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MID-TERM EVALUATION

USAID/OPPORTUNITY INTERNATIONAL

MATCHING GRANT

(COOPERATIVE AGREEMENT NO. FAO-0158-A-00-3072-00)

FINAL REPORT

Submitted by:

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Stephen C. Silcox
Washington, DC
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LIST OF ACRONYMS/ABBREVIATIONS

ACOR	Africa and Caribbean Regional Office
AID	United States Agency for International Development
BAEF	Bulgarian-American Enterprise Fund
CA	Cooperative Agreement
EC	European Community
ED	Executive Director
DIP	Detailed Implementation Plan
HQ	Headquarters
IGP	Implementation Grant Program
MED	Microenterprise Development
MIP	Microenterprise Innovation Project
MIS	Management Information System
NGO	Non-Governmental Organization
NIS	Newly Independent States
OI	Opportunity International
OMD	Office of Microenterprise Development
PA	Partner Agency
PVC	Office of Private and Voluntary Cooperation (USAID)
PVO	Private Voluntary Organization
SAT	Sinapi Aba Trust
TA	Technical Assistance
TSPI	Philippines OI Partner
USAID	United States Agency for International Development
WOF	Women's Opportunity Fund

Approximate Exchange Rates in November 1996:

1,500 Ghanaian Cedis = US$1
275 Bulgarian Leva = US$1

EXECUTIVE SUMMARY

BACKGROUND

This is a mid-term evaluation of the seventh matching grant from the USAID Office of Private and Voluntary Cooperation (PVC) to Opportunity International (OI). The PVC Office is providing a total of $3.75 million over five years. OI has agreed to provide matching funds of $4 million for a total project funds of $7.75 million.

The **purpose** of the matching grant was to provide support for OI to accelerate the pace of its agency creation and expansion model by linking local NGOs and the beneficiaries to the formal sector and leveraging market-based funding.

The **objectives** of the Cooperative Agreement were to:

(1) Develop a new "leveraged" model of agency creation wherein OI and A.I.D. funding would be used a seed capital to attract substantial grant and soft loan funding at an early stage in the development of new agencies (in South Africa, Bulgaria and Ghana);

(2) Link existing strong partners (in Indonesia, the Philippines and Zimbabwe) to the formal sector for access to market-based funding; and

(3) Strengthen international mechanisms for cross-fertilization and support among its 49 partners in order to accelerate the learning curve for national impact programs and to increase partner's capacity to respond to natural disasters through MED business rehabilitation loans.

The methodology for this mid-term evaluation consisted of a review of documents; briefing by staff of the USAID PVC and the Office of Microenterprise Development (OMD) on significant issues for the evaluation; a two day visit to OI's headquarters in suburban Chicago; a field trip of one week to inspect the operations of Sinapi Aba Trust (SAT) in Kumasi, Ghana; followed by a one week field trip to the Nachala Foundation in Bulgaria; and a discussion of findings, conclusions and recommendations with key OI staff at their Arlington, VA office.

This report utilized two reports by the OMD on assessments in the Spring of 1996 to review progress by SAT and Nachala on their respective grants made under the Implementation Grant Program (IGP) of the OMD in September 1995. Those reports provided excellent descriptions of the programs in Ghana and Bulgaria. Another key document was the report on an evaluation of the previous PVC matching grant of $2.25 million which provided an excellent look at the history of OI and its programs as of October 1992. Those reports helped to put the current activities of OI in perspective and allowed this evaluation to concentrate on program changes and progress since then.

FINDINGS

Chapter II of this report presents the detailed findings of this evaluation and provides responses to a number of questions from the Statement of Work for this evaluation. This chapter is the meat of this report.

CONCLUSIONS

Chapter III sets forth the conclusions of the evaluation, which are summarized below.

Objective #1 - OI has been very successful in using the money from the PVC grant to form new partner agencies and obtain grant and soft loan money from other sources to leverage the PVC grant funds and OI funds.

Objective #2 - OI has had less success in accomplishing this objective although some substantive movement has been made in this area.

Objective #3 - The mechanisms for cross fertilization and support among the partner agencies have been substantially strengthened by actions taken over the past three years during the current matching grant to OI from the PVC Office.

Purpose - The progress made in achieving the three grant objectives demonstrates that Opportunity International is well on its way to achieving the purpose of the matching grant from USAID/PVC. It has clearly accelerated its agency creation and expansion through the use of grant funds although linkage with the formal sector still has much work to be done.

The rest of Chapter III discusses the strengths and weaknesses of OI's program.

RECOMMENDATIONS

The recommendations are listed *in toto* below.

Concentration on Scaling Up of Operations

1. OI should continue to emphasize the necessity for scaling up of country program operations by Partner Agencies (PAs) to achieve national impact through greater outreach and to improve the prospects for long-term sustainability of the programs. The selection of three existing PAs with the greatest potential for scale up of operations for special technical support is a good step in this direction.

Development of a System to Standardize Operations

2. OI headquarters should continue their efforts to standardize financial and management reporting by partner agencies. It is suggested that OI financial management staff consult documents prepared under the GEMINI project on accounting and financial management of microcredit programs for applicability to OI reporting systems.

3. OI should develop alternative PA employee incentive systems that encourage quantity and quality of portfolio. Most successful microenterprise finance programs utilize these incentive systems and OI should draw on the experience of those programs for potential incentive systems to adopt.

4. OI should develop specific objective criteria both for selection of new programs and for the discontinuance of support to existing PAs in cases when macroeconomic or political conditions or organizational deficiencies have made the continuance of the microenterprise development program unfeasible or undesirable.

Continue and Bolster Support of Regional Offices

5. OI should continue to support regional offices and bolster that support where necessary. The system of regional offices providing on-going technical support and training to PAs within each region appears to be working well. Not only is it cost effective, it seems to be appreciated by the PAs and is providing valuable information and opportunities to cross fertilize programs within each region.

Development of a Model for the Use of Local Financial Resources for the Long-Term Capital Needs of OI Partners

6. OI should continue the research undertaken by Larry Reed and others to look for a model for the use of local financial resources for the long-term capital needs of OI partners. The success of organizations such as ACCION has revolved around their use of such a model and finding that model is an important step in developing a methodology that can assist PAs to achieve long-term financial sustainability.

Specific Recommendations for Sinapi Aba Trust in Ghana

7. SAT should investigate the feasibility of initiating an incentive program for employees to improve the quantity and quality of the loan portfolio and to reward excellence in performance.

8. SAT should rapidly complete its conversion to a computerized MIS and develop monthly and annual targets for achievement which can be tracked by the MIS.

9. SAT should give immediate and strong attention to reducing the delinquency rate and establishing strong incentives for early repayment as well as penalties for late payment.

Specific Recommendations for the Nachala Foundation in Bulgaria

10. Nachala should continue to concentrate on loan delinquencies and search for ways to overcome the current economic and political crisis.

11. Nachala should continue to place emphasis upon small, short-term working capital loans. This should not be only a short-term strategy to cope with the current crisis, but a long-term strategy, based upon the experience of other successful microenterprise finance programs.

12. OI should continue support to the Nachala Club even if support to Nachala's lending program becomes untenable.

CHAPTER ONE - BACKGROUND

Brief Description of Opportunity International

Opportunity International (OI) is a U.S.-based Private Voluntary Organization (PVO) with a focused program supporting microenterprise development in developing countries throughout the world. It was formed in 1971 by a group of Christian business people and church leaders under the name Institute for International Development. However, it wasn't until the mid 1980s that it began to develop its own model through a process of consolidation and expansion with other existing NGOs in the world. This model called for working through locally formed NGOs, called "Partner Agencies (PAs)," to provide microenterprise credit in each country. OI's role was to provide financial and technical support to the PAs in order to both develop their institutional capacity and to expand their programs. As a part of that process, OI assists the PAs through regional offices in Latin America, Africa, Asia, and, most recently, in Eastern Europe and the Newly Independent States (NIS) in the former Soviet Union.[1] A diagram showing the various partners which make up the Opportunity Network is found on the next page.

While OI has built up an impressive international organization and record of achievement, it is currently in the process of refocussing its efforts to improve its performance through the refinement and standardization of some of its operational policies and procedures. This evaluation reviews those programmatic changes and provides comments on the progress being made to implement those changes.

History, Purpose and Objectives of the Matching Grant

This is the seventh matching grant from USAID to OI.[2] The grant from the Office of Private and Voluntary Cooperation of the Bureau for Humanitarian Response of the United States Agency for International Development (USAID/BHR/PVC) is for a total of $3.75 million over five years. As part of the Cooperative Agreement (CA) signed between OI and USAID on September 24, 1993, OI agreed to provide $4 million for total project funds of $7.75 million.

The **goal** of the matching grant was to provide a lasting solution to hunger and suffering through the creation of income and employment opportunities for the poor of developing nations. The **purpose** of the matching grant was to provide support for OI to accelerate the pace of its agency creation and expansion model by linking local NGOs and the beneficiaries to the formal sector and leveraging market-based funding.

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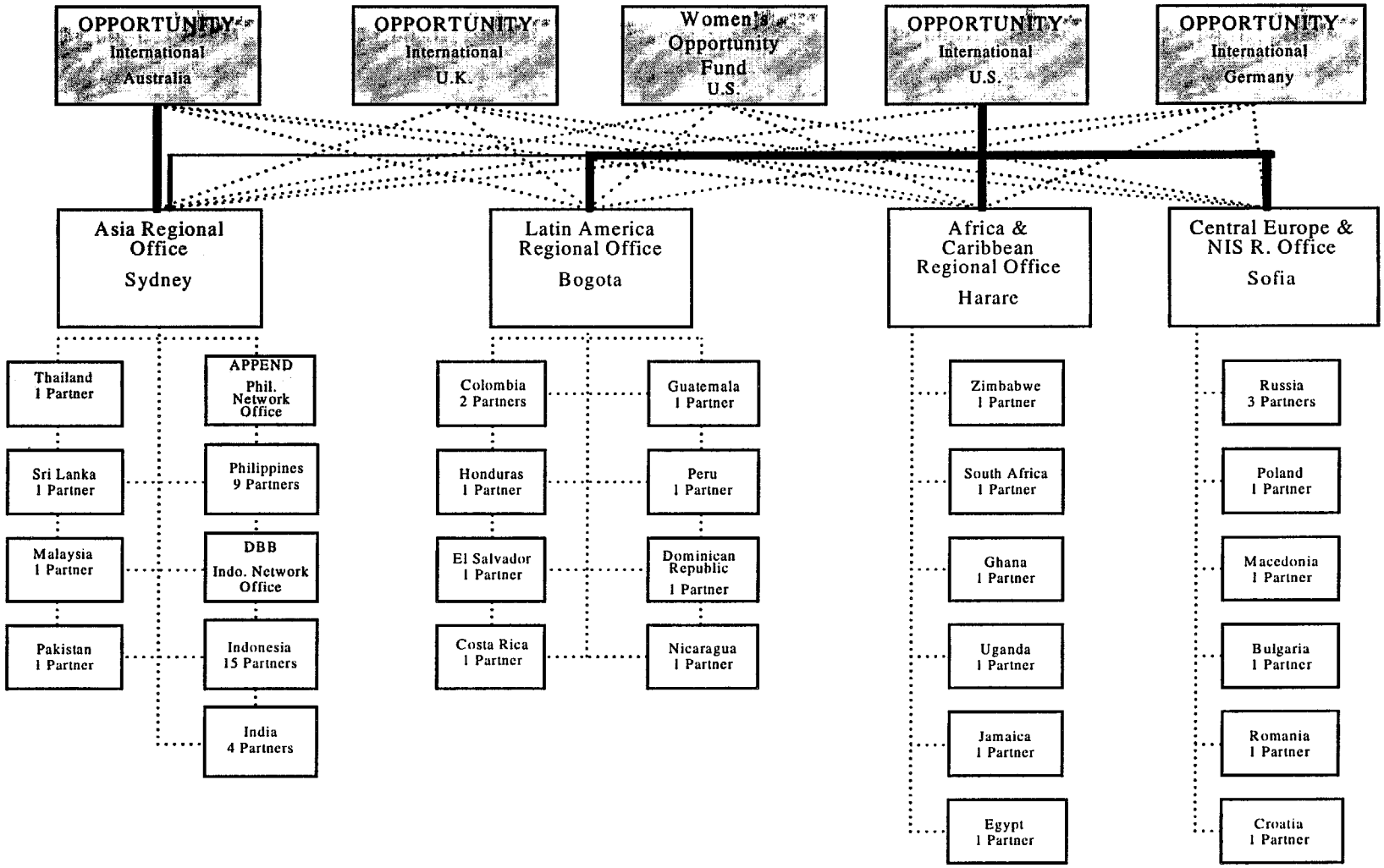
[1] (Draft) "A Brief Program History of Opportunity," by Larry Reed, Opportunity Vice President.

[2] The information about the grant is taken directly from the Cooperative Agreement No. FAO-0158-A-00-3072-00.

The Opportunity Network: 62 Independent, Interpendent Organizations



The principal activities funded by the matching grant were to launch a confederation of associated partners into a new phase of accelerated growth - a phase in which three new partners and three existing partners will create microenterprise development (MED) programs of national impact in their respective countries. Specifically, the **objectives** of the Cooperative Agreement were to:

(1) Develop a new "leveraged" model of agency creation wherein OI and A.I.D. funding would be used a seed capital to attract substantial grant and soft loan funding at an early stage in the development of new agencies (in South Africa, Bulgaria and Ghana);

(2) Link existing strong partners (in Indonesia, the Philippines and Zimbabwe) to the formal sector for access to market-based funding; and

(3) Strengthen international mechanisms for cross-fertilization and support among its 49 partners in order to accelerate the learning curve for national impact programs and to increase partner's capacity to respond to natural disasters through MED business rehabilitation loans.

Purpose of Evaluation

This mid-term evaluation was commissioned by the PVC Office to validate and/or improve upon the implementation of the project, focus resources on the most promising activities, and make suggestions for ways to better fulfill the three objectives of the matching grant.[3]

Previous Relevant Evaluations

OI received two grants from the Implementation Grant Program (IGP) of the Microenterprise Innovation Project (MIP) administered by the Office of Microenterprise Development (OMD) of USAID in September 1995. These grants were to support the operations of Sinapi Aba Trust in Ghana and the Nachala Foundation in Bulgaria for five years in the amounts of $1,285,941 and $771,110, respectively. The grants were split between support for operating costs and capitalization of loan funds. The goals of the IGP are 1) to increase the ability of local institutions to achieve increased outreach and scale of microenterprise services, 2) to help them move toward higher levels of financial viability and independence, and 3) to improve the quality of financial reporting and efficiency of internal administration.

Field assessments of all IGP grant recipients are scheduled during the first year of program implementation to:

(i) Verify the local institution's capacity for reporting accurate/consistent data,

[3] See Statement of Work for Mid-Term Evaluation in Annex 1.

(ii) Review financial statements and other relevant documentation to verify baseline data presented in the IGP proposal, and

(iii) Assess the appropriateness/reasonableness of annual and end of project targets.

Field assessments were conducted of the operations of Sinapi Aba Trust and Nachala in March and April of 1996.[4] The reports on those assessments provided excellent detailed descriptions of the programs in Ghana and Bulgaria. This mid-term evaluation of the PVC matching grant used those assessments as base information to note program changes and progress made on implementing the recommendations in those reports.

This report also utilized the report on the final evaluation of the previous PVC matching grant of $2.25 million to OI.[5] The final evaluation of the previous Cooperative Agreement between USAID/PVC and OI by Cheryl Lassen provided an excellent detailed look at the history of OI and its programs as of October 1992. That evaluation helped to put the current activities of OI in perspective and allowed this evaluation to note program changes and progress made since the completion of that prior grant.

Methodology

The methodology for this mid-term evaluation consisted of the following:

- Reading of various documents regarding the grant, OI's program, operational documents of specific programs, and previous assessments and evaluations. (October/November)

- A meeting with representatives of the USAID PVC Office and the Office of Microenterprise Development to discuss concerns of the evaluation. (October)

- A two day visit to OI's headquarters in suburban Chicago to interview officers and staff of OI. (November)

- A field trip of one week to inspect the operations of Sinapi Aba Trust in Kumasi, Ghana and followed by a one week field trip to the Nachala Foundation in Bulgaria. These field trips included visits to branch offices and to interview both staff and a small sampling of clients of the two Partner agencies. These two visits also included extensive discussions with representatives of OI regional offices in Africa and Eastern Europe. (November)

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[4] (Draft) "Assessment of the Nachala Foundation, Sofia, Bulgaria, March 26 - April 4, 1996," by Barry Lennon, USAID Office of Microenterprise Development and Dennis Smythe, Coopers & Lybrand. (Draft) "Assessment of the Sinapi Aba Trust, Kumasi, Ghana, April 4 - 13, 1996," by Victoria White, USAID Office of Microenterprise Development and Tamara Duggleby, Coopers & Lybrand.

[5] "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," by Cheryl A. Lassen, October 1992.

- A discussion of findings, conclusions and recommendations with key OI staff at their OI Arlington, VA office prior to the completion of this draft report. (December)

Format of Report

This report presents the findings, conclusions and recommendations on the OI program relative to the activities under the Cooperative Agreement between the USAID/PVC Office and OI. It also addresses specific questions set forth in the Statement of Work for this evaluation (See Annex 1).

It should be noted that the evaluation of the two OI programs in Ghana and Bulgaria were meant to be indicative of strengths and weakness of OI programs overall. Due to the limited time available for field trips and program study, this evaluation relied heavily on the assessments and evaluations mentioned above. Rather than to duplicate those efforts and repeat information found in those reports, this report attempts to present key aspects of the status of OI's operations vis-a-vis the current CA objectives as well as to highlight principal areas of achievement and concern for the two programs visited.

The format of this report is as follows:

An **Executive Summary** is provided at the beginning of this report.

Chapter One - Background information, including a brief description of OI's program, description of the matching grant, purpose of this evaluation, previous relevant evaluations, methodology and format of the report.

Chapter Two - Findings, including answers to the questions found in the Statement of Work of this evaluation and other areas of progress and concern.

Chapter Three - Conclusions, including overall achievement of the matching grant's purpose and objectives, and the strengths and weaknesses of opportunity's program and operations.

Chapter Four - Recommendations on the conduct of OI's program during the remaining years of the Cooperative Agreement.

Annexes include the Statement of Work of the Evaluation, List of Persons/Organizations Contacted, Bibliography, Reporting Forms to be adopted by all partners in 1997, and a description of the Trust Bank methodology currently being implemented by OI.

CHAPTER TWO - FINDINGS

General Design Questions/Overall Program Efficacy

1. To what extent are the desired outputs being accomplished in each of the countries being studied?

With only a handful of exceptions, almost all of the outputs cited in the OI five year workplans to be completed by the end of Year Three (by September 1996) have been accomplished and most have been surpassed.

Some examples of program accomplishments on the workplan are as follows:

The Eastern Europe Region was to perform feasibility studies in at least six countries (other than Bulgaria) and to establish a program in one country by the end of 1996. To date, two programs have been established in Russia (and a third is currently in the process of being established) and operations have started in programs in Romania, Poland and Macedonia, with a program in Croatia just beginning.

The Ghana Program was to make its first loan by the second quarter of 1996. Sinapi Aba Trust actually made its first loan in August 1994 and as of the end of October 1996, had made over 1500 loans, both to individuals and groups (through Trust Banks) totaling $340,000.

The workplan for Bulgaria called for the second branch office to be established and the first loan from that office to be made by the end of the third quarter of 1996. At this point, three branch offices have been established and have made loans.

On the other hand, it was anticipated that TSPI, an existing NGO providing credit to microenterprises in the Philippines would have been incorporated as a development bank with access to sources of finance in the formal financial sector, and that bank operations would have commenced by the second quarter of the second year of the grant. However, TSPI has not anticipated the protracted approval process required by the central bank and from questions raised by a major source of funds. Consequently, OI officers currently estimate that approval will be received for incorporation in June 1997.

2. To what extent do the outputs appear to be leading to the accomplishment of the objectives?

Most of the outputs have been leading directly toward the accomplishment of the objectives of the matching grant, particularly Objectives #1 & #3. The only area in which progress has been slow has been achievement of Objective #2 - The linkage of existing strong partners (in Indonesia, the Philippines and Zimbabwe) to the formal sector for access to market-based funding. Progress is underway toward this objective on a number of fronts, but little has actually been achieved to date.

The case of the Philippines is mentioned above. Considerable thought and discussion have been given to sourcing funds from the formal financial sector. OI's Vice President, Larry Reed, has led teams that have written some well-researched papers on the topic, both in general and in regard to specific programs in Ghana & Zimbabwe.

Some unexpected progress has been made on this front in Ghana, where it was learned that the Central Bank had approved the formation of a community bank in Amantin (north of Kumasi) which has a shareholder and Board member linkage with Sinapi Aba Trust. It is expected that this community bank could serve as an important source of funds for Sinapi's microfinance program.

3. Will the outcomes of each objective achieve the purpose of the grant?

The purpose of the matching grant was to provide support for OI to accelerate the pace of its agency creation and expansion model by linking local NGOs and the beneficiaries to the formal sector and leveraging market-based funding.

One might argue that the outcomes of objectives #1 & #3 are the preliminary steps necessary to accomplish objective #2, which is the most difficult objective for any microenterprise finance program to achieve. It is clear that the outcomes of objectives #1 & #3 are well on their way to being achieved. The outcomes of objective #2 will take more time.

The purpose of the grant will have been substantially achieved even if the linkage to the formal sector is not made in all programs, since the grant has already assisted in the creation of a number of new microfinance programs and the expansion of the loan portfolio of existing programs. In other words, many new low-income entrepreneurs are already being served by OI partner agencies in various countries. If only one or two meaningful breakthroughs are made on the linkage to formal sector funds during the remaining years of the grant, the grant would have helped OI to make significant progress toward objective #2.

Specific Questions by Category

Partner Agency Creation

1. Has the leveraged model of agency creation worked effectively?

Yes, it has been very effective. The new programs created have benefitted extensively from OI's previous experience, both through technical assistance and training and from the sharing of lessons among partner agencies through opportunities to attend conferences/workshops and to visit successful programs elsewhere.

How has funding availability for the new agencies impacted on the degree to which the leveraged model has met with success?

Funding availability is always necessary to start new programs. OI's ability to provide funds of its own as well as to leverage those funds and the PVC matching grant funds with funds from other

USAID sources and other donor funds have been critical to the success of building the capacity of the new agencies.

2. What have been some of the positives and negatives of this form of agency creation?

The positive aspects have been drawn largely from the ability to build on the previous experience of OI partner agencies within each region and throughout the world. This permits newer programs to benefit from the lessons learned by previous programs, particularly those experiences from other programs in their respective regions. Also, new programs benefit from OI's good reputation and the familiarity of donors with OI to facilitate financial support.

Most of the negatives are due to the fact that OI's partner agencies are independent NGOs and, thus, must first be convinced of the efficacy of a particular lending methodology or accounting procedure before adopting it. This limits OI's ability to rapidly standardize the operations of its partner agencies and to utilize the same procedures throughout its network.

Should Opportunity International pursue this form of agency creation in the future?

There are always trade-offs between the efficiency of rapid and uniform program implementation and local participation in the decision-making process. The basic conflict is between the use of democratic principles and greater efficiency. Most development professionals and donors recognize that the value of local program ownership is greater, in the long term, than faster program standardization.

In the opinion of this evaluator, although this form of agency creation requires a greater degree of support, at least in the earlier years, it has the greater potential for sustainable institutions over the longer term.

Formal Sector Linkage

1. What efforts have been made to link existing partners to the formal sector? Which partners have received funds from formal sector sources?

Opportunity International has recognized that it's programs must develop linkages to the formal sector if a long-term solution to sources of funds for microfinance is to succeed. It has devoted considerable thought and energy to achieve this objective. Included among them are the following:

- ➜ A number of thought provoking papers have been written on accessing funds from the formal financial sector. Some have been general OI discussion documents and others have been country specific. These include -
  - ✓ (Draft) "The Market for Funding of Microenterprise Development: Trends and Segments," by Ted Moser and Larry Reed, September 1996
  - ✓ (Confidential Paper) "Options for Opportunity International: Borrowed Funds in Microenterprise Lending," by Dennis Ripley, Juan Benitez and Ken Koskela, June 1996

- ✓ "Examining the Options for Expanding the Loan Portfolio of Zambuko Trust: Commercial Loans or Savings Deposits," by Larry Reed, Dominic Magwada, Durajadi Simba and Dennis Smyth, April 1996
- ✓ "The Role of NGOs in Rural Financial Intermediation in Ghana," by Larry Reed, Peter Reiling, Mark Owusu-Ansah, Margaretta Boateng, Augustus Chinbuah and Henry Panlibuton

➜ OI has used it's international conferences and workshops as fora for discussing how it can scale up its programs to achieve greater impact. Notes from these fora reflect a concern for affiliating with or becoming formal financial sector institutions.

➜ Specific efforts have been made to link existing partners with formal sector financial institutions. Particular efforts have been made in the Philippines, Zimbabwe, Indonesia and Ghana.

- ✓ OI's PA in Indonesia has established three rural banks, two of which became operational in 1994 and a third in 1996. They are working on establishing six more. Funds actually obtained from formal financial sources total about $35,00 to date.

- ✓ OI's PA in the Philippines has applied for a license as an incorporated development bank. It is currently waiting for approval from the central bank and a key international donor. Approval is expected in June 1997. All partners are borrowing funds from commercial sources, but the interest rate is often subsidized due to participation in government sponsored programs.

- ✓ OI conducted a study on the options for financing the operations of Zambuko Trust in Zimbabwe in April 1996. Zambuko Trust recently negotiated a line of credit with Barclays Bank paying market rate of 35%. It is also currently negotiating with the IFC of the World Bank on assistance in linking its operations with the formal financial sector in Zimbabwe.

- ✓ Although Ghana was not mentioned in the USAID/OI Cooperative Agreement in regard to linkages with the formal financial sector, the Central Bank of Ghana recently approved the formation of a community bank in Amantin (north of Kumasi) which has a shareholder and Board member linkage with Sinapi Aba Trust. It is expected that this community bank could serve as an important source of funds for Sinapi's microfinance program.

2. <u>What are some of the obstacles that have surfaced from efforts to link to the formal sector? What sort of legal barriers exist. How can those obstacles/legal barriers be addressed and overcome</u>?

The key obstacles to linking with the formal financial sector are those that plague all microenterprise programs worldwide. Some of these are listed below.

* High transaction costs and low returns per loan which limit the interest of commercial financial institutions in microenterprise finance

* Lack of trust in the sustainability of intermediaries which provide microfinance

* Bias against microentrepreneurs by officers of formal financial institutions

* Lack of legal rights of microentrepreneurs to conduct business and secure debt

* Shortage of collateral on the part of microenterprises

* Limited markets for products of microenterprises

* Poor quality of microenterprise products and inability to access technical expertise and equipment to improve quality

* Shortage of inputs or control of inputs by cartels

Although a full discussion of how these barriers can be overcome is beyond the scope of this evaluation, some solutions include the following:

- Use of NGO intermediaries which lower the transaction costs and serve as wholesalers for formal financial institutions in providing increased access to credit for large numbers of microenterprises

- Demonstrating the efficacy of microenterprise finance programs to officers of formal financial institutions through exposure to successful programs elsewhere

- Overcoming legal and market/technical obstacles through the formation of voluntary business associations and through access to local, formal sources of technical assistance and training.

Cross Fertilization

1. In what ways has OPPORTUNITY International strengthened international mechanisms for cross-fertilization and the sharing of information among it's partners?

OI has utilized this matching grant to develop and improve its regional centers, particularly in Africa and Eastern Europe, to provide greater services to existing partner agencies as well as to establish new programs in new countries. OI has a regular system of international conferences and workshops that encourage the sharing of experiences among its partner agencies in the OI network. Furthermore, it encourages linkages through various forms of communication, such as newsletters and issue papers, to share lessons learned throughout its network. Notes from various fora have emphasized increased consideration and thought regarding ways to scale up operations to have greater impact on clients of OI partner agencies.

2. To date, have these efforts accelerated the learning curve for their programs to reach national impact? If so, how? If not, why not? Has information been disseminated among the OI network concerning accelerating growth among the partners? If so, how have the partners used this information? How can this information exchange be improved?

Evidence of an accelerated learning curve was strongest from the Eastern Europe operations where the regional office has assisted in the formation of eight new partner agencies in six new countries (other than Bulgaria which was the first country with OI activity), since its establishment in 1993. The lessons learned from the operations of OI's partner in Bulgaria, Nachala, have greatly assisted in avoiding some of the same problems in other countries in the region.

In terms of national impact, none of the OI programs appear to have achieved this objective. However, the programs in Asia, particularly Indonesia and the Philippines, have led the field in their outreach and have portfolios of significant size. During year three of this grant, OI's partner agencies in Indonesia made 5,596 loans totaling US$1,485,389 and those in the Philippines made 24,350 loans totalling $US8,471,467. Total loans during all three years of the grant were 10,098 loans for US$3,125,543 in Indonesia and 50,923 loans for US$19,232,870 in the Philippines.

Although OI has established an Internet connection among its partners throughout the world, connectivity is limited by the local telephone networks through which it connects. More work will be necessary to permit file transfers and other Internet connectivity tools to increase sharing of information through this media. This is a problem which exists for other international organizations as well and OI can learn from those organizations in each country.

OI's Training Department has provided numerous venues for sharing of experiences both within regions and across regions. A list of training activities and technical assistance provided by the Africa Regional Office for Sinapi Aba Trust in Ghana and for the Nachala Foundation in Bulgaria by the Eastern Europe Regional Office are found in the respective sections of this report on those partner agencies. Those lists demonstrate the extensive training and TA provided by OI through its regional offices. These conferences and workshops are very important in transferring technology and disseminating lessons learned among OI partners. They have also been used to train loan officers from different countries in commonly used accounting and loan tracking systems.

The challenge to OI and its partners in reaching national impact is to refine its methodology to emphasize increased outreach and to access funds from formal financial sector institutions in each country. OI is clearly committed to the objective of assisting promising partner agencies to scale up operations to achieve national impact. Considerable technical assistance and training are necessary to actually accomplish this. As mentioned above, if only one or two meaningful breakthroughs are made on the linkage to formal sector funds during the remaining years of the matching grant, the grant would have facilitated OI to make significant progress toward this objective.

3. Have any OI Partners made MED business rehabilitation loans in response to natural disasters? What has been the impact of these loans? Has an effective methodology been achieved for these loans? If not, how can the methodology be improved?

This area has had limited achievement to date. A methodology for these types of loans has not really been developed. It is not exactly clear how OI's microfinance program could be adapted to deal specifically with natural disasters. There is little evidence that successful microenterprise finance programs throughout the world address this area to any extent. More thought needs to be put into this area if OI seriously wants to address it.

Specific Questions by Country

This section includes response to the questions asked in the Statement of Work for this evaluation as well as a review of the progress made on recommendations by the USAID Office of Microenterprise Development as a part of the program assessments conducted in April/May of 1996.

Ghana

1. Have the program targets been met to date as set forth in the Detailed Implementation Plan? What, if any, mid-course corrections need to be made to ensure grant objectives are met?

Sinapi Aba Trust (SAT), OI's partner agency in Ghana, has met and exceeded all of the program targets in the Detailed Implementation Plan (DIP) for the matching grant (found on the following two pages). SAT made its first loan in August 1994. By the end of October 1996, it had made 1440 individual loans totalling $340,000 (average size - $236) and 80 group loans (through 3 Trust Banks in Mpasatia, Akomadan and Kasei) totalling $8,000 (average size - $100). Repayment rates were 88% in loan numbers and 92% in loan volume. SAT has its headquarters in Kumasi and operates two branch offices in Kasei and Akumanda. Total staff is 16 persons including the Executive Director, one Administrative Assistant, one Financial Manager, one Bookkeeper, six Loan Officers, plus six clerks/messengers/drivers. In addition, SAT is a shareholder in the recently approved Community Bank in Kasei. These achievements substantially exceed the DIP, which anticipated that the local PA would have been established with a trained Board of Directors, staff hired and trained, and that the program would have just made its first loans by the time this evaluation occurred.

GHANA (YEARS 1 & 2)

Initial Research
*Conduct a feasibility study and identify prospective Board members.

Identify Board
*Seek referrals from international networks
*Network broadly among business and private sector leaders, as well as church and community leaders.
*Look for those who initiate contact with the organization.
*Identify people with the following characteristics: business, managerial, or community development experience; sufficient means so that they do not need a loan from the agency; honesty and integrity; a willingness to give at least 10 hours per month to Board activities.
*Board composition ideally should include entrepreneurship, community leadership, women, denominational and tribal diversity, government access, and corporate management, fund raising, and banking experience.

Hire and Train Executive Director
*Board agrees on a job description and process for identification of Executive Director.
*Board utilizes networking to find candidates.
*Individual members of the BOD become involved in the interviewing process.
*Board seeks to build upon the candidate's interest, rather than "selling" the position.

10/93-09/94				10/94-09/95			
Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2 X	Qtr 3	Qtr 4 X

Initial Board Retreat
*At this retreat, the Board will meet to determine the vision and goals for the local agency.

Incorporate NGO
*Local leaders provide initial information as to the processes and issues related to incorporation.

GHANA (YEARS 3, 4, & 5)

Make 1st Loan
*Individuals become aware of loan program through both formal and informal mechanisms.
*Loan applications are evaluated according to criteria set up by the indigenous agency.
*Disbursements occur in a variety of ways, including lump sum cash, direct payment to suppliers, and installment payments.
*Businesses are visited by staff to monitor loans.

Mid-Term Evaluation of Program

Annual Review of Program
*Audit and Financial Review
*Impact Assessment
*Staff Development Review

Annual Review of Program
*Audit and Financial Review
*Impact Assessment
*Staff Development Review

10/95-09/96				10/96-09/97				10/97-09/98			
Qtr 1	Qtr 2 X	Qtr 3 X	Qtr 4	Qtr 1	Qtr 2 X	Qtr 3 X	Qtr 4	Qtr 1	Qtr 2 X	Qtr 3 X	Qtr 4

Hire and Train Initial Staff
*Trained by Regional Staff
*Managers trained in program planning, management, monitoring, and evaluation.
*Program staff trained in the delivery of financial services, i.e. loan evaluation, approval, etc.
*Emphasis on management of savings programs, i.e. soft loans, guarantee funds, etc.
*Staff trained in formal and informal settings
*OI provide staff with links to funding sources.

Research
*OI will conduct major research into national expansion possibilities. Research will focus on needs over geographic areas, procedures necessary for nationwide program implementation, possible sites, etc.
*Research will also serve as a way to begin to network with key individuals.

Planning
*Planning, based on research findings, of which areas are likely targets for national program.

Expansion Begins

Expansion Planning Begins
*Rapid expansion which will reach national scope and impact.

Key
X = Board Retreat - Board and Executive Director review the performance of the program and discuss options for improvement.

X = Staff Training Workshop

Recommendations regarding improvements to the SAT program and mid-course corrections are covered in Chapter IV of this report.

2. Has the linkage and leverage model of partner development been successful in this instance? What has been learned from the establishment of this partner?

The linkage/leverage model has been very successful to date in the case of Ghana. A dynamic, local, Ghanian businessman was identified as a potential leader to establish the local Partner Agency in Ghana. He has provided constant guidance and financial support to SAT over the past three years. He serves as the Chairman of the nine person Board of Directors, which draws its members from the professional, business, educational and social community in Kumasi. The Board and staff of SAT could not have accomplished its achievements to date without the financial and technical assistance from OI headquarters in Chicago and its regional office in Zimbabwe. The experience of SAT demonstrates the importance of local leadership in accelerating the pace of growth of a partner agency and the necessity for financial and technical assistance from outside in the rapid establishment of a viable program through a local partner agency.

3. What has been the role of OPPORTUNITY International Regional staff in the development of this partner? Can this involvement be improved? If so, how?

SAT has received TA and training from OI's regional office in Harare through a number of TA visits by Africa regional staff to Ghana and through training sessions organized by regional staff for SAT staff in various countries in Africa. The Africa and Caribbean Regional Office (ACOR) staff total 9 persons, including and Executive Director and messengers and drivers.

ACOR activities which have benefitted SAT are shown in the box on the next page. As can be seen, ACOR has provided on-going, substantive support to SAT over the past three years. SAT has been very satisfied with the support of the Regional Office. The Executive Director, (ED) James Essah Acquaye, stated that the TA from the Regional Office has been appropriate and timely. He felt that the interaction among the partner agency officers and staff at regional and international conferences has been extremely valuable.

On the negative side, the ED complained that in the past, ACOR sometimes would write proposals that affected SAT without adequate consultation. This has been corrected, however, and Makonen Getu, the Deputy Regional Director, stated that all partner agencies were consulted during the drafting of the recently completed Five Year Strategic Plan for 1997 - 2001.

4. Has the Africa Regional training center been created? What has been the effect to date of any training and technical assistance activities in Ghana? In the other African partner countries?

The regional training center has been established. Rather than having a specific location, OI has chosen to organize and conduct training activities in various locations throughout Africa. The various training activities benefitting Ghana are mentioned in the response to question #3 above. The effect of training on SAT's program in Ghana has been very positive and has been critical in enabling SAT to move rapidly from program establishment and formation to a substantial increase

in numbers of loans made within two short years. Although officers from other African country programs were not interviewed, discussions with the Deputy Regional Director for ACOR and OI staff at headquarters in Chicago would indicate that the training conducted for other African partner agencies has been just as effective.

ACOR Training Activities

October	1993	-	Ghana Board Development Training
February	1994	-	Ghana Board Development Training
March	1994	-	Loan Officer Training (All Partners) in Zimbabwe
April	1994	-	Ghana Board/Executive Director (ED) Training
July	1994	-	Ghana MED Research
August	1994	-	Ghana ED Training
October	1994	-	Ghana Loan Officer Training
November	1994	-	Ghana ED Training
April	1995	-	Assistance in the Assessment of SAT by the USAID Office of Microenterprise Development
July	1995	-	Ghana Financial Management Training
August	1995	-	All Africa Loan Officer Training in Ghana
September	1995	-	Assistance in the conduct of the Opportunity International Conference
December	1995	-	Trust Banks Workshop (All Africa Partners) in Zimbabwe
February	1996	-	Ghana Board/Staff Training
March	1996	-	ED Regional Conference
July	1996	-	Financial and Grant Management Seminar (All Partners)
August	1996	-	Loan Officer Training (All Partners) in Uganda
August	1996	-	Ghana Portfolio Management Training
September	1996	-	Ghana Trust Banks Training
September	1996	-	Regional Conference in Uganda
September	1996	-	Ghana MIS Training
November	1996	-	Assistance in the conduct of the Mid-Term Evaluation of the Matching Grant from the USAID/PVC Office

5. Other Areas of Progress and Concern

Progress has been made in a number of areas discussed in the report on the assessment of SAT's program by OMD in April of 1996. The objectives specified in the Cooperative Agreement between OI/SAT and USAID/OMD in September 1995 and the OMD and results to date are as follows:

> Objective #1: An increase in the amount of loans outstanding from approximately 205,598,000 cedis (approximately $137,000 at 1500 cedis/$) at the end of Year 1 to 3,244,463,000 cedis (approximately $2,163,000 at 1500 cedis/$) at the end of Year 5.

Status: Financial reports from SAT showed that there was a total of 284,385,213 cedis (approximately $189,600 at 1500 cedis/$) in loans outstanding at the end of October 1996 (two months past the end of Year 1).

Objective #2: An increase in the number of loans outstanding from 662 at the end of Year 1 to 3,443 at the end of Year 5.

Status: Although the number of loans was not presented in the report received, at an average loan size of $236, the total amount loaned would equal approximately 803 loans. (The average size of loans was obtained by taking the amount of total loans made in 1996 through the end of October by the total number of loans made during the same period.)

Objective #3: Achieving a delinquency rate of 7 percent by Year 3 and maintaining this rate through Year 5.

Status: The delinquency rate in number of loans was 12% and in amount of loans was 8% at the end of October 1996.

Objective #4: Achieving a long run loss rate of 4 percent by Year 3 and maintaining this rate through Year 5.

Status: Not determined by this evaluation.

Objective #5: Maintaining percentage of loans to women at 55% percent throughout the life of the project.

Status: The percent of number of loans to women of total loans made by SAT in 1996 at the end of October 1996 was 70% and the percent of total loan value made was 83%.

Objective #6: Obtaining a geographical expansion to four additional regions of Ghana (Brong Ahafo, Northern, Volta and Eastern Regions).

Status: Not determined by this evaluation.

Objective #7: Developing a group lending program for entry-level clients.

Status: The Trust Bank methodology has been developed and is being implemented by SAT. 88 loans had been made to three Trust Banks composed of a total of 178 members in three different locations using this methodology by the end of October 1996. A woman Loan Officer is in charge of the Trust Bank program who received training in Trust Bank lending methodology in Zimbabwe in December 1995 and follow-up TA from OI staff in Ghana in August 1996.

Other significant program improvements in problem areas cited by the assessment report are mentioned below, along with other observations, both positive and negative.

- ◊ SAT has streamlined its loan approvals through the delegation of authority to the Executive Director to approve all loans below one million cedis (approximately $667). At the time of the OMD assessment, the ED could only approve first loans under $200.

- ◊ 2,666,929 cedis (approximately $1,569) in bad loans were written off in October 1996. These consisted of loans made in 1994 which had not been repaid. A loan loss provision of 5% of outstanding loans has been adopted by SAT.

- ◊ The interest rate on loans has been raised to 40% simple interest. All previous loans were at 30%. Other fees include a 4% (of principal) processing fee, an application fee of 1,000 cedis and a training fee of 2,000 cedis. The processing fee was reduced from 5% when the interest rate was raised.

- ◊ A new Executive Director, Ken Appenteng-Mensah, is slated to begin work in January 1997. This is the individual mentioned in the assessment report who has been on the Board of Directors of SAT since its origin and who comes from the banking sector and has considerable management experience.

- ◊ A Policy Handbook was drafted by the current and future EDs which went into effect in September 1996. It has sections on personnel policies, loan policies and procedures and the training program of SAT. More work is needed to further develop that handbook, but it is a good start. For example, the handbook does not describe the loan products of SAT. Some confusion was exhibited regarding these during discussions with staff.

- ◊ SAT has still not implemented an employee incentive plan which would relate performance on loan quantity and quality to compensation of loan officers and office staff. The new ED is expected to review that situation early in 1997 and to make some decisions in that area, based on his experience in the banking sector in Ghana and on inputs from OI.

- ◊ SAT has received assistance from ACOR on the implementation of a computerized MIS and loan tracking system. The loan tracking program being implemented is called "Assist" and has been used by OI partners in Zimbabwe. The accounting package to be implemented is called "Pastel" and is not yet implemented. SAT financial staff stated that data up to August 1996 had been entered into the computerized loan tracking system at the time of the visit of this evaluator. In addition, OI headquarters and ACOR are currently adapting the "Microbanker" program for implementation by most of OI's partner agencies for loan tracking.

- ◊ Loan delinquencies are still a problem area and require more attention on the part of SAT staff. The Policy Handbook might provide more guidance in this area in the future.

- ◊ Inflation continues to hamper the good efforts of SAT to become self-sustaining. As the OMD assessment report stated, "Reaching full operational and financial self-sufficiency, however, continues to represent a formidable task, particularly given the present high inflation environment." This statement continues to be true. Although the situation in Ghana

is not as severe as that in Bulgaria, the review of OI's Bulgarian program in the section that follows, should serve as a warning for potential hazards in the Ghanian program.

Bulgaria

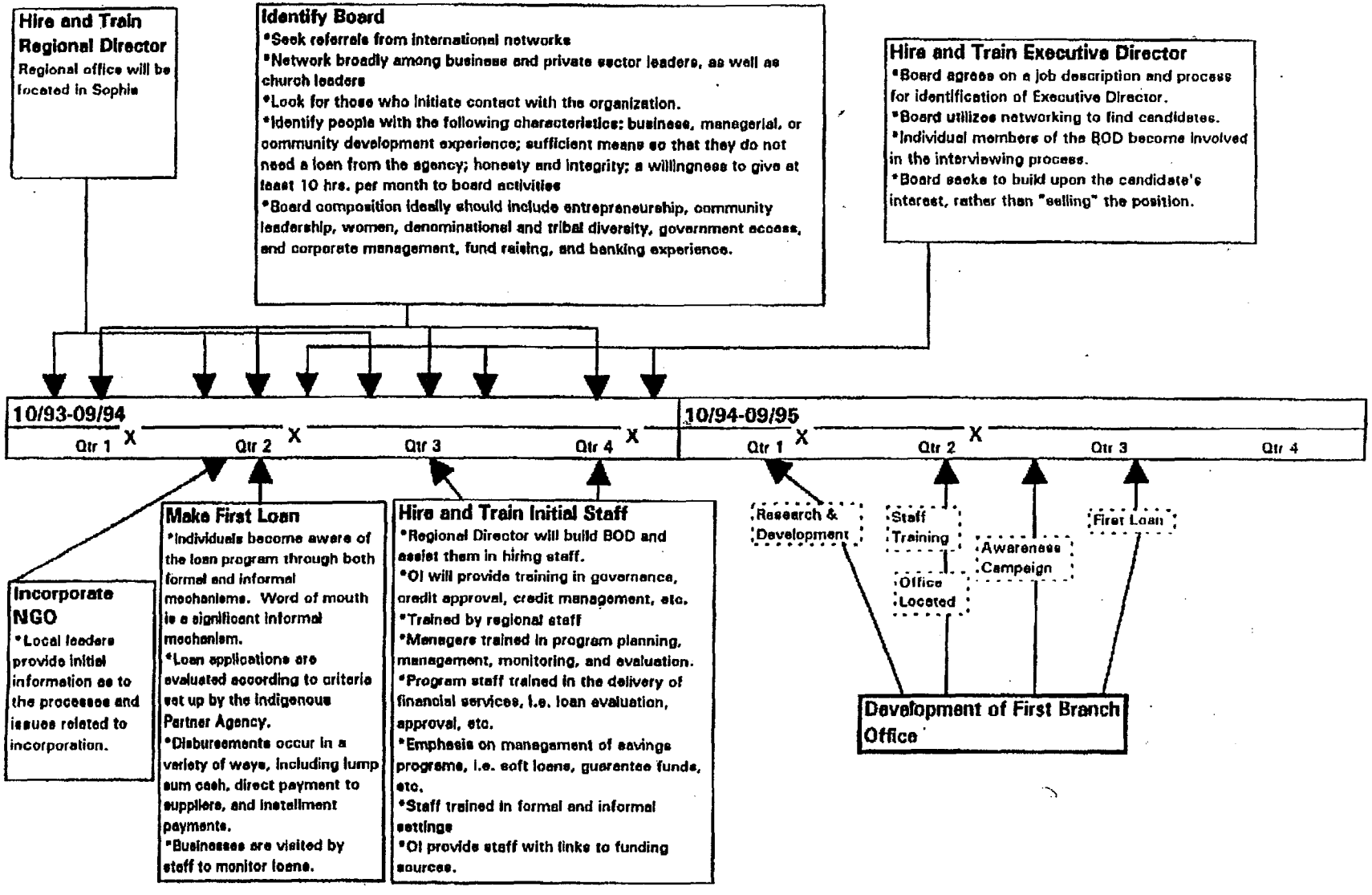
1. Have the program targets been met to date as set forth in the Detailed Implementation Plan? What, if any, mid-course corrections need to be made to ensure grant objectives are met?

The OI partner agency in Bulgaria, the Nachala Foundation, is ahead of schedule in terms of meeting the targets set forth in the Detailed Implementation Plan (found on the next two pages). That plan called for Nachala to be formed, incorporated, and make its first loan during the first year, to establish its first branch office during the second year, and to establish a second branch during the third year. Nachala has its headquarters in Sophia and currently has three branches operating in Plovdiv, Velingrad and Plevin. During grant year number three, Nachala made 172 loans with a total value of US$928,000 for an average loan size of $5,395. Of these, 45 loans were given to women at a total value of US$204,610; this represents 26% of the total number of loans and 22% of the total value. Nachala's outstanding loan portfolio at the end of the third grant year totaled US$1,445,258. Nachala financing comes principally from OI and the USAID-financed Bulgarian-American Enterprise Fund (BAEF). Since Nachala is prohibited by law from actually being a lender, it acts as an agent for the BAEF. In addition, OI received a five year MIP grant of $771,110 from USAID/OMD in September 1995 to support Nachala. As of September 1996, Nachala has received $50,000 of IGP funds, of which $10,000 has been spent on operational support, but the rest of the funds were still on deposit.

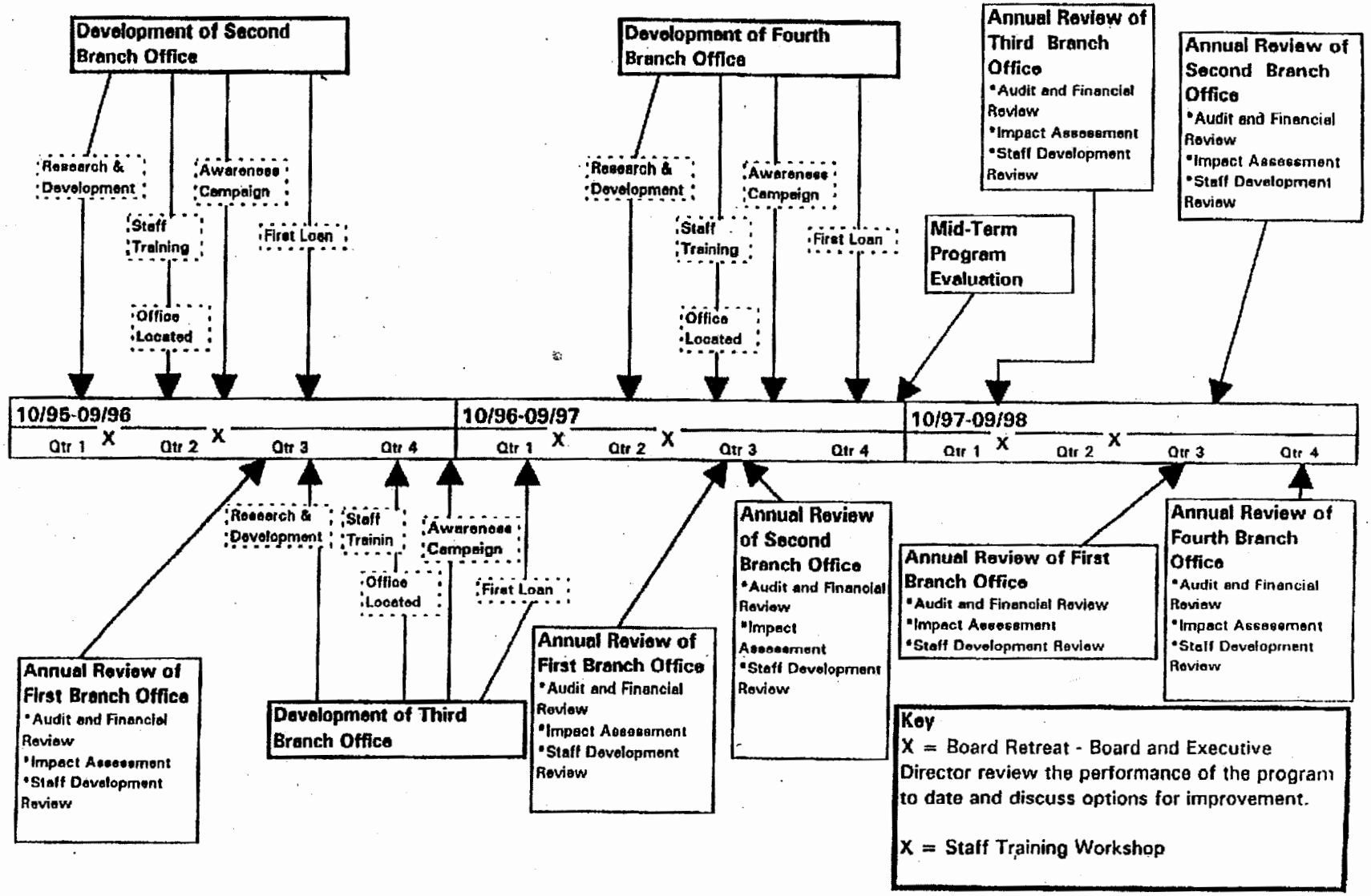
Although these statistics sound promising, they do not give the whole picture of what is happening in Bulgaria. In fact, Nachala is in dire straits due largely to the uncertain and deteriorating economic environment in Bulgaria. The inflation rate in Bulgaria was estimated at 180% during this evaluator's presence in Bulgaria in November. Furthermore, the rate of exchange between the Bulgarian Leva and U.S. Dollar went from BL69 to US$1 in November 1995 to BL350 to U.S.$1 in November 1996 and had increased to BL455 to U.S.$1 in December 1996. Due to this situation, delinquencies began to increase dramatically in May of 1996 and all new lending was suspended in July 1996. Staff have spent all of their time collecting repayments from existing loans since that time.

Obviously, if the macroeconomic situation continues as it is, it is extremely doubtful that Nachala's loan program can continue, no matter how well run. Loan recipients making earnings in local currency simply cannot afford to repay loans under those conditions. Those businesses receiving foreign exchange for their products or services might be able to repay their loans, but the percentage of Nachala clients in this category is very small. Furthermore, the collapse of the banking sector in Bulgaria has made the use of formal banking institutions subject to increasing hazards. Substantial losses due to bank closures have occurred for Nachala, its clients, and even the Bulgarian-American Enterprise Fund.

BULGARIA (YEARS 1 & 2)



BULGARIA (YEARS 3, 4, & 5)



These conditions were becoming evident in April of 1996 when the USAID/OMD conducted an assessment of Nachala's operations. The report on that assessment stated that, "This is not a favorable environment for any lending institution, and it could be a critical period for the Nachala Foundation." Among others, that report recommended that Nachala improve its management information system, make more smaller loans, improve its collections procedures, and to explore other sources of financing than the BAEF as a means of developing Nachala's long-term sustainability.

2. Has the linkage and leverage model of partner development been successful in this instance? What has been learned from the establishment of this partner?

Due to the situation prevailing in Bulgaria at this time, it is too early to tell if OI has been successful in this instance. It is clear that Nachala has competent and committed staff and its operating systems were functioning relatively well prior to this economic crisis. To OI's credit, it has committed OI funds to cover Nachala staff and operating expenses for the next six months during this difficult time when loan revenues are minimal. This will permit Nachala to operate until the prospects for the stabilization of the macroeconomic situation in Bulgaria can be better determined.

Lessons learned from the establishment of Nachala include the following:

√ A stable macroeconomic situation within a country is a *sine qua non* for the functioning of a credit program, no matter how well run.

√ Microenterprise finance programs which rely on smaller, short-term loans have a much greater chance for success than those which finance larger, medium or long-term loans.

√ The human resources and level of infrastructure in Eastern Europe allow for the use of more advanced technologies and improved quality of products/services than in many countries in the developing world. This may require adaptation in microenterprise training and TA, but not major changes in the principles of microenterprise finance.

3. What has been the role of OPPORTUNITY International regional staff in the development of this partner? Can this involvement be improved? If so, how?

Bulgaria was the first country in Eastern Europe in which OI began its Eastern Europe and Newly Independent States (NIS) operations. The Regional Director for Eastern Europe and the NIS, Ken Vander Weele, was based in Sophia from the start-up of the office in January 1993 until June 1995, when the regional office was moved to Vienna, Austria. OI still maintains a regional branch office in Sophia, staffed by Mira Stefanova. She provides assistance to the Regional Director as well as support services to Nachala. Furthermore, the Regional Director has made more visits to Bulgaria to provide technical assistance than the scheduled one visit per month during 1996. One detects a commitment by OI to Nachala that goes beyond the norm, probably due to the fact that Nachala was OI's first program in Eastern Europe.

Nachala officers and staff have benefitted from numerous training sessions, both within the Eastern European region and outside. A list of training provided to Nachala over the past three years is presented in the box below.

Eastern Europe/NIS Training Activities

Semi-Annual Nachala Board Retreats

November	1993	-	Field Exposure Training in the Philippines for the Nachala Board Chairman
November	1993	-	Training in Bulgaria for Nachala staff in financial procedures by Jim Kelly, CFO from OI/HQ
April	1994	-	Nachala Loan Officer Training (Beginners)
February	1995	-	Field Exposure Training in the Philippines for the Nachala Executive Director
May	1995	-	Nachala Loan Officer Training (Intermediate)
June	1995	-	Training for one Nachala staffperson in Chicago in the "Loan Administrator" loan tracking program
September	1995	-	Global Conference in Malaysia for 2 Nachala Board members
September	1995	-	Training for Nachala staff in Bulgaria in the "Loan Administrator" program
January	1996	-	Regional ED Conference in Bulgaria
February	1996	-	Regional Loan Officer Training Course in Poland
June	1996	-	Visit of 2 Nachala staff to view Trust Bank program in Russia
June	1996	-	Training for one Nachala staffperson in Chicago in the "Loan Administrator" loan tracking program
September	1996	-	Regional Conference in Bulgaria
September	1996	-	Training in Bulgaria for Nachala staff in financial projections by Ken Koskela, OI/Washington
October	1996	-	Field Exposure Training in the Philippines for the new Nachala ED

During an interview with Biser Bucharov, ED for Nachala, he expressed total satisfaction with the support from the OI Regional Office. He stated that the training and regional conferences were very helpful in both the establishment and the on-going support of Nachala.

4. <u>What is the status of the new Eastern European Regional Office? What sort of expansion has taken place outside of Bulgaria</u>?

The Eastern European Regional Office is composed solely of one Regional Director based in Vienna and his Administrative Assistant based in Sophia. With that minimal staff, over the past four years, OI has created 8 partner agencies in 6 countries - 3 in Russia, and one each in Bulgaria, Poland, Romania, Macedonia, and Croatia, with the latter programs beginning in 1996.

OI's methodology for forming new partners tends to take the following pattern:

> The Regional Director visits the country targeted for a program to explore the potential for either an existing organization or one to be established to manage the program. If a potential leader is identified, discussions with donors are held to determine the potential for support. If discussions are promising, a proposal is drafted and submitted to the donor(s). If the program is funded, an expatriate advisor is obtained to assist in the formation of the partner agency, to identify and train Board members and staff, to incorporate the partner agency, if necessary, and to provide technical assistance in the management of the program. The Regional Director supervises and manages this entire process.

OI appears to be viewed favorably by USAID officials as one of the few organizations developing microenterprise finance programs in Eastern Europe and the NIS. Their reputation with BAEF officials in Sophia is very good. BAEF views OI as an important partner in reaching down to the lower levels of business in Bulgaria.

Programs which have been established in other countries in the region have benefitted from OI's experience in Bulgaria. Different lending methodologies have been experimented with in different countries. For example, Russia was the site of the first Trust Bank program in the region. The success of that program has helped to spread that lending methodology to other countries.

In comparison with the Africa Regional Office, the Eastern European Regional Office has developed new programs much more rapidly and with more limited staff. This may be due to many factors, both internal and external to OI's operations and control. The fact that Eastern Europe and the NIS are more of a "tabula rasa" than Africa, in terms of business development and development agencies, probably allows for more experimentation. Furthermore, the well-known political attention on the region has increased the availability of program funding. Nevertheless, the accomplishments of the regional office in Eastern Europe are considerable. As that region and those partner agencies enter into phase two of their existence, it will be interesting to see what types of problems and successes occur and how they are different from other regions.

The Eastern European Regional Office views its task for the next few years as that of consolidation and sustainability. OI will not set up any new programs in the region and will concentrate on moving its existing 8 partners toward scaling up of operations and improved management of loan portfolios.

5. <u>How successful has the Bulgarian partner been in obtaining loan funds from formal sector sources? How can the partner improve it's performance in this area</u>?

Nachala has not yet been successful in obtaining funds from formal sector sources. Even if the BAEF receives its banking license, it will still be a creation of the U.S. Government which relies upon government funds. As the Restructuring Plan for Nachala[6] submitted to USAID/OMD contends, with the current crisis in the banking sector, there are no viable sources of formal sector

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[6] Business Plan: "Restructuring Plan for NACHALA Foundation," Submitted by Opportunity International and Nachala Foundation, September 30, 1996.

funding in Bulgaria apart from the BAEF. Again, considerable time will be necessary for any potential formal sector source of funds to emerge. The key question is whether Nachala will be able to survive the current economic crisis in Bulgaria. If it does that, it will have accomplished a great deal. It would probably make more sense at this point in time for OI to concentrate its efforts to develop formal sector sources of funding in other countries in the region.

6. Other Areas of Progress and Concern

Since Nachala stopped making new loans in July 1996, and the economic crisis in Bulgaria has still not abated, it would make little sense to analyze Nachala's progress on achieving the objectives of the CA with the OMD, as was done in the analysis of SAT's program in Ghana. Instead this section deals with some of the concerns mentioned in the OMD report on its assessment of Nachala's operation in April as well as with other issues viewed as significant to this evaluation. These issues and concerns are discussed below.

- ➔ Nachala considered the start of a leasing program using funds from the IGP as an alternative to the use of BAEF funds. Unfortunately, the economic crisis hit Bulgaria at the same time this alternative was to be implemented. Under the circumstances, Nachala, OI and USAID/OMD determined that the implementation of this program would not be feasible until the economic crisis abated.

- ➔ OI has used its own and the funds from the USAID/PVC grant to leverage funds from other donor sources in order to develop Nachala. The BAEF has committed $2.75 million in loans to Nachala clients through December 1998. Over the six year period from 1993 to 1998, BAEF will also provide a total of $450,000 to Nachala to support operations and to support technical assistance and training to Nachala clients. In addition, Nachala will receive 50% of the fee and interest income generated by the loan portfolio. Nachala also has a CA with USAID/OMD for an IGP grant of $771,110. Other grant fund commitments totaling approximately $300,000 have been received from the following entities:

  - ✓ Opportunity Trust - UK
  - ✓ EC Phare
  - ✓ UK Know How Fund
  - ✓ a coalition of Minneapolis churches
  - ✓ a private individual

- ➔ The return to power of a communist government in Bulgaria in 1995 has substantially increased the legal, regulatory and criminal obstacles to private sector development. As the Restructuring Plan for Nachala states, "Since this new government has taken power, entrepreneurs have perceived a more hostile environment for small private businesses. This is evidenced by new and increased taxes, more regulation and red-tape, and open preferences and protection of State enterprises and monopolies. In addition to the formal policies of the government, small business owners have faced an increase in crime, corruption, and racketeering. Most small business owners are forced to "insure" their property with one of the so called security (mafia) insurance companies."

- The "Nachala Club" was formed in April 1996 from an initial group of 30 Nachala clients to support clients via formal training; business, tax and legal consultancy; and informal networking and information exchange. A six person Board of Directors was elected and anticipates covering a portion of the costs of training currently borne by the Nachala Foundation. Initial funding for the organization has already been obtained. This evaluator met with the Board of this fledgling business association during his field trip to Bulgaria and was impressed with the quality of the members and their commitment to private enterprise development.

- The Trust Bank program has not been implemented yet in Bulgaria as it was slated to start in 1996. Since the economic crisis, Nachala has concentrated on collections of existing loans rather than to start a new program. Nachala staff have been trained in the Trust Bank Methodology and are prepared to begin the program, once the economic situation stabilizes.

- The OMD assessment report, representatives of the BAEF, and the restructuring plan by OI and Nachala recognized that delinquencies had begun to increase even prior to the economic crisis in April 1996. This was attributed to too rapid expansion of services, an inappropriate product mix of too many large loans over longer periods, and to ineffective systems for identifying and managing delinquencies. These problems were addressed in the restructuring plan through an emphasis on small, short-term loans and improved delinquency monitoring and collection procedures. The "Loan Administrator" loan tracking computer program has been implemented and Loan Officers and Management Staff are now receiving current information on repayments on a daily basis. In addition, incentives for early repayment and penalties for late payments have been initiated, including the hiring of a collections agency and taking legal action against six non-paying clients.

- It is important to note that the restructuring plan for Nachala relies upon the BAEF conducting its lending operations as a legal financing institution in Bulgaria. BAEF officials stated that the BAEF has received approval from the Central Bank to conduct lending operations without a loan-by-loan approval by the Central Bank as is currently done. However, they still must receive certain approvals from other regulatory bodies to obtain a license. While these remaining obstacles are expected to be overcome within a few months, if the BAEF does not receive that license, Nachala's restructured program will have great difficulties in implementation. The new plan will depend upon smaller, working capital loans which would be disbursed within 30 days of application. If the current approval process, which can take up to 4 to 5 months from application to disbursement, continues, these types of small loans will not be viable.

- Nachala has looked at the possibility of converting to local currency loans in order to lessen the difficulties of the repayment of dollarized loans. Although this would facilitate repayments, it would, in effect, decapitalize the loan fund, since most inputs are tied to hard currency values. OI is using local currency loans for its Trust Bank program in Russia, but the inflation rate and devaluation of the ruble have become relatively stable in the last year. If the economic situation in Bulgaria improves, this may be possible as well.

→ The collapse of the banking system in Bulgaria poses substantial problems in terms of security of Nachala funds and staff. Coupled with the severe devaluation of the Leva, loan officers are forced to receive loan repayments in large sums of cash at their offices or from clients at their place of business. This presents both opportunities for robbery of Nachala employees and for embezzlement by Nachala employees. Unfortunately, losses by both Nachala and its clients due to bank closures have necessitated this tactic. A solution to this situation should be sought as soon as possible. OI and Nachala management are acutely aware of this and are searching for other alternatives.

Specific Questions for Headquarters

1. Does OI have adequate financial and programmatic monitoring and reporting systems in place to verify program revenue, operating and financial expenses, other inputs, and outputs? If not, how can systems be improved?

OI Headquarters has recently adopted a financial and programmatic monitoring and reporting system that it plans to implement with all of its PAs. It is attached in Annex 4. This will provide a standardized reporting format that will permit OI to compare its various programs and serve as an early warning system to facilitate program corrections. OI staff in Chicago stated that full implementation of this new reporting system began in July 1996, although it may take some time for all partner agencies to master the use of this new system.

Accounting systems for each PA must be adapted to the legal accounting procedures and definitions in each country. This makes it more difficult for OI to produce a comprehensive balance sheet for all partners. OI financial staff stated that the information found in the reports mentioned above as well as the annual budgeting reports will provide OI Headquarters with sufficient information to make cross-country comparisons and to present an accurate financial picture of OI operations and its partners.

From visits made to Ghana and Bulgaria, it would appear that more training and technical assistance are required on a regular basis to assure that the loan tracking computer programs are implemented and used as rapidly as possible when a new PA is established. Sinapi Aba Trust was still entering data into its loan tracking system during the visit of this evaluator. This caused some problems in obtaining an accurate loan aging report. Likewise, the Restructuring Plan for Nachala mentioned problems in implementing an effective loan tracking and monitoring system.

Similarly SAT was implementing a loan tracking system called "Assist" during the evaluator's visit to Ghana. However, discussions with OI HQ officials and the Deputy Africa Regional Director revealed that it was anticipated that a program called "Microbanker" will be used by all African PAs in the future. One would have thought that the latter system would have been taught to SAT staff first, if that system is to be adopted soon. Likewise, Nachala uses a program called "Loan Administrator" largely due to the fact that their principal source of loan funds, the BAEF, was using that system. This system is being used by all of OI's partner agencies in the Eastern Europe Region. It may make sense to use different computer programs in different parts of the world, but it can present problems in the standardization of program reports and procedures.

2. What information can be gleaned from headquarters' records on the status of implementation of grant activities in South Africa, Zimbabwe, Indonesia, and the Philippines? Have targets been met in these countries? What recommendations for improvement can be made?

The grant activities in the four countries mentioned above were discussed with OI officials at their headquarters in Chicago and various reports received presented information on the status of the operations in those countries. Their status is reviewed below.[7] Data available for the Asian countries was less detailed than that for Africa and Eastern Europe and sometimes appeared inconsistent from year to year. (This was clarified by OI staff subsequent to the draft report of this evaluation. The Philippines data in the annual reports for years two and three was incorrect, since figures given were for TSPI only and did not include all Philippines partners. The correct data has been supplied for the description of the Philippines program below. OI staff stated that this new data will also be reflected in future annual reports.)

South Africa

OI's partner agency in South Africa was originally called the Izibuko Foundation. It made its first loan in December 1993. At the end of the first year of the PVC grant, Izibuko had made 59 loans totaling $18,518, of which 62% went to women. Izibuko conducted 95 on-site visits and 4 training seminars with 32 participants during that year.

Also during that year, OI provided training to the ED of Izibuko with an initial orientation in Zimbabwe, attendance at a GEMINI-sponsored training program in South Africa, and a two-week Field Exposure Program in the Philippines. Four Izibuko staff attended a course in Zimbabwe for Loan Officers.

Although Izibuko had expected to receive funds from the USAID/South Africa Mission to supplement its funds from the PVC Office, none were forthcoming. So Izibuko looked to other sources and obtained a grant of $300,000 from the Independent Development Trust for operating support and a loan of $300,000 from the Development Bank of South Africa to capitalize its loan funds. These funds were leveraged during Izibuko's first year under the PVC grant.

During Year Two, Izibuko change its name to SEED. A total of 947 individual loans were made totaling $173,950, of which 72% went to women. These were broken down into 722 group loans, of which 80% went to women and 225 individual loans, of which 78% went to women. Ten training seminars were conducted by SEED and 202 project visits were made. Bottlenecks were discovered during Year Two in loan approval and disbursement, MIS, and delays in Board decisions affecting operations. OI assisted SEED to address those problems.

At the end of Year Three, SEED loans had decreased due to problems with its partner, the Strive Foundation. Strive provided loans to spaza women to purchase inputs in bulk. Specific problems cited in OI's Annual Report were, "failure of the Strive Foundation to maintain the anticipated

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[7] Much of this information is found in the Matching Grant Annual Reports from Opportunity International to USAID/PVC Office, September 1996.

cashflow, failure by Strive's other allies to meet their loan commitments, and a lack of communication centered on the best interests of both organizations." Thus, only 261 individual loans and 94 group loans were made. During that same year, 44 training seminars were conducted and 399 project visits were made.

SEED remedied the problem through the suspension of group lending activity early in the grant year and initiated a group lending scheme with technical assistance from the Women's Opportunity Fund (WOF), an organization affiliated with OI. SEED plans to transition into a WOF Trust Bank methodology next year.

During this same period, SEED was contacted to participate in the creation of a new government entity to deal with MED organizations in South Africa, called "Khula," and to consult on the training of loan officers for the South African Institute of Bankers.

The problems with Strive kept SEED from establishing a branch in a new area during Year Three as planned. However, SEED has decided to expand into more than one area in the next two years. The OI Regional Office in Zimbabwe and SEED were in constant communication over this year in order to resolve the problems with Strive an other problems. These included an improved MIS for SEED, upgraded computer equipment, and the resolution of transportation problems of loan officers.

Zimbabwe

Zambuko Trust, OI's PA in Zimbabwe, began operations in 1992 in the cities of Harare and Chitungwiza. Through June 1995, Zambuko had made over 4,000 loans and achieved a repayment rate of over 97%, with over 60% of loans going to women.[8]

During Year 1 of the Matching Grant, Zambuko made approximately 1,520 loans for a total value of $276,473, of which 57% went to women. During that same time, a Regional Training Center was established in Zimbabwe to provide support to all PAs in Africa and the Caribbean (Jamaica). A number of training activities were organized in Zimbabwe and in other African countries including Board retreats, Loan Officer training, ED orientation, Field Exposure Visits to the Philippines, MIS on loan portfolio management, a regional conference, and participation in GEMINI-sponsored training workshops. In addition, the Regional Center conducted on-going research in small and microenterprise development and published two documents with information on that research.

During Year Two, four branch offices were opened in Bulawayo, Kwekwe, Gweru and Mutare with three satellite offices. 2,603 loans were made totaling $387,378, of which 69% in numbers and 66% in value went to women. Zambuko conducted 177 training seminars with a total of 1,862 participants and staff made 1,729 project visits. Six Trust Banks were established during this year with a total of 33 women members. Staff increased to 42, with 16 loan officers (up from an initial staff of three persons in 1992). All of the steps specified to take place during Year Two of the grant were met or exceeded.

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[8] "Examining the Options for Expanding the Loan Portfolio of Zambuko Trust: Commercial Loans or Savings Deposits," presented to USAID/Zimbabwe by Larry Reed, et. al. of Opportunity International, April 1996.

During Year Three, Zambuko made 3,214 loans totaling $558,601, of which 74% in number and 72% in value went to women. At the end of the year, Zambuko's loan portfolio totaled $529,985. 344 training seminars were conducted with a total of 3,104 participants and 3,729 project visits were made. 80% of first loan clients had applied for and received second loans. Preparations were made for two additional satellite offices in Gwanda and Chinhoyi. Staff increased to a total of 46, with 21 loan officers.

The Trust Bank program expanded during Year Three with loans to 267 women through 46 groups. Initial loan sizes ranged between $100 - $125 with a 95% repayment rate.

With the size of its portfolio, Zambuko is clearly a leader in microenterprise finance in Zimbabwe. A line of credit has been negotiated with Barclays Bank at a market interest rate of 35%. Discussions took place with the International Finance Corporation of the World Bank regarding the establishment of a financial institution to provide microenterprise finance. Other alternatives were also investigated in order to provide sufficient funds to meet the increasing needs of microentrepreneurs. This was evidenced by a backlog of approved clients without adequate funding of Zambuko to satisfy demand. Zambuko was co-organizing a national microenterprise development workshop with the aim of establishing a national association of microfinance organizations in Zimbabwe. A new program was established with Prison Fellowship International to provide loans for qualified ex-prisoners to start their businesses. Also, the AIMS Project, a centrally-funded, USAID project to measure the impact of microenterprise development programs, was engaged to perform a two-year assessment of program impact of Zambuko's activities.

On the other hand, with growth increasing, Zambuko began to notice patterns of accelerated staff turnover, with staff being hired by other microenterprise programs or by banks in Zimbabwe. This includes the ED. The Board of Directors was analyzing alternatives in regard to compensation packages to address this problem. A new ED was hired and trained with assistance from the OI Regional Office. A need for a more sophisticated MIS was also becoming evident and alternatives were examined with the assistance of the OI Regional Office.

It is clear that the matching grant and OI support has permitted Zambuko to move into a new phase of operations where it is rapidly increasing its loan portfolio and starting to experience some of the problems associated with rapid growth and a larger organization. OI and Zambuko appear to be aware of the problems and effectively responding to them.

Indonesia

In the first year of the matching grant, OI's nine PAs in Indonesia provided 2,202 loans totaling $767,694, of which 40% went to women. 111 training seminars were conducted for 2443 participants and 4,176 project visits were made. Six other partners were at various stages of registration and funding has been received for three new partners. All of the partners are in the less developed, rural region of eastern Indonesia. OI's principal partner in Indonesia, the DBB, which serves as the coordinating body in the formation and management of smaller, mostly rural, PAs. The Asia Regional Office was also instrumental in the identification, funding and formation of new PAs. The government of Indonesia encouraged the development of rural banks and OI's PAs had formed two rural banks in 1994 with a third in process.

During Year Two, a total of 15 PAs were operating in the DBB network in Indonesia. The two rural banks founded in 1994 were functional with the third still awaiting its operating license. 2,300 loans totaling $872,460 were made to entrepreneurs, of which 28% went to women. 103 training seminars were conducted for 1,643 participants and 7,493 project visits were made.

At the end of Year Three, 16 PAs were operating in Indonesia with a total portfolio of $2,356,041. The third rural bank had received its operating license and DBB had submitted proposals for six more rural banks to the Central Bank. In addition, DBB received approval for funding of a training center to offer courses in microenterprise development to PA Board members, staff and to new graduates starting in the field of microenterprise development. The Indonesian government plans to utilize this facility as much as possible to support microenterprise development in the country.

During the third year, 5,596 loans were made totaling $1,485,389, of which 25% were made to women. 153 training seminars were conducted with 2,655 participants and 15,359 project visits were made. The Asia Trust Bank Workshop was held in June, 1996, in Manilla and DBB participated in the workshop. Two Indonesian PAs will be starting Trust Bank programs in 1997.

Problems exist in communications among partner agencies, transportation to client sites and the educational level of clients. These have been addressed through the purchase of telephones and faxes for partners in remote areas to be able to communicate with DBB and fax reports. DBB plans to provide training in English to DBB and PA staff to facilitate communication among partners. This training will be conducted in the new training center in 1997.

Indonesia is on schedule in achieving DIP targets, except for the mid-term evaluation. A third rural bank is now operational and training has commenced for new staff. The mid-term program evaluation has not yet been performed.

Philippines

In the first year of the matching grant, OI's Philippine PAs made approximately 9,545 loans totaling approximately $4.2 million (with an average loan of $440), of which about 80% went to women. 1,116 training seminars were conducted for 15,856 participants and 19,598 project visits were made. During the first year, intensive research was undertaken on the establishment of a development bank by TSPI, an OI partner. This resulted in the submission of a detailed proposal to OI in June 1994.

The second year of the grant witnessed 17,028 loans were made to clients totaling $6,561,403, of which 81% went to women. 3,997 training seminars were conducted for 53,283 participants and 73,706 project visits were made. Little progress was made on the establishment of a Development Bank during this grant year.

Progress was made during Year 3 on the Development Bank, with submission of documents to the Central Bank and a tentative commitment by Triodos-Doen Bank in the Netherlands to be an incorporator and to provide capital for the bank. Final approval for the bank was anticipated during this year, but is now expected in 1997, largely delayed due to the need to extensively document various aspects of the bank's projected operations and to prepare legal documents. (OI's partners in

the Philippines have received funds from the formal financial sector, but much of it is lent at below market interest rates, as part of a government sponsored program.)

24,350 loans for a total of $8,471,467 were made by the Philippine PAs during the third year, of which 83% were to women. The total loan portfolio for all PAs at the end of the year was $8.5 million. 7,135 training seminars were conducted for 70,193 participants and staff made 92,490 project visits.

TSPI participated in the Asia Trust Banks Workshop facilitated by the WOF. The "Kabuhayan" program of TSPI provides loans using a group lending methodology to poor women living in slum areas of Manilla. "Sakbayan" loans for the purpose of purchasing motorcycles with side cars for public transportation have also proved to be a popular loan product.

As the DIP anticipated its incorporation during Year 1 of the grant, OI's Philippine partners are behind schedule on the establishment of the development bank. However, TSPI appears to have made advances in its loan program, both in numbers and volume of loans.

3. Has the interface among OI headquarters, Regional Offices and Partners been effective? How is support from Headquarters perceived by the regional and partner agency staff? How can this be improved?

Based on the field trips to Chicago, Ghana and Bulgaria, the relationships among OI headquarters, the regional offices and the partner agencies appear to be very cordial and cooperative. No significant frictions were revealed during conversations with the various parties. On the contrary, the methodology of treating all partners in the process as equals and professional seems to pervade the network. Both the interviews and the written documentation present an organization which strives to provide various opportunities and venues during each year to train and learn from each other, both individually and organizationally. Although the overall interaction among the three groups was excellent, improvement could be made in the areas listed below in Chapter Three as weaknesses of the OI program. In most cases, OI is aware of the problems and is already working on improving their efforts in those areas.

4. What training and technical assistance activities have been provided by OI to partners? Have these activities been effective? If not, how can they be improved?

OI officers in Chicago talked about a "paradigm shift" which is in the process of taking place at OI in moving toward scaling up of operations through standardization of procedures and methodologies. The Trust Banks of the Women's Opportunity Fund exemplify movement in this direction. In the past, OI partners offered whichever financial and technical products they wanted. Accordingly, the target group also varied from program to program with different lending methodologies. The one common denominator was the financial support of entrepreneurs in order to achieve transformational growth. Furthermore, the emphasis was not always on program expansion and increased outreach; in some cases, partners were satisfied with their smaller scale of operations and wished to keep their program that way for various reasons.

As discussed earlier in this Chapter, partners have considerable latitude in selecting their clients, lending methodologies and reporting procedures and documents. These have been modified to some degree by donor requirements, but the partner agencies have still controlled the process with OI headquarters providing support as requested by the partner agencies. OI was primarily responsible for organizing conferences among the various partners and obtaining funding for programs. OI is currently in the process of persuading its partners to adapt to this new emphasis on scaling up of operations and standardization of products, methodologies and reporting.

Along these lines, OI has recently hired a new Director of Training who is charged with helping OI to focus training and TA on training manuals, software and other tools to help regional and country programs. OI would like to increase its number of publications which can (like the publications by ACCION, another microenterprise finance NGO which operates in Latin America) define OI's approach to microenterprise finance, provide information of value to other NGOs interested or active in microenterprise development, and help to market OI's program in the donor community. Larry Reed, OI's Africa Regional Director since the early 90s, was transferred back to OI headquarters in Chicago and was appointed as Vice President in charge of spearheading actions toward this new paradigm. OI also hired a new Director of MIS who has been developing OI's Internet connectivity among all partners to assist in communications among partners and in reporting.

An important document in helping OI to move in this direction was a study commissioned by OI to look at the perception of OI among donors and other organizations in the microenterprise development community.[9] This was a very objective look at those perceptions and demonstrated that OI is considered an important player in the microenterprise development field, but one which is not in the top two tiers of successful organizations engaged in microenterprise development. The report on that study quoted Elisabeth Rhyne, Director of the USAID Office of Microenterprise Development,

> There are three organizations that stand out from the crowd: ACCION, Grameen Bank and BRI. After that there's a huge gap. The principal second tier players are organizations like Women's World Banking, Kenya Rural Enterprise and IPC. After that you've got a number of good organizations who for one reason or another have been held back. Whenever I see Opportunity International I say, "Come on guys, you've got some nice little programs, but when are you going to get serious about moving forward?" They seem to have a glass ceiling. They haven't figured out a lending methodology that lends itself to achieving scale.

OI's training and TA has clearly been effective in establishing a number of well-run, effective programs serving thousands of small entrepreneurs throughout the world. The principal area of improvement needed is to provide assistance to a few key partners with good promise for scaling up their operations to achieve national impact.

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[9] (Draft) "The Market for Funding of Microenterprise Development: Trends and Segments," by Ted Moser, Corporate Decisions, Inc. and Larry Reed, Opportunity International, September 1996.

CHAPTER III - CONCLUSIONS

Overall Achievement of the Matching Grant's Purpose and Objectives

Objective #1 - OI has been very successful in using the money from the PVC grant to form new partner agencies and obtain grant and soft loan money from other sources to leverage the PVC grant funds and OI funds. The development of Sinapi Aba Trust in Ghana and the numerous new PAs in Eastern Europe demonstrate OI's success in achieving this objective. South Africa and Bulgaria have also received funding from numerous other sources that complement the PVC grant and OI matching funds.

Objective #2 - OI has had less success in accomplishing this objective although some substantive movement has been made in this area. Indonesia partners have only accessed about $35,000 in commercial funds to date, the Philippines partners are borrowing funds from parastatal banks at subsidized rates and the proposed development bank is still awaiting approval, and the Zimbabwe partner has recently accessed a line of credit from Barclays Bank and is in discussions with the IFC for loan funds. Other partners still rely substantially upon donor and private grant funds.

Objective #3 - The mechanisms for cross fertilization and support among the partner agencies have been substantially strengthened by actions taken over the past three years during the current matching grant to OI from the PVC Office. All persons interviewed felt that the training and technical assistance provided at both the regional office level and from OI headquarters was very effective. The regional and international conferences were lauded by all for exposing individuals and PAs to other points of view and examples of successful methodologies and procedures which could be brought home to improve their programs. Although further work remains to increase national impact through scaling up of country programs, excellent progress has been made in this area. The increase in partner's capacity to respond to natural disasters has been less successful and requires more thought by OI and its partners, both regarding its appropriateness and, if yes, how this can be done effectively.

Purpose - The progress made in achieving the three grant objectives demonstrates that Opportunity International is well on its way to achieving the purpose of the matching grant from USAID/PVC. It has clearly accelerated its agency creation and expansion through the use of grant funds; linkage with the formal sector still has much work to be done.

Strengths of Opportunity's Program and Operations[10]

Overall Approach

OI's overall approach to partner agency creation and collaboration has much to commend it. It is very participatory and promotes local ownership of program activities. It also is effective in providing training and technical support as well as assistance in obtaining funding for program development. The regularly scheduled regional and international conferences provide opportunities for the various parties in the OI network to share experiences and to rejuvenate individual motivation for improving programs.

Financing of Operations

OI has a substantial role in financing its partners and headquarters/regional office operations. The structure of the Board of Directors and Board of Governors of OI is such that all members of these Boards must generate private sector donations and funds to support OI programs. Senior staff is also very active in soliciting private and public funds for OI programs. This is evidenced by the fact that OI has far exceeded the $2,512,000 it had committed to match PVC grant funds by the end of Year 3 of the grant. OI currently has raised $8,084,000 for the match. This is over three times the amount committed. The structure of OI's international network with two partners in the U.S., and one each in Australia, the United Kingdom and Germany, has facilitated sourcing funds from various donors throughout the world. This is helpful in establishing the independence of the OI network so that it is not overly influenced by one particular donor.

OI's commitment to financially support the Nachala Foundation in Bulgaria during the current economic and political crisis is a good example of how OI's independent sources of finance can help to get PAs through hard times when necessary. OI should be commended on its integrity in honoring its commitment to Nachala.

Operational Structure

OI's operational structure is very flexible and provides for substantial decentralization of authority to permit program decisions to be taken at levels very close to the implementation level. In other words, the implementing partner agencies are the principal decision-makers regarding program decisions. OI headquarters in Chicago and OI network partners in other developed countries provide overall policy direction and technical support as well as assistance in obtaining program finance and coordination of efforts of partner agencies. The regional offices provide most of the direct training and technical assistance to implementing partner agencies both in-country and through sessions throughout the region.

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[10] It is important to note that many of the strengths and weaknesses of OI mentioned below were also discussed in the evaluation of the previous PVC Office matching grant to OI by Cheryl Lassen. OI has made progress on some of the weaknesses since that evaluation in 1992, but still has need to improve its efforts in these areas.

This structure permits experimentation both at the local level and at higher levels. A good example of the latter is the Trust Bank Program developed by the Women's Opportunity Fund. This program was developed as a pilot program in Central America and then was provided support from OI headquarters in Chicago to spread the methodology to interested program implementing partner agencies throughout the world. Regional workshops and visits to existing programs have provided opportunities for partner agencies to understand the methodology and to discuss its applicability to their countries and programs. Technical support has then been provided to program implementation agencies from both headquarters and the regional offices on how to implement the Trust Bank methodology in the various countries.

On the other hand, as long as the OI general guidelines for microfinance programs are followed, local partner agencies are free to experiment with program elements and procedures which seem to make sense in their countries. An example of this is the "Sakbayan" loan program in the Philippines which provides credit for the purpose of purchasing motorcycles with side cars for public transportation. Another is the purchase of shares in a local rural bank in Ghana as a potential source of funds for the Sinapi Aba Trust microfinance program.

Quality of Staff and Commitment to Program

This evaluator was impressed with both the quality and commitment of the staff of OI at all levels. This was evidenced by the staff at OI headquarters in Chicago, the regional officers from Zimbabwe and Vienna, and the staff of both Sinapi Aba Trust and the Nachala Foundation. Staff are well trained and have educational and professional backgrounds which are generally well suited to their positions. Their commitment involves both professional and spiritual elements which provide motivation to do a good job. Although OI partner agencies experience staff turnover as do all agencies, no matter how well-run, one perceives a personal mission within most staff members to develop and operate the best program possible and to serve their clients. This includes the Board members of OI in the U.S. and of the partner agencies as well.

System for Sharing of Experiences and Program Modification based on Experience

The system for the sharing of experiences is well developed within OI to the extent that international conferences are held in shifting locations around the world every two years for all OI partner agencies. Regional conferences and workshops as well as visitation to other programs provide other opportunities for sharing of experiences and for learning lessons that can be applied to the programs of the participants. These venues also allow for programs to learn from their predecessors and vice versa. This was demonstrated both in Africa and in Eastern Europe. OI has set up a task force specifically charged with the duty of designing the future of the Opportunity network which is composed of representatives from all levels and regions of the network.

Weaknesses of Opportunity's Program and Operations

Scale of Operations/Long-Term Program Sustainability

As discussed in the last section of Chapter I, OI has not yet found an effective methodology to scale up their country operations to achieve national impact and to achieve long-term program sustainability. OI is very much aware of this weakness and is actively searching for ways to accomplish this. OI officers definitely want to achieve this objective, both from a programmatic standpoint and to facilitate further program financing from donors and private sources. Although steps are being taken to scale up operations everywhere, OI is currently in the process of selecting three partner agencies which have good potential for rapid scale up of operations in order to provide special assistance from OI headquarters to accomplish this. It is hoped that success by one or two PAs will provide the example and incentive for other PAs to subsequently scale up their operations.

New Programs versus Expansion/Consolidation

Likewise, OI officers at the headquarters and at the regional level recognize that they must concentrate on existing programs to expand and consolidate their operations. This was particularly true in the Eastern European Region which has experienced a very rapid increase in the number of PAs over the past two years. The Africa and Caribbean Region also has this focus, although a limited increase in number of programs may make sense there in cases where country conditions are favorable for the establishment of a new program, such as in Uganda. However, the concentration of resources at the international and regional levels to support programs with greater potential for scaling up of operations, through expansion of their portfolios and consolidation of organizational effectiveness, should take priority.

System for Formalization and Standardization of Policies and Procedures

This evaluation revealed that, until recently, OI partner agencies had exclusive authority for how their programs were designed and implemented. OI headquarters and regional offices provided technical support and training and financial support, but limited leadership in formalizing successful methodologies and standardizing policies and procedures. OI is now taking the first steps to accomplish this, but considerable efforts will be needed during the last two years of the matching grant from PVC Office. As mentioned in Chapter I, the decentralized authority of OI partner agencies could be a hindrance to this effort, but it must be done if OI is to achieve success in scaling up its operations and becoming a leading player in the international microenterprise development community.

OI is taking steps to standardize reporting. The adoption of a common reporting system among all partners will most likely require support in implementation. OI should be prepared to provide considerable TA in understanding the forms and implementing the system.

On the other hand, OI headquarters has not promoted the use of incentive systems for loan officers and other staff of partner agencies. This is common to most successful microenterprise finance programs and should be addressed.

Criteria for the Establishment of New Programs in New Countries and the Continuance of Support to Existing Programs

This evaluation revealed that OI does not really have any specific criteria for the establishment of new programs in new countries or for the continuance of support to existing programs. Although microenterprise development is an art, not a science, much has been learned in the international microenterprise development community about how successful programs develop and the conditions necessary for microenterprise finance programs to succeed. OI appears to apply informal criteria in the selection of new programs to be developed, but more should be done to formalize this process. For example, OI should set down minimum conditions needed within an economy and political environment, attributes of partner agencies, and the potential sources for long-term funds for both lending and program operation. The Donor's Working Group on Financial Sector Development and the Committee of Donor Agencies for Small Enterprise Development set down similar criteria for the support of intermediaries.[11] This document could provide guidance to OI in developing these criteria.

Likewise, the flip side of this coin is the development of criteria for discontinuing support to a local partner agency when macroeconomic or political conditions or organizational deficiencies have made the continuance of the microenterprise development program unfeasible or undesirable. Understandably, OI does not like to abandon partner agencies which it has helped to form or with which it has had a relationship. However, OI has discontinued support to a handful of PAs when the local organization had experienced problems which appeared to be unresolvable. The economic and political situation in Bulgaria may make such a decision necessary there in the next year. OI would do well to recognize that failures both beyond and within the control of an implementing organization are a natural aspect of development and to develop objective criteria for determining when support should be discontinued and potential exit strategies in such cases.

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[11] "Small and Microenterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries," USAID Microenterprise Development Brief Number 11, September 1995.

CHAPTER IV - RECOMMENDATIONS

Concentration on Scaling Up of Operations

1. OI should continue to emphasize the necessity for scaling up of country program operations by PAs to achieve national impact through greater outreach and to improve the prospects for long-term sustainability of the programs. The selection of three existing PAs with the greatest potential for scale up of operations for special technical support is a good step in this direction.

Development of a System to Standardize Operations

2. OI headquarters should continue their efforts to standardize financial and management reporting by partner agencies. It is suggested that OI financial management staff consult documents prepared under the GEMINI project on accounting and financial management of microcredit programs for applicability to OI reporting systems.[12]

3. OI should develop alternative PA employee incentive systems that encourage quantity and quality of portfolio. Most successful microenterprise finance programs utilize these incentive systems and OI should draw on the experience of those programs for potential incentive systems to adopt.

4. OI should develop specific objective criteria both for selection of new programs and for the discontinuance of support to existing PAs in cases when macroeconomic or political conditions or organizational deficiencies have made the continuance of the microenterprise development program unfeasible or undesirable.

Continue and Bolster Support of Regional Offices

5. OI should continue to support regional offices and bolster that support where necessary. The system of regional offices providing on-going technical support and training to PAs within each region appears to be working well. Not only is it cost effective, it seems to be appreciated by the PAs and is providing valuable information and opportunities to cross fertilize programs within each region.

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[12] "Fundamentals of Accounting for Microcredit Programs," December 1994, "Financial Management Ratios I: Analyzing Profitability in Microcredit Programs," February 1995, and "Financial Management Ratios II: Analyzing for Quality and Soundness in Microcredit Programs," February 1995 - All by Margaret Bartel, Michael J. McCord and Robin Bell of Development Alternatives, Inc. for the GEMINI Project.

Development of a Model for the Use of Local Financial Resources for the Long-Term Capital Needs of OI Partners

6. OI should continue the research undertaken by Larry Reed and others to look for a model for the use of local financial resources for the long-term capital needs of OI partners. The success of organizations such as ACCION has revolved around their use of such a model and finding that model is an important step in developing a methodology that can assist PAs to achieve long-term financial sustainability.

Specific Recommendations for the Program Implemented by Sinapi Aba Trust in Ghana

7. SAT should investigate the feasibility of initiating an incentive program for employees to improve the quantity and quality of the loan portfolio and to reward excellence in performance.

8. SAT should rapidly complete its conversion to a computerized MIS and develop monthly and annual targets for achievement which can be tracked by the MIS.

9. SAT should give immediate and strong attention to reducing the delinquency rate and establishing strong incentives for early repayment as well as penalties for late payment.

Specific Recommendations for the Program Implemented by the Nachala Foundation in Bulgaria

10. Nachala should continue to concentrate on loan delinquencies and search for ways to overcome the current economic and political crisis.

11. Nachala should continue to place emphasis upon small, short-term working capital loans. This should not be only a short-term strategy to cope with the current crisis, but a long-term strategy, based upon the experience of other successful microenterprise finance programs.

12. OI should continue support to the Nachala Club even if support to Nachala's lending program becomes untenable.

ANNEXES

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ANNEX 1

Evaluation Statement of Work

OPPORTUNITY International

Scope of Work for a Mid-Term Evaluation of the 1993 Matching Grant

I. Background Information

A. History of the Grant

The Cooperative Agreement for this Matching Grant was signed and made effective by AID and OPPORTUNITY International on September 24, 1993. The total cost of this project is $7,750,000, with AID expending $3,750,000 and OPPORTUNITY International matching this sum with $4,000,000 of its own resources.

B. Objectives and purpose of the Grant

Three objectives are being achieved through the Matching Grant Program:

1. Opportunity is developing a new "leveraged" model of agency creation wherein OI and USAID funding is used as seed capital to attract substantial grant and soft loan funding at an early stage in the development of new agencies in South Africa (1993), Bulgaria (1993), and Ghana (1995).

2. Opportunity is linking existing strong programs in Indonesia, the Philippines and Zimbabwe to the formal sector for access to market based funding.

3. Opportunity is strengthening international mechanisms for cross-fertilization and support among our 49 partners in order to accelerate the learning curve for national impact programs and to increase partner's capacity to respond to natural disasters through MED business rehabilitation loans.

The overarching goal of this project is to provide a lasting solution to hunger and suffering through the creation of income and employment opportunities for the poor of developing nations.

C. Purpose of the Evaluation

The AID matching grant continues to be a critical vehicle in achieving the goals of OPPORTUNITY International. This evaluation provides an opportunity to validate and/or improve upon the implementation of the project, focus resources on the most promising activities, and make suggestions for ways to better fulfill the previously mentioned goals.

II. Statement of Work: Evaluation Questions

In defining key questions for the mid-term evaluation, we have decided to work from the very broad to the more specific. The "General Design Questions" examine the overall efficacy of the program. The purpose of these questions is to better understand the ability of the grant to achieve the program goals. The "Specific Questions by Category" examine the progress toward achieving the independent program goals of the grant. Finally, the "Specific Questions by Country" examine the efficacy of the programs in the two selected countries to be evaluated.

A. General Design Questions

1. To what extent are the desired outputs being accomplished in each of the countries being studied?

As part of the mid-term evaluation, the evaluation team must examine to what extent the planned outputs have been accomplished, the quality of those outputs, and the timeliness of those outputs. The team will examine the reasoning behind any cases where the completion of the outputs does not appear to be on target.

2. To what extent do the outputs appear to be leading to the accomplishment of the goals?

Although it is generally premature to rate the outcomes at the mid-point of a project, it is important to validate the logic of the project design to ensure linkages between the planned outputs and the overall goals. What modifications,if any, should be made in project activity to ensure that grant objectives will be achieved?

3. Will the outcomes of each goal achieve the purpose of the grant?

The purpose of this grant is to provide support for OPPORTUNITY International to accelerate the pace of it's agency creation and expansion model by linking local NGOs and the beneficiaries to the formal sector and to leverage market-based funding. It will be the duty of the evaluation team to determine whether the goals of this project sufficiently lead toward the purpose of the grant, and make recommendations for any mid-course corrections that might be necessary.

B. Specific Questions by Category

Partner Agency Creation

1. Has the leveraged model of agency creation worked effectively? How has funding availability for the new agencies impacted on the degree to which the leverage model has met with success?

2. What have been some of the positives and negatives of this form of agency creation? Should OPPORTUNITY International pursue this form of agency creation in the future?

Formal Sector Linkage

1. What efforts have been made to link existing partners to the formal sector? Which partners have received funds from formal sector sources?

2. What are some of the obstacles that have surfaced from efforts to link to the formal sector? What sort of legal barriers exist? How can these obstacles/legal barriers be addressed and overcome?

Cross-Fertilization

1. In what ways has OPPORTUNITY International strengthened international mechanisms for cross-fertilization and the sharing of information among its partners?

2. To date, have these efforts accelerated the learning curve for their programs to reach national impact? If so, how? If not, why? Has information been disseminated among the OI network concerning accelerating growth among the partners? If so, how have the partners used this information? How can this information exchange be improved?

3. Have any OI Partners made MED business rehabilitation loans in response to natural disasters? What has been the impact of these loans? Has an effective methodology been achieved for these loans? If not, how can the methodology be improved?

C. Specific Questions by Country

Ghana

1. Have the program targets been met to date as set forth in the Detailed Implementation Plan? What, if any, mid-course corrections need to be made to ensure grant objectives are met?

2. Has the linkage and leverage model of partner development been successful in this instance? What has been learned from the establishment of this partner?

3. What has been the role of OPPORTUNITY International Regional staff in the development of this partner? Can this involvement be improved? If so, how?

4. Has the Africa Regional training center been created? What has been the effect to date of any training and technical assistance activities in Ghana? In the other African partner countries?

Bulgaria

1. Have the program targets been met to date as set forth in the Detailed Implementation Plan? What, if any, mid-course corrections need to be made to ensure grant objectives are met?

2. Has the linkage and leverage model of partner development been successful in this instance? What has been learned from the establishment of this partner?

3. What has been the role of OPPORTUNITY International regional staff in the development of this partner? Can this involvement be improved? If so, how?

4. What is the status of the new Eastern European Regional Office? What sort of expansion has taken place outside of Bulgaria?

5. How successful has the Bulgarian partner been in obtaining loan funds from formal sector sources? How can the partner improve it's performance in this area?

D. Specific Questions for Headquarters

1. Does OI have adequate financial and programmatic monitoring and reporting systems in place to verify program revenue, operating and financial expenses, other inputs, and outputs? If not, how can systems be improved?

2. What information can be gleaned from headquarters' records on the status of implementation of grant activities in South Africa, Zimbabwe, Indonesia, and the Philippines? Have targets been met in these countries? What recommendations for improvement can be made?

3. Has the interface among OI headquarters, Regional Offices and Partners been effective? How is support from Headquarters perceived by the regional and partner organization staff? How can this be improved?

4. What training and technical assistance activities have been provided by OI to partners (i.e. Indonesia). Have these activities been effective? If not, how can they be improved?

III. Evaluation Design

The evaluation will take place at the following sites: Sinapi Aba Trust - Kumasi, Ghana; NACHALA - Sofia, Bulgaria; and OPPORTUNITY International - Chicago, U.S.A. The purpose of this matching grant is to accelerate the growth of the OPPORTUNITY International network through the creation of three new partners and the expansion of three previously existing partners. Both of the organizations that will be studied in this evaluation were started through the matching grant program. Their relative youth makes it more difficult for them to reach the level of "national impact" which is the expressed goal for all partners included in this grant. For this reason, their progress toward achieving this goal is of heightened relevance for an evaluation.

The progress of the three previously-existing partners is important too, and some information on these organizations will indeed be necessary. However, this will most likely be possible though records kept and information gathered from the OPPORTUNITY International home office in Chicago.

A. Evaluation Team

The evaluation team will consist of Stephen Silcox and Rick Halmekangas. Mr. Silcox works for Management Systems International, a consulting firm in Washington DC, and has experience in evaluation of microenterprise programs. Mr. Halmekangas is OPPORTUNITY International's Program Officer and assists in the oversight of technical donor grants.

Mr. Silcox will be involved in both field visits and the home office evaluation. Mr. Halmekangas will participate in the home office component. Makonen Getu, OI's Deputy Africa Regional Director, will take part in the Ghana portion of the evaluation along with the Executive Director of Sinapi Aba, Mr. James Acquaye. Ken Vander Weele, OI's Eastern Europe Regional Director, will take part in the Bulgaria portion of the evaluation along with the Executive Director of NACHALA, Biser Bucharov. There will be staff members from each organization available to aid in the evaluation as well.

B. Work Schedule

3 days pre-read
2 days at OI headquarters (11/6-11/7)
5 days at Sinapi Aba in Ghana (11/11-11/15)
5 days at NACHALA in Bulgaria (11/18-11/22)
5 days to write the report (11/25-11/29)

ANNEX 2

List of Persons/Organizations Contacted/Interviewed

LIST OF PERSONS/ORGANIZATIONS CONTACTED/INTERVIEWED

USAID

Office of Private and Voluntary Cooperation
Martin Hewitt

Office of Microenterprise Development
Elizabeth Rhyne, Director
Barry Lennon
Victoria White

Opportunity International

Chicago Headquarters
Eric Thurman, President/CEO
Dennis Ripley, Vice President for Programs
Rick John, Vice President of Finance and Administration
Larry Reed, Vice President
Suzy Cheston, Executive Director, Women's Opportunity Fund
Rick Halmekangas, Reporting, Research, Information Management
David Schell, Director of MIS
Collette Djoum, Accountant

Washington Office
Ken Koskela, Assistant Washington DC Director

Africa & Caribbean Regional Office
Makonen Getu, Assistant Regional Director,

Eastern European Office
Ken Vander Weele, Director, Eastern European Office
Mira Stefanova, Administrator, Eastern European Office

Sinapi Aba Trust/Ghana

James Essah Acquaye, Executive Director
Ken Appenteng-Mensah, New Executive Director
Paul Ato Appiah, Financial Manager
Samuel Kofi Asare, Project Manager
Dorothy Asiamah, Trust Bank Manager
Board of Directors

Nachala Foundation/Bulgaria

Biser Bucharov, Executive Director
Dessislava Chalumova, Project Manager
Nadejda Georgieva, Coordinator
Ellie Kalaidjieva, Project Manager
Valeri Penev, Financial Manager
Stefan Vidarkinski, Loan Officer, Velingrad Branch
Vaneta Zaharieva, Loan Officer, Velingrad Branch
Board of Directors

Nachala Club/Bulgaria

Board of Directors

Bulgarian American Enterprise Fund

Roger Kitterman, Investment Manager
Charlene Soby, Consultant-Kompass Program, VP-South Shore Bank

ANNEX 3

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Sinapi Aba Trust, "Policy Handbook," September 1996.

Stickney, Christy, Lucy Charrington and Irene Kennedy, (Partial Draft) "Trust Banks Manual," Women's Opportunity Fund/USAID, April 1996.

White, Victoria & Tamara Duggleby, (Draft) "Assessment of the Sinapi Aba Trust, Kumasi, Ghana, April 4 - 13, 1996," USAID Office of Microenterprise Development/Coopers & Lybrand.

Women's Opportunity Fund, "Asia Trust Banks Workshop Documents," Manila, Philippines, June 9-15, 1996.

ANNEX 4

OI/MED Loan Management Reporting Forms

HOW TO USE THE REPORTING FORMS:

A word about the structure of the electronic version:

The electronic file is divided into 2 columns of reports which are almost identical in appearance. On the left side are the spreadsheets and graphs for US dollars and on the right for local currency. In both columns of reports, the first two pages are used for filling in data and all remaining pages are reports generated from the data. You only need to fill in the top two pages of ONE of the sides, depending upon whether you prefer to report in US$ or local currency. All other pages are generated from the data filled in on those two pages. Because you will be overwriting formulas, it is recommended that you save a clean copy of the electronic version before entering data.

Before inputting data, do the following (if using electronic version):

1. Reporting can be done in either US$ or local currency. You need to fill in data for only one side, as the other currency will be filled in automatically. Enter a " I " next to the arrow at the top of the page for the currency you enter data in. For example, if you report in local currency, type 1 in cell R1.

2. Update the cell references in the electronic worksheet titled "Labels". This will update the headings and reporting period. If the reporting period is not updated for the current period, reporting data will be inaccurate.

3. Enter the exchange rate for the quarter on page two, lines 4.11 through 4.14. For example, if reporting in local currency and it is the end of Quarter One, enter the number of local currency units needed to purchase US$ I in cell N70.

4. Go 4 rows down and enter the inflation rate as a percentage. If reporting for quarter 1 in local currency and the local annual inflation rate is 10%, enter .1 in cell N74. If you want to see your data in the other currency (in this case US$), then you need to also manually enter the US inflation rate in the corresponding cell, which is C74 in this example.

5. Input the name of the organization over the word "Partner" at the top left corner of the worksheet.

Now, you are ready to begin entering data. Please note the following:

- It is up to you whether you use the electronic version of this spreadsheet. However, the electronic version generates a number of reports and graphs from the data which may be helpful as a management tool or for reporting to the Board of Directors.

- Fill in only the non-shaded areas for the currency you are reporting in; shaded cells are calculated automatically.

- You will be over-writing formulas in the white areas on the currency sheet which you are reporting. These formulas are intended to be over-written in the reporting currency.

- For the Staff Information section and previous quarter's data, only changes and revisions need to be inputted if submitting by paper only. However, it is important to check last quarter's data to ensure that any necessary revisions are reported so that year-to-date figures are accurate.

- The far right column is for data from the previous year. This column can be filled in by the reporting statistics manager. YOU DO NOT NEED TO FILL IN THIS COLUMN.

1.50 **Income-Expenses (excluding Portfolio Devaluation):** All income (line 1.30) minus all expenses (line 1.46), but not including the amount by which the loan fund devalued due to inflation.

1.51 **Portfolio Devaluation due to Inflation:** The value by which the loan portfolio has devalued due to inflation during the quarter, based on the annual inflation rate.

1.52 **Income-Expenses (including Portfolio Devaluation):** All income (line 1.30) minus all expenses (line 1.46) and devaluation for the quarter (line 1.5 1).

2.10 **Loan Amount with Clients:** The amount of money at the end of the reporting period which is in the hands of clients.

2.11 **Loan Amount Available but not with Clients:** The amount of money at the end of the reporting period which is available for clients to borrow, but is currently in the bank and therefore not in the hands of clients.

2.12 **Total Portfolio:** The total amount of money either with clients or available to clients. *NOTE: 2.10 plus 2.11 should equal 2.12; ALSO, 2.13 plus 2.14 should equal 2.12.*

2.13 **Equity Portion of Portfolio:** The amount of money (in currency units, not percentage) of the total portfolio (line 2.12) which is owned by the lending Partner.

2.14 **Borrowed Funds Portion of Portfolio:** The amount of money (in currency units, not percentage) of the total portfolio (line 2.12) which is borrowed from other institutions or clients and must be paid back.

2.20 **Other Equity (excluding portfolio):** Equity built up by the organization apart from the loan portfolio, in particular any land or buildings (or portion of) that the organization owns.

2.30 **Loans Receivable:** This is a breakdown of all loans currently with clients (line 2.10) by their level of delinquency or non-delinquency.

2.31 **Number of Loans by Category:** Include the total NUMBER of loans made in each category. All columns added in this line should equal the total number of loans which the lending Partner currently has outstanding.

2.33 **Value of Loans, Overdue Portion Only:** This is the total value of loan payment amounts which are currently late, broken down by category. For example, if a borrower has a total of ten loan payments of $20 each and is late on his or her current payment, which happens to be the fifth payment, then $20 should be entered, as he or she is behind $20 on payments.

2.35 **Value of Loans, Outstanding Balance:** This is the total amount of loan payments which are "at risk", broken down by category. For example, if a borrower has a total of ten loan payments of $20 each and is late on his or her current payment, which happens to be the fifth payment, then the borrower's entire remaining unpaid balance (NOT the total of all remaining payments which also include interest) of the loan should be entered, as this is the amount that is considered at risk of non-repayment, should the client be defaulting on the loan.

3.10-11 **# Individual Loans Made - Male/Female:** The number of loans made to individuals, not including group loans, broken down by gender.

3.12 **# Group Loans Made:** The number of loans made to groups of people, such as in the Trust Banks program.

5.10 **Board Members:** Please update any changes in Board members since the last report or else provide a current list of Board members.

5.11 **ED:** Name of current Executive Director.

5.12-13 **# FT and PT Staff:** The total number of staff employed by the lending partner who work over 30 hours per week should be entered in full-time and those that work less in part-time. The total full-time equivalent of loan officers should be entered in the appropriate space. Part-time loan officers should be entered as a percentage of full-time.

MED Organization — *US Dollars*

Type "1" here if reporting in US$: →

Year: 1996 Quarter: 2

	FINANCE	Qtr 1	Qtr 2	Qtr 3	Qtr 4	YTD Act	YTD Budg	%YTD	1996 Budg	1995 Actual
	EARNED REVENUES									
1.10	Loan Interest & Fees						x	x	x	
1.11	Bank Interest						x	x	x	
1.12	Training & Consultancy Fees						x	x	x	
1.13	Other Earned Income						x	x	x	
1.14	**Total Earned Income**									
	DONOR REVENUES									
1.20	Loan Portfolio Grants						x	x	x	
1.21	Administration/Project Grants						x	x	x	
1.22	Capital Expenditures/Donations						x	x	x	
1.23	General or Undetermined Grants						x	x	x	
1.24	**Total Donor Income**									
1.30	**TOTAL INCOME**									
	EXPENSES									
1.40	Administration/Fundraising						x	x	x	
1.41	Lending Operations						x	x	x	
1.42	Defaults or Loan Loss Reserve						x	x	x	
1.43	Training & Consultancy Operations						x	x	x	
1.44	Capital Expenditures						x	x	x	
1.45	Interest on Borrowed Funds & Client Savings						x	x	x	
1.46	**TOTAL EXPENSES (excl portf deval)**									
1.50	**INC. -EXP. (exclude portf. deval.)**									
1.51	**Portfolio Devaluation due to Inflation**						x	x	x	
1.52	**INC. -EXP. (include portf. deval.)**						x	x	x	

	LOAN PORTFOLIO	End Qtr 1	End Qtr 2	End Qtr 3	End Qtr 4	YTD Act		% Obj	1996 Obj	1995 Total
2.10	Loan Amount with Clients						x	x	x	
2.11	Loan Amount Available but not with Clients						x	x	x	
2.12	**Total Portfolio (2.10 plus 2.11)**						x			
2.13	Equity Portion of Portf. (2.13+2.14=2.12)						x	x	x	
2.14	Borrowed Funds Portion of Portfolio						x	x	x	
2.20	**Other Equity (excluding portfolio)**						x	x	x	
2.30	**Loans Receivable - Current Quarter**	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	120 + Days	Tot Overd	All Loans	x
2.31	Number of Loans by Category									x
2.32	Percent								x	x
2.33	Value of Loans, Overdue Portion Only									x
2.34	Percent								x	x
2.35	Value of Loans, Outstanding Balance									x
2.36	Percent								x	x

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MED Organization US Dollars

PROGRAM

		Qtr 1	Qtr 2	Qtr 3	Qtr 4	YTD Act	YTD Obj	%YTD	1996 Obj	1995 Total
3.10	# Individual Loans Made - Male						x	x	x	
3.11	# Individual Loans Made - Female						x	x	x	
3.12	# Group Loans Made						x	x	x	
3.13	# Group Loan Recipients						x	x	x	
3.14	Est. % of Group Borrowers who are Female						x	x	x	
3.15	**Total # Loans Made**						x	x	x	
3.16	**Total Loan Recipients**									
3.17	**Total % Women Recipients**						x	x		
3.20	Value Individual Loans Made - Male						x	x	x	
3.21	Value Individual Loans Made - Female						x	x	x	
3.22	Value Group Loans Made						x	x	x	
3.23	Est. % of Group Loan Value for Women						x	x	x	
3.24	**Total Value of Loans Made**									
3.25	**% Of Total Loan Value to Women**						x	x	x	
3.30	Jobs Created									
3.31	Jobs Sustained									
3.32	**Total Job Impact**									
3.40	Training Seminars									
3.41	Total Seminar Participants									
3.42	Project Visits to Clients									

INDICATORS

4.10	Exchange Rate to Local Curr, End Last Yr	
4.11	Exchange Rate to Local Curr, End Qtr 1	
4.12	Exchange Rate to Local Curr, End Qtr 2	
4.13	Exchange Rate to Local Curr, End Qtr 3	
4.14	Exchange Rate to Local Curr, End Qtr 4	
4.20	US Annual Inflation Rate, End Qtr 1	
4.21	US Annual Inflation Rate, End Qtr 2	
4.22	US Annual Inflation Rate, End Qtr 3	
4.23	US Annual Inflation Rate, End Qtr 4	
4.30	Local Annual Interbank Lend Rate	
4.40	Consumer Price Index	
4.41	Per Capita Income	

STAFF INFORMATION

5.10	Board Members:		
5.11	ED:		
5.12	# FT Staff:	# FT Equivalent Loan Officers	
5.13	# PT Staff:		
5.14	Address:		
5.15	Phone #(s):		
5.16	Fax #:		
5.17	E-Mail:		

MED Organization

Ratio Analysis (US Dollars)

Sustainability

6.10	Operational Sustainability		Total Earned Income/Total Expenses(excluding loan fund devaluation)
6.11	Financial Sustainability		Total Earned Income/Total Expenses(including loan fund devaluation)
6.12	Operational Survivability		(Total Earned Income + Total Donor Income)/Total Expenses(excluding loan fund devaluation)
6.13	Financial Survivability		(Total Earned Income + Total Donor Income)/Total Expenses(including loan fund devaluation)

Effectiveness/Efficiency

6.20	Cost to Make a Loan		Total Expenses(excluding loan fund devaluation)/Total Loan Recipients
6.21	Operating Costs/Portfolio With Clients		Total Expenses(excluding loan fund devaluation)/Total Value Loans Made
6.22	Cost to Impact a Job		Total Expenses(excluding loan fund devaluation)/Job Impact
6.23	# Clients per Loan Officer		(Loan Amount w/ Clients/Average Loan Size)/# FT Equivalent Loan Officers
6.24	Portfolio per Loan Officer		Loan Amount w/ Clients/# FT Equivalent Loan Officers

Pricing

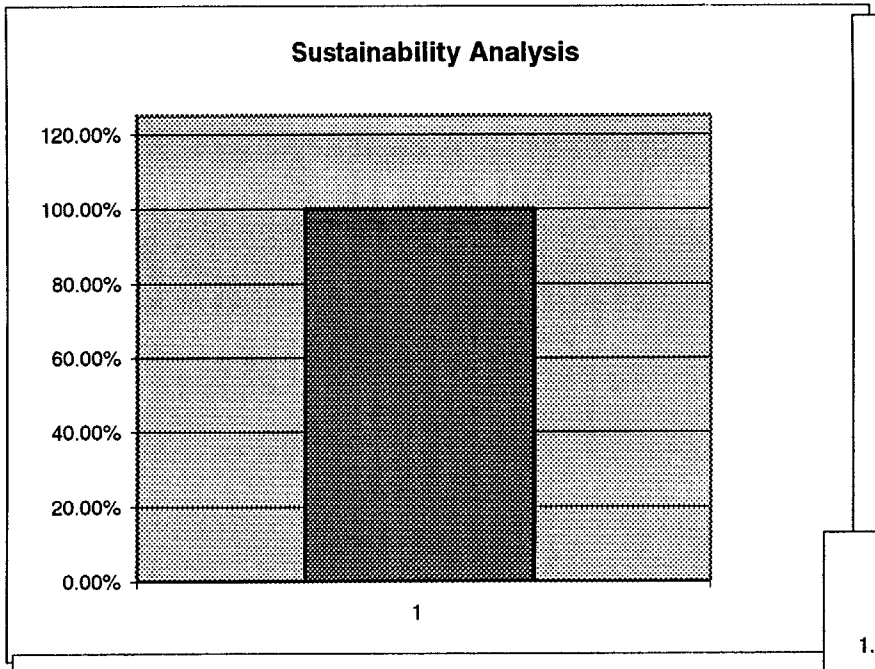
6.30	Effective Interest Rate (Approximation)		Loan Interest & Fees/Loan Amount with Clients

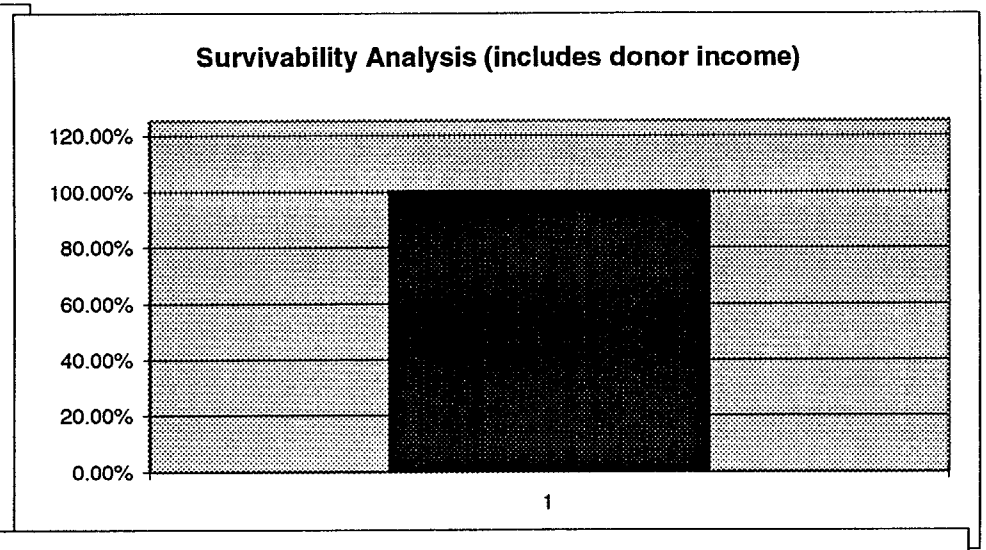
Financial

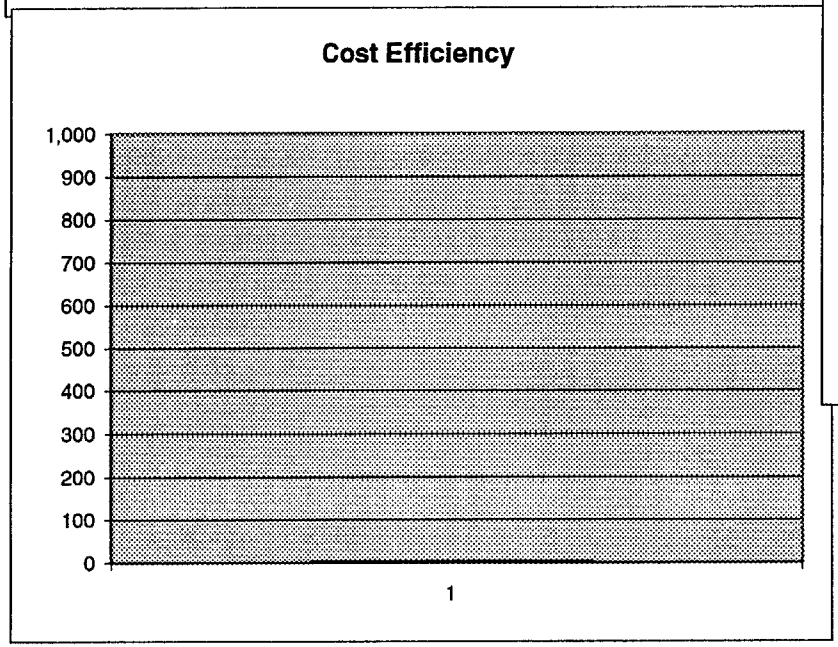
6.40	% Portfolio Not With Clients		Loan Amount Available but not with Clients/Total Portfolio
6.41	% Portfolio Which is Borrowed Funds		Borrowed Funds Portion of Portfolio/Total Portfolio
6.42	Arrears %, Overdue Portion (>30 days)		Total Overdue (Overdue Portion, >30 Days)/Loan Amount with Clients
6.43	Arrears %, Outstanding Bal. (>30 days)		Total Overdue (Outstanding Balance, >30 Days)/Loan Amount with Clients
6.44	Write-Off % (YTD)		Defaults/Loan Amount with Clients
6.45	Average Group Recipient Loan Size		Total Value of Group Loans Made/Total Group Loan Recipients
6.46	Average Individual Loan Size		Total Value of Individual Loans Made/Total Individual Loan Recipients
6.47	Average Loan Size		Total Value of Loans Made/Total Loan Recipients

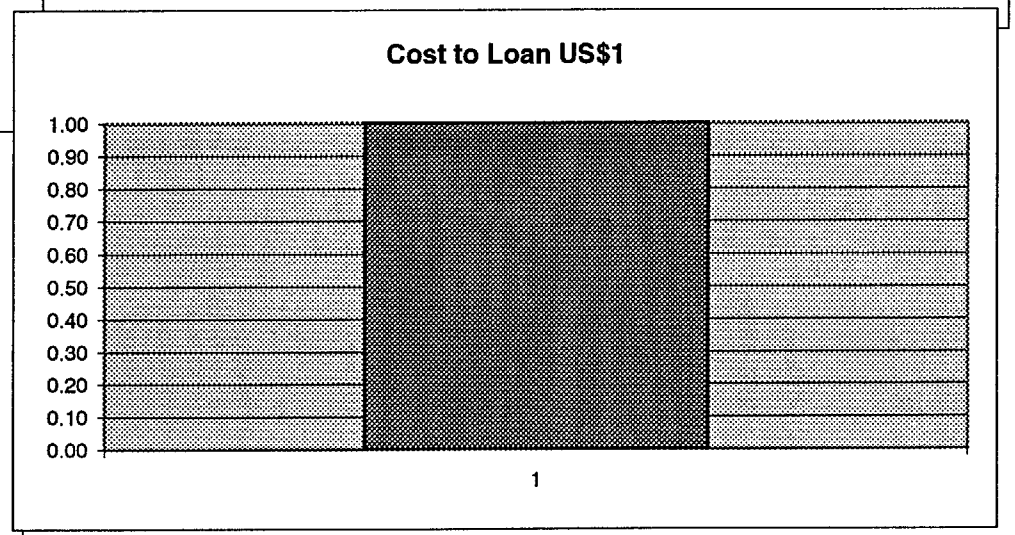
MED Organization

Sustainability/Efficiency (US$) Status as of: Year: 1996 Quarter: 2









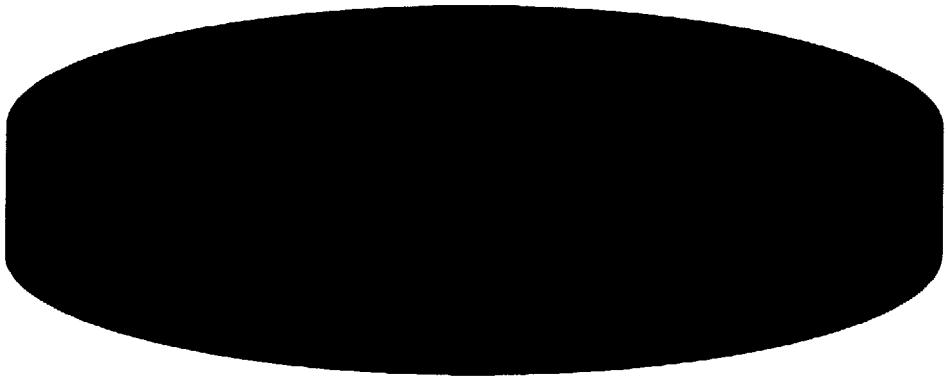
 # Clients per Loan Officer

Portfolio per Loan Officer

MED Organization

Portfolio Analysis (US$) Status as of: Year: 1996 Quarter: 2

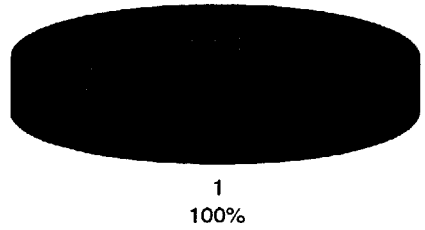
Outstanding Loans By Delinquency, Overdue Portion Only



Total Portfolio:

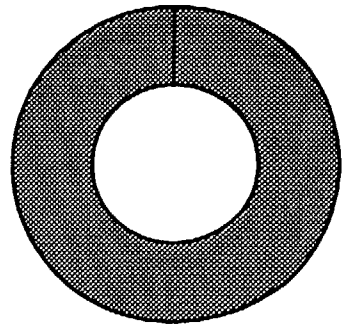
YTD Write-Offs:

Loan Recipients By Gender



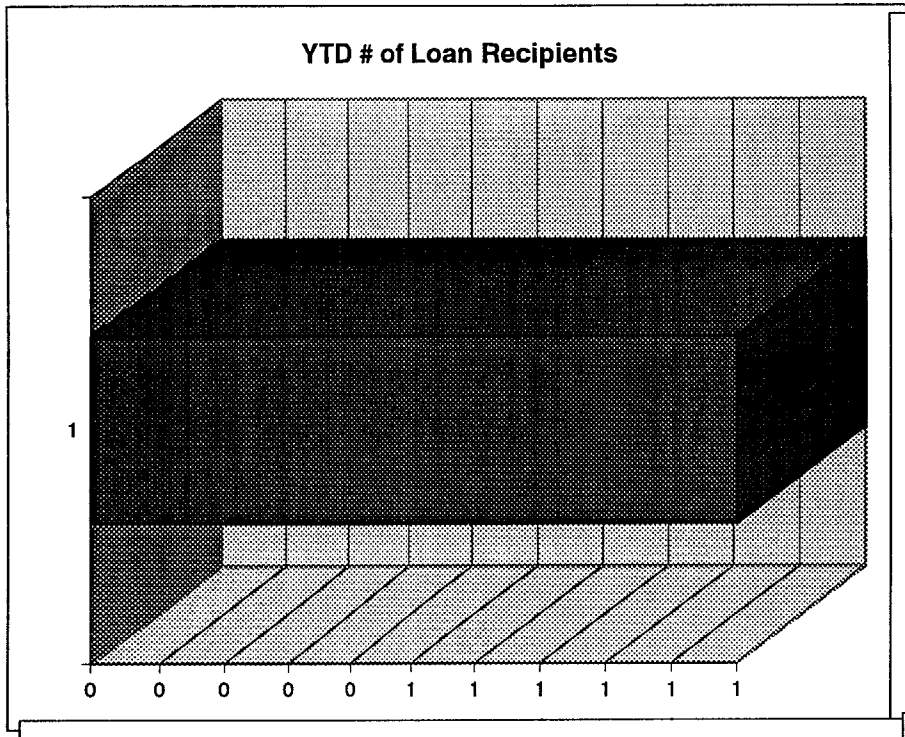
Portfolio Utilization

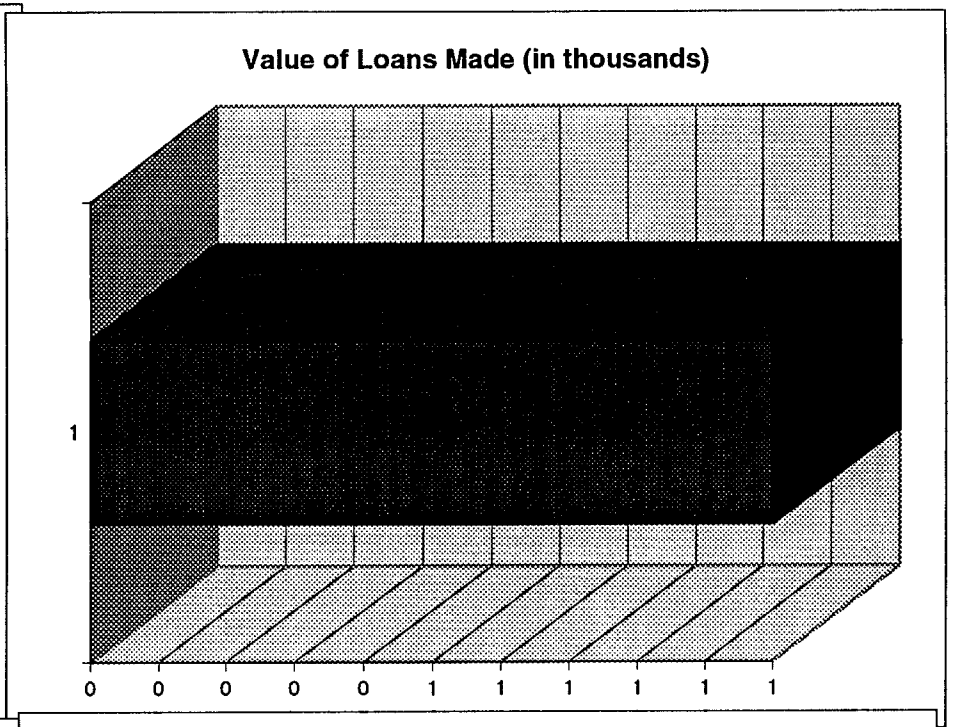
Portfolio By Debt:Equity

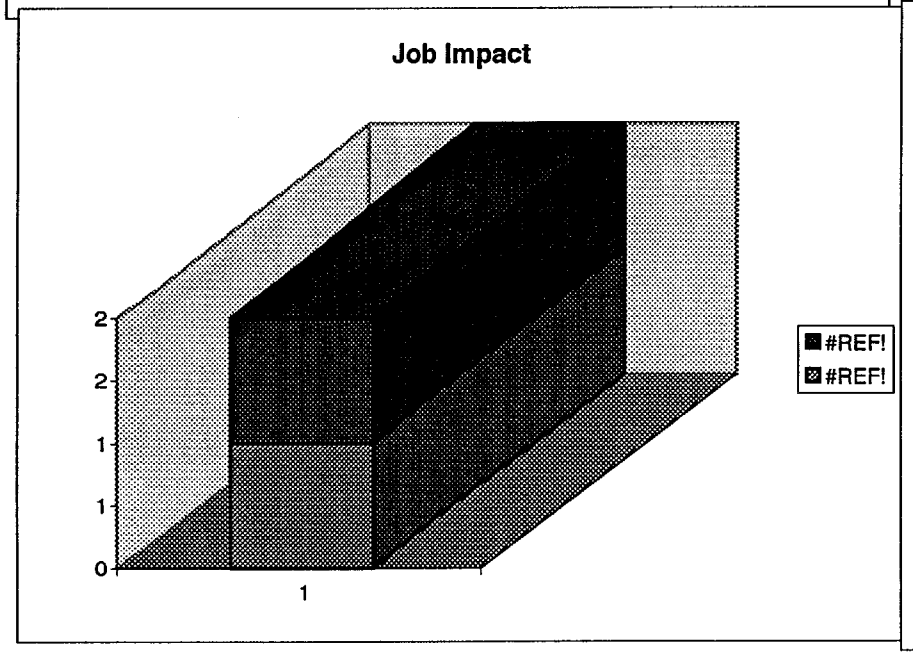


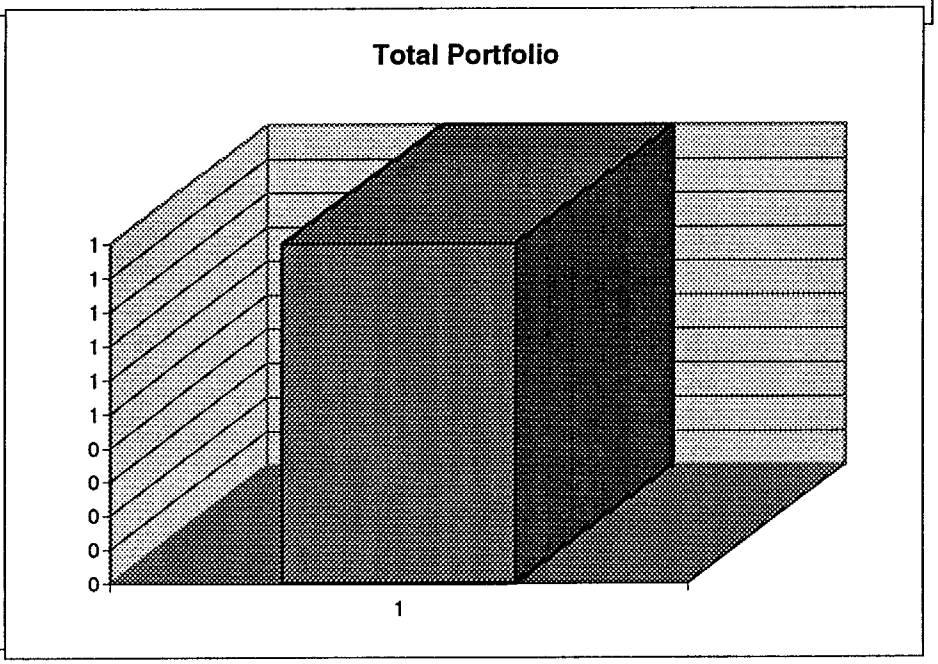
MED Organization

Actuals Versus Objectives (US$) Status as of: Year: 1996 Quarter: 2









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MED Organization

Local Currency — Type "1" here if reporting in Local Curr: ▶ — Year: 1996 Quarter: 2

	FINANCE	Qtr 1	Qtr 2	Qtr 3	Qtr 4	YTD Act	YTD Budg	%YTD	1996 Budg	1995 Actual
	EARNED REVENUES									
1.10	Loan Interest & Fees						x	x	x	
1.11	Bank Interest						x	x	x	
1.12	Training & Consultancy Fees						x	x	x	
1.13	Other Earned Income						x	x	x	
1.14	**Total Earned Income**									
	DONOR REVENUES									
1.20	Loan Portfolio Grants						x	x	x	
1.21	Administration/Project Grants						x	x	x	
1.22	Capital Expenditures/Donations						x	x	x	
1.23	General or Undetermined Grants						x	x	x	
1.24	**Total Donor Income**									
1.30	**TOTAL INCOME**									
	EXPENSES									
1.40	Administration/Fundraising						x	x	x	
1.41	Lending Operations						x	x	x	
1.42	Defaults or Loan Loss Reserve						x	x	x	
1.43	Training & Consultancy Operations						x	x	x	
1.44	Capital Expenditures						x	x	x	
1.45	Interest on Borrowed Funds & Client Savings						x	x	x	
1.46	**TOTAL EXPENSES (excl portf deval)**									
1.50	**INC. -EXP. (exclude portf. deval.)**									
1.51	**Portfolio Devaluation due to Inflation**						x	x	x	
1.52	**INC. -EXP. (include portf. deval.)**						x	x	x	

	LOAN PORTFOLIO	End Qtr 1	End Qtr 2	End Qtr 3	End Qtr 4	YTD Act		% Obj	1996 Obj	1995 Total
2.10	Loan Amount with Clients						x	x	x	
2.11	Loan Amount Available but not with Clients						x	x	x	
2.12	**Total Portfolio (2.10 plus 2.11)**						x			
2.13	Equity Portion of Portf. (2.13+2.14=2.12)						x	x	x	
2.14	Borrowed Funds Portion of Portfolio						x	x	x	
2.20	**Other Equity (excluding portfolio)**						x	x	x	
2.30	**Loans Receivable - Current Quarter**	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	120 + Days	Tot Overd	All Loans	x
2.31	Number of Loans by Category									x
2.32	Percent								x	x
2.33	Value of Loans, Overdue Portion Only									x
2.34	Percent								x	x
2.35	Value of Loans, Outstanding Balance									x
2.36	Percent								x	x

MED Organization

Local Currency

PROGRAM

		Qtr 1	Qtr 2	Qtr 3	Qtr 4	YTD Act	YTD Obj	%YTD	1996 Obj.	1995 Total
3.10	# Individual Loans Made - Male						x	x	x	
3.11	# Individual Loans Made - Female						x	x	x	
3.12	# Group Loans Made						x	x	x	
3.13	# Group Loan Recipients						x	x	x	
3.14	Est. % of Group Borrowers who are Female						x	x	x	
3.15	**Total # Loans Made**						x	x	x	
3.16	**Total Loan Recipients**									
3.17	**Total % Women Recipients**						x	x		
3.20	Value Individual Loans Made - Male						x	x	x	
3.21	Value Individual Loans Made - Female						x	x	x	
3.22	Value Group Loans Made						x	x	x	
3.23	Est. % of Group Loan Value for Women						x	x	x	
3.24	**Total Value of Loans Made**									
3.25	**% Of Total Loan Value to Women**						x	x	x	
3.30	Jobs Created									
3.31	Jobs Sustained									
3.32	**Total Job Impact**									
3.40	Training Seminars									
3.41	Total Seminar Participants									
3.42	Project Visits to Clients									

INDICATORS

4.10	Exchange Rate to US$, End Last Yr	
4.11	Exchange Rate to US$, End Qtr 1	
4.12	Exchange Rate to US$, End Qtr 2	
4.13	Exchange Rate to US$, End Qtr 3	
4.14	Exchange Rate to US$, End Qtr 4	
4.20	Local Annual Inflation Rate, End Qtr 1	
4.21	Local Annual Inflation Rate, End Qtr 2	
4.22	Local Annual Inflation Rate, End Qtr 3	
4.23	Local Annual Inflation Rate, End Qtr 4	
4.30	Local Annual Interbank Lend Rate	
4.40	Consumer Price Index	
4.41	Per Capita Income	

STAFF INFORMATION

5.10	Board Members:			
5.11	ED:			
5.12	# FT Staff:		# FT Equivalent Loan Officers	
5.13	# PT Staff:			
5.14	Address:			
5.15	Phone #(s):			
5.16	Fax #:			
5.17	E-Mail:			

MED Organization

Ratio Analysis (Local Currency)

Sustainability

6.10	Operational Sustainability		Total Earned Income/Total Expenses(excluding loan fund devaluation)
6.11	Financial Sustainability		Total Earned Income/Total Expenses(including loan fund devaluation)
6.12	Operational Survivability		(Total Earned Income + Total Donor Income)/Total Expenses(excluding loan fund devaluation)
6.13	Financial Survivability		(Total Earned Income + Total Donor Income)/Total Expenses(including loan fund devaluation)

Effectiveness/Efficiency

6.20	Cost to Make a Loan		Total Expenses(excluding loan fund devaluation)/Total Loan Recipients
6.21	Cost to Loan a Unit of Money		Total Expenses(excluding loan fund devaluation)/Total Value Loans Made
6.22	Cost to Impact a Job		Total Expenses(excluding loan fund devaluation)/Job Impact
6.23	# Clients per Loan Officer		(Loan Amount w/ Clients/Average Loan Size)/# FT Equivalent Loan Officers
6.24	Portfolio per Loan Officer		Loan Amount w/ Clients/# FT Equivalent Loan Officers

Pricing

6.30	Effective Interest Rate (Approximation)		Loan Interest & Fees/Loan Amount with Clients

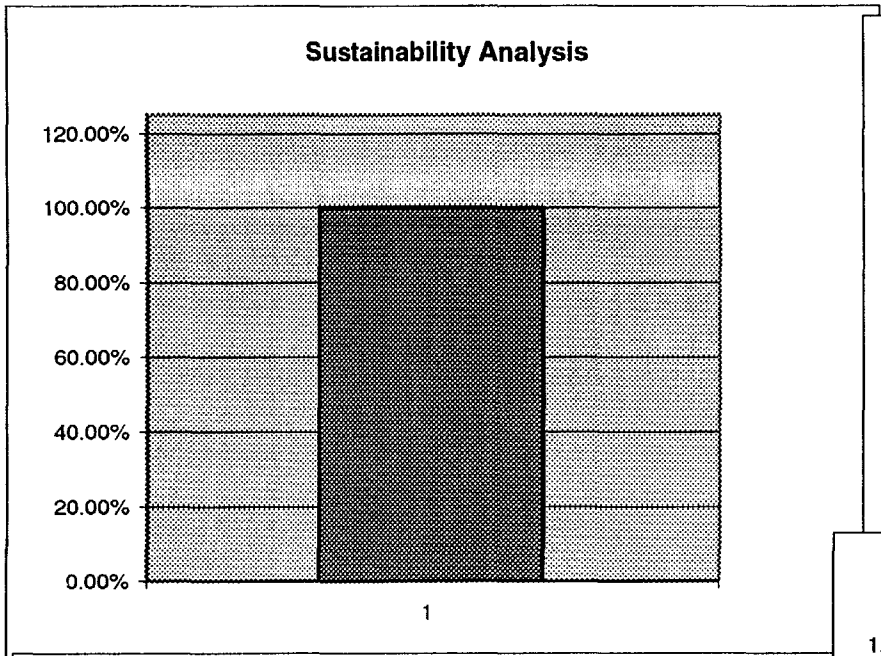
Financial

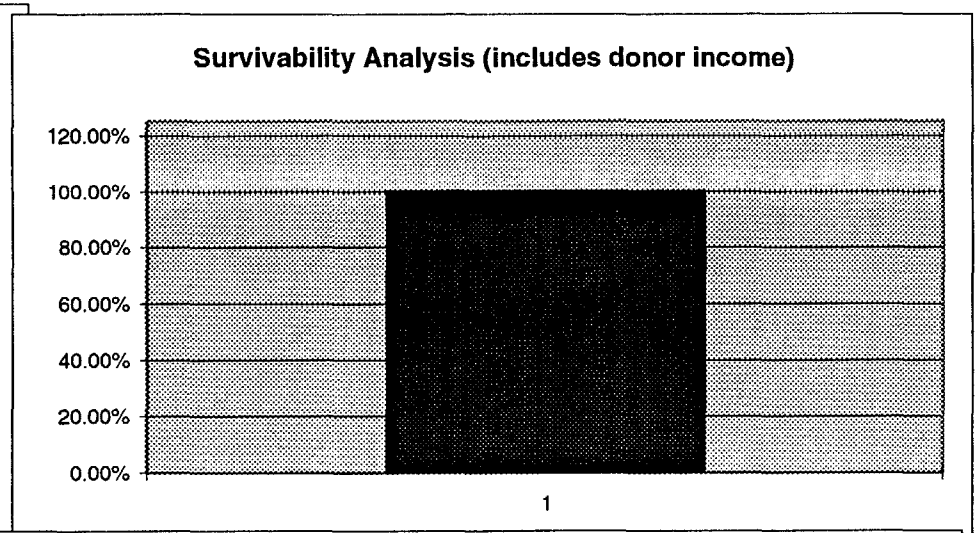
6.40	% Portfolio Not With Clients		Loan Amount Available but not with Clients/Total Portfolio
6.41	% Portfolio Which is Borrowed Funds		Borrowed Funds Portion of Portfolio/Total Portfolio
6.42	Arrears %, Overdue Portion (>30 days)		Total Overdue (Overdue Portion, >30 Days)/Loan Amount with Clients
6.43	Arrears %, Outstanding Bal. (>30 days)		Total Overdue (Outstanding Balance, >30 Days)/Loan Amount with Clients
6.44	Write-Off % (YTD)		Defaults/Loan Amount with Clients
6.45	Average Group Recipient Loan Size		Total Value of Group Loans Made/Total Group Loan Recipients
6.46	Average Individual Loan Size		Total Value of Individual Loans Made/Total Individual Loan Recipients
6.47	Average Loan Size		Total Value of Loans Made/Total Loan Recipients

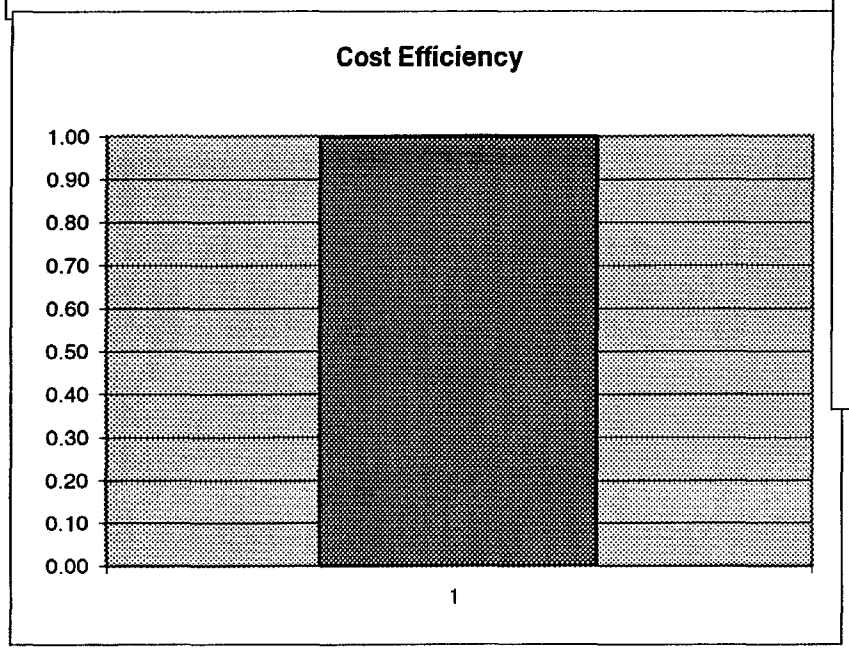
MED Organization

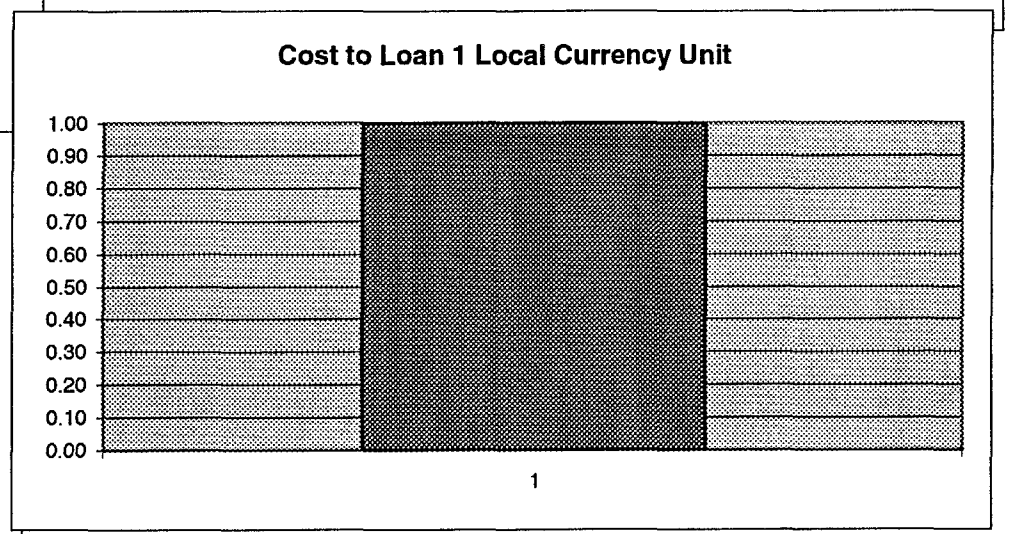
Sustainability/Efficiency (LC)

Status as of: Year: 1996 Quarter: 2









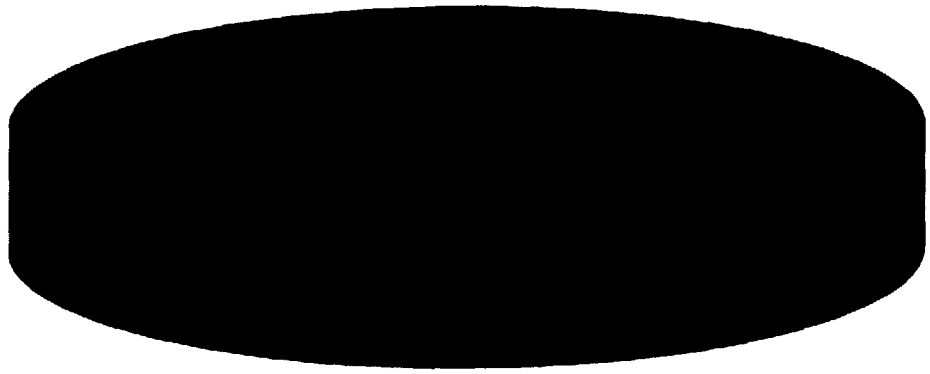
 # Clients per Loan Officer

Portfolio per Loan Officer

MED Organization

Portfolio Analysis (Local Currency) Status as of: Year: 1996 Quarter: 2

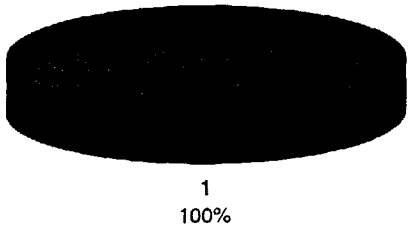
Outstanding Loans By Delinquency, Overdue Portion Only



Total Portfolio:

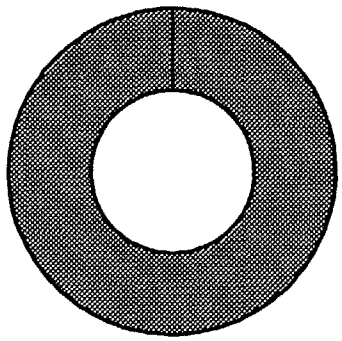
YTD Write-Offs:

Loan Recipients By Gender



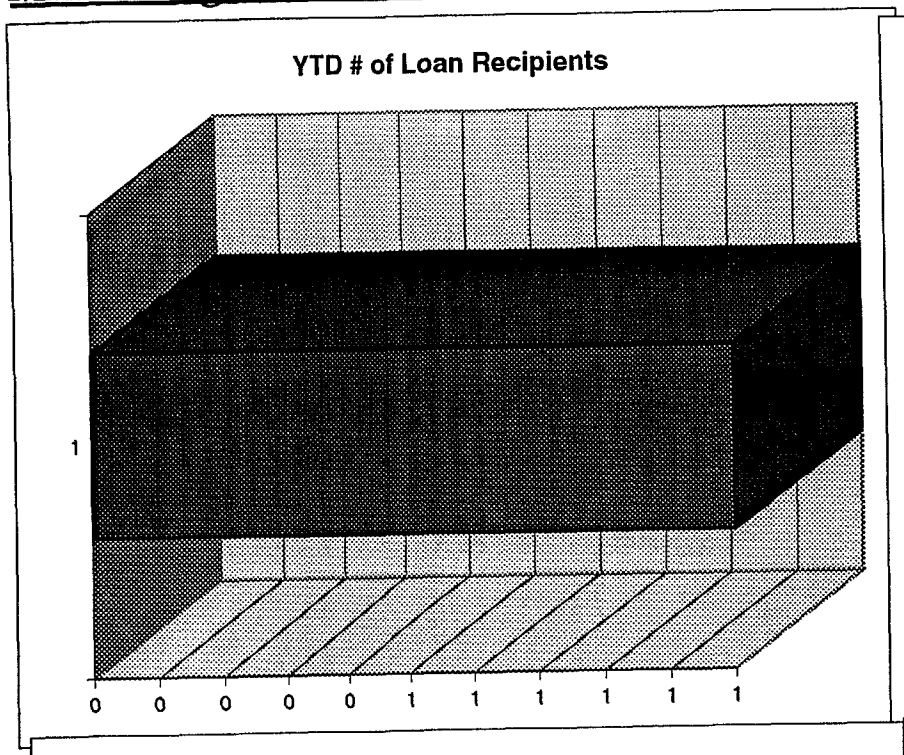
Portfolio Utilization

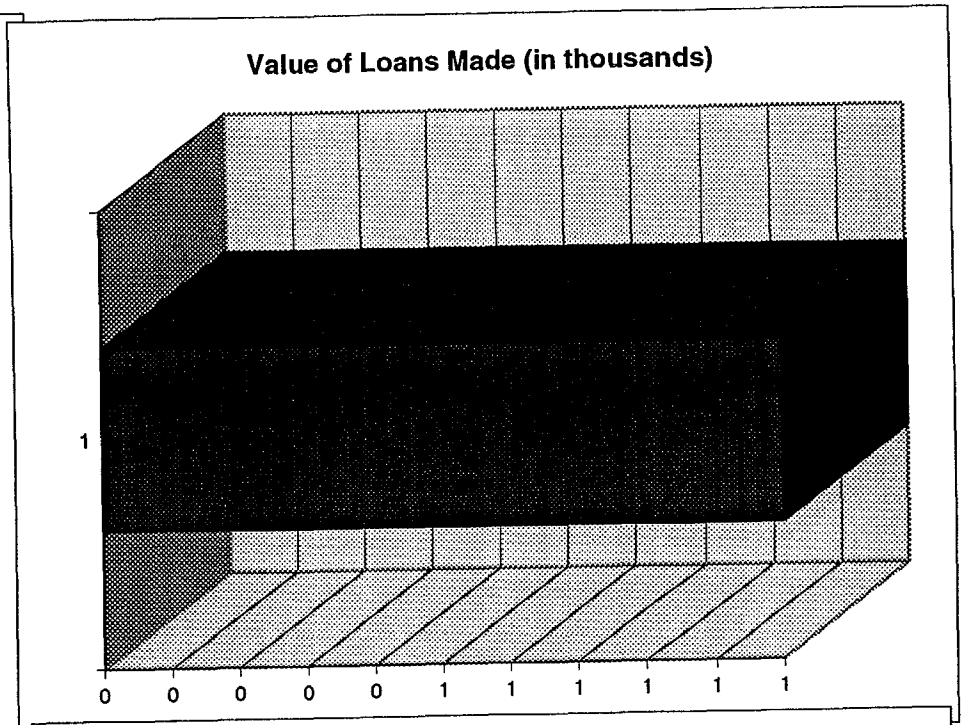
Portfolio By Debt:Equity

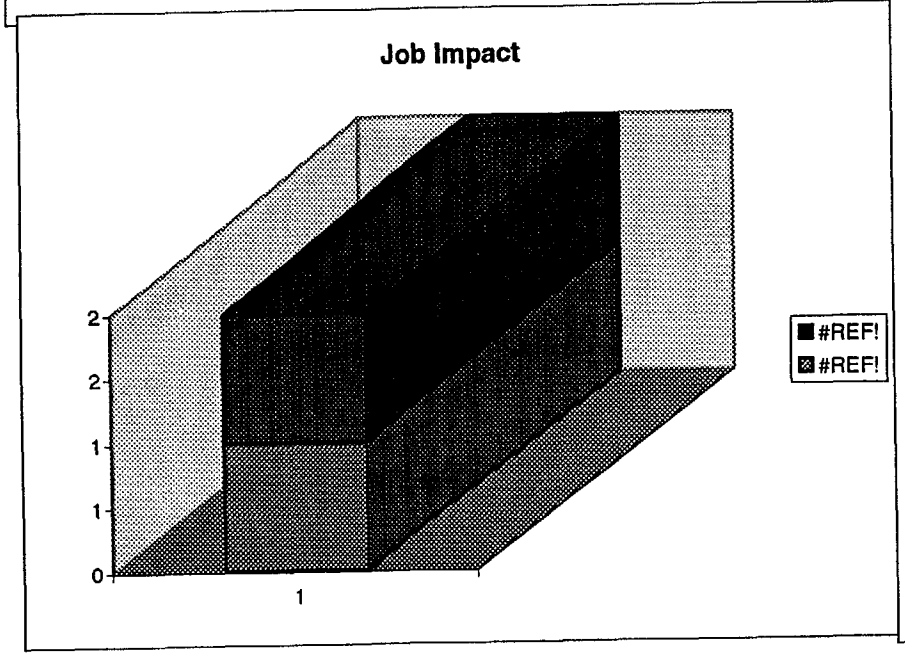


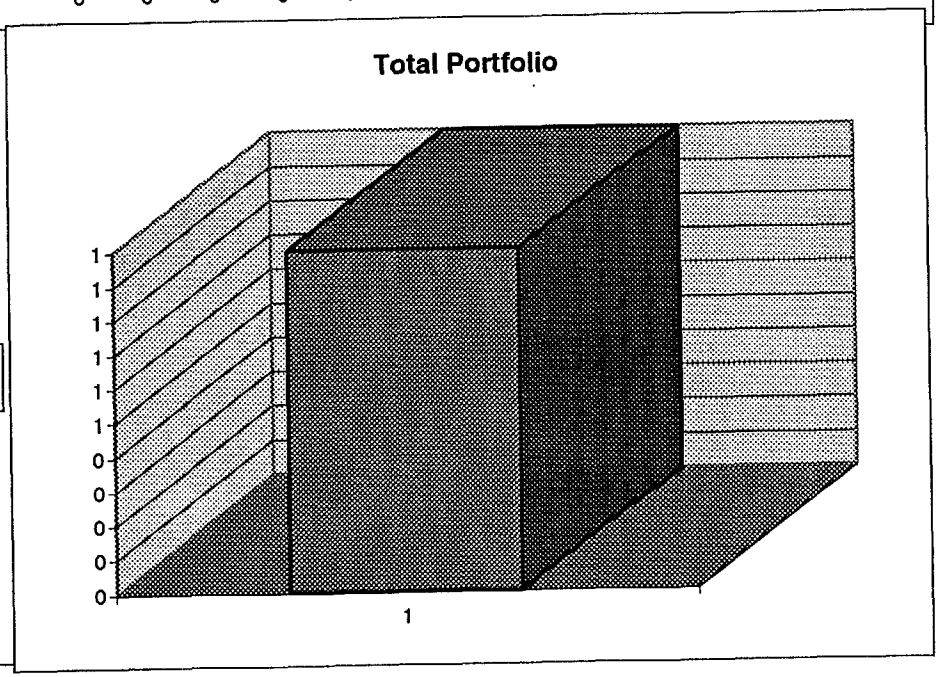
MED Organization

Actuals Versus Objectives (LC) Status as of: Year: 1996 Quarter: 2









ANNEX 5

Description of the Women's Opportunity Fund

and the Trust Bank Methodology

DESCRIPTION OF THE WOMEN'S OPPORTUNITY FUND

AND THE TRUST BANK METHODOLOGY

(The following description is based on the Trust Banks Manual (Partial Draft) prepared by Christy Stickney, Lucy Charrington and Irene Kennedy for the Women's Opportunity Fund and from discussions with Suzy Cheston, Executive Director of the Women's Opportunity Fund. WOF received an add-on grant of $200,000 under the OI matching grant from the PVC Office for institutional strengthening, including headquarters support and TA, and tied to program expansion in Zimbabwe.)

The Women's Opportunity Fund (WOF) is a separate partner organization that is integrated with Opportunity International (OI). It grew out of the work done by the current Executive Director, Suzy Cheston, in El Salvador in 1992 and 1993 to develop a group lending/village banking methodology that would serve the needs of women in developing countries. The program was expanded into Columbia at the end of 1993 with the formation of ADEMCOL, which established the first *Bancos de Confianza* (Trust Bank) program. In 1991, a partner agency of OI, MKBI in the Philippines began to develop a group-lending methodology, the UKMA program, which has become the core of the subsequently formed Trust Bank methodology.

The program is now active in 14 countries and growing. Most country programs have around 300 clients, with the largest program being in the Dominican Republic with 1200 clients. By the end of 1996, WOF had about 5000 loans outstanding. The WOF has its own Board of Directors and sources of finance, but receives technical and financial support from OI. It is currently considering the advantages and disadvantages of separating from OI and becoming an independent organization. If it did, it would register with USAID as a PVO to be eligible for direct grants.

Trust Banks are a form of poverty lending and focus on leadership development among poor women as well as social development. The Core Model of the Trust Bank Methodology is currently defined by the following four characteristics:

1. Borrowers are organized into group structures defined by co-guaranteeing relationships and managed by democratically elected leaders.

2. Very small, short-term loans are extended in the form of a continuous, gradually increasing line of credit to Trust Bank members.

3. Savings are mobilized within the Trust Banks.

4. Trust Banks hold regular meetings to monitor repayments and to pursue other social, economic and spiritual goals.

These are the essential principles of the Trust Bank Methodology. However, country programs are free to adopt these principles to their local situation, in terms of how these principles are put into practice. WOF uses case studies to promote benchmark examples of specific policies and practices

which uphold the Core Model. These examples offer practical guidelines for how to put the model into practice.

Although the manual suggests that Trust Banks be composed of 20 to 35 members, sub-groups of 4-7 women with coordinators are recommended to promote the solidarity group mechanism. WOF has found that the larger Trust Bank grouping is necessary for program efficiency and leadership development. These sizes are guidelines, not fixed rules. For example, in Ghana, Sinapi Aba Trust has 3 Trust Banks composed of 101, 52 and 25 members. Each Trust Bank is composed of solidarity groups composed of approximately 6 members. In fact, the Trust Bank methodology is still being developed by its partner organizations through periodic workshops. The Asia Trust Banks Workshop held in Manila in June 1996 was held to discuss Trust Bank policies and procedures and adapt them to the Asian situation.

The loan policy guidelines for the Trust Banks is shown in the table on the following page. It suggests loan sizes as small as possible for periods as short as possible and repayments as frequently as possible. Savings should be required and collected weekly to be deposited in a bank account controlled by the Trust Bank. Subsequent loans should be immediate following repayment of the previous loan and based upon repayment, attendance at weekly meetings, business growth, and group monitoring.

Although the WOF program was not the principal focus of this evaluation, information received on the program and discussions with staff in Chicago, Ghana and Bulgaria revealed that their efforts appear to be achieving success both in expansion into more and more countries and impacting upon increasing numbers of women throughout the world. The Trust Bank Methodology is sound and consistent with best practices of poverty lending worldwide. Repayment rates are excellent, although most programs are just beginning. The key factors which will determine their success over time are achieving sufficient size in each country to become self-sustaining and obtaining a reliable source of funds.

TRUST BANK - LOAN POLICY GUIDELINES

Policy	Advantage for Agency	Advantage for Clients/Groups
Loan Size	*as small as possible (around US$50-90)*	
	• secure • greater outreach (more clients)	• not intimidating for the poorest • encourages self-selection of the poorest • provides the poorest with credit experience
Long Term	*as short as possible (usually 4 months)*	
	• greater cash flow • more profitable	• encourages diversity • builds borrower confidence • greater borrowing power • quicker rotations
Repayment	*as frequently as possible (usually weekly)*	
	• greater security • greater cash flow	• less burden to individual • less burden to the group if one member defaults
Savings	*required (usually 10 - 20% of the loan amount)*	
	• guarantee	• guarantee • meet incidental expenses (individual or group) • meet emergency needs • provide additional credit • fund community projects
Collection of Savings	*usually weekly; handled by the treasurer and deposited to bank account*	
	• cost-effective use of PO's time	• ownership of savings
Reloans	*determined by repayment, attendance, business growth, monitored by group*	
	• cost-effective use of PO's time	
Timing of Reloans	*immediate*	
	• more profitable • boosts repayment	• continual cashflow

Source: WOF Trust Banks Manual