing necessary to scale up. OI and its partners cannot make a case for receiving donor funds by criticizing the prejudices of donors and the shortcomings of other minimalist lending programs. They can only make a case for themselves by defining what a "transformation lending" approach is and showing that partners are willing and able to practice it with quality, scale and efficiency. OI and its partners have not presented a strong case that they are unique at doing transformation lending in an effective and significant way.

31.**<u>Adopt a Simple but Routine Impact Monitoring and Reporting</u>

OI and its partners need a simple but routine system to sample and report the impact of their credit and microenterprise development programs. For example, each partner can randomly sample 25-30 of its clients in a given year about business performance, employment and other socio-economic benefits. A short, annual report can be made about growth in the number of benefits, the impact of benefits, diversity of benefits, cost-effectiveness of benefits, etc. This kind of evidence, systematically collected and presented, will add greatly to the credibility of claims that transformation lending merits funding along with working capital loan programs.

Global Confederation Methods and Structure

**__Need for Formal Organization beyond Loose, Regional and Sub-Regional Associations__ Thirty percent of OI's 1991 budget--over $600,000-- was spent on regional/sub-regional operations and organizations, including technical assistance and support for a sub-regional confederation (ORADME in Latin America) and two national confederations, DBB (Indonesia) and APPEND (Philippines). While apex structures are much needed among partners, these organizations must be capable organizations must become capable of taking difficult decisions and making them stick. That is, their value is the degree to which they can prompt action, discipline and make corrections among partners. In the case of DBB and APPEND, leadership of those two organizations must also be able to make decisions for the good of the national program, and not just what agrees with particular partners. All of the associations need to grow in their formal functions and authorities.

32.**__Address Program Development Inequities among Partners__ Between regions and even within the Asia region there is growing inequity of investment and assistance. Three causes are: difficult macro-political or economic context; undynamic executive directors and/or boards coupled with unwillingness to change; and financial shortfalls which required OI to concentrate investments on new regions, new partners, and programs with national impact strategies. The question is what to do with small and/or slow growth partners in approximately 8 countries. How much technical assistance and financial resources should be invested in them? Should there be management and performance pre-conditions for assistance? Should there be minimum norms that all partners in the confederation meet? Should partners pay for technical assistance, either in fees for direct services, or as a line item in grants and contracts? These issues must be decided by OI policymakers in a consultative process both with the partners that have been favored by OI investment and those that have not.

33.**__Define Benefits and Responsibilities for, and Build Global Synergy among OI and Its Numerous Partners__ What OI and its partners share most are Christian values to assist the poor. These spiritual values are necessary but not sufficient to regulate the financial and technical inter-dependency among agencies. Also, with increasing capitalization needs and competition for funding, there are economies from shared innovations and marketing benefits from a confederation that demonstrates it can do national models well. But for these to occur, OI and its partners must have a more common vision of agency development, performance standards, and authority to enforce them. What has been emphasized to date has been local autonomy. Most partners don't want something as regimented as a franchise, but they do want a more compelling vision. Many partners can see the value of a global apex confederation that both OI and technical donors can support.

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