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**YEAR TWO MATCHING GRANT ANNUAL REPORT**

**To the United States Agency for International Development**

**In fulfillment of the 1998-2003 AID/Opportunity International Grant  
FAO-A-00-98-00070-00**

**Submitted by Opportunity International  
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## PROJECT SUMMARY

The Opportunity International Network collectively set a goal to assist 1.4 million poor families over the next 5 years through the provision of microenterprise loans worth \$588 million. These loans, in conjunction with basic business training, will create employment and income opportunities that enable families in chronic poverty to transform their lives.

In partnership with USAID through the BHR/PVC Matching Grant, Opportunity International is many steps closer to reaching this goal. The OI Network improves the access and availability of information and resources in best practices for its Partner Agencies that work directly with clients. USAID Matching Grant funding allows Opportunity International to assist two Partners, Zambuko Trust and the Institute for Honduran Development (IDH), to build capacity in **product quality and focus; program efficiency and cost-effectiveness; and human resources growth and development** so that these agencies can effectively manage their part in the exponential growth required to reach 1.4 million poor families by 2002.

### Principle Accomplishments and Priorities for the Future

**ZAMBUKO** – As of September 30, 2000, Zambuko Trust had nearly 10,000 clients outstanding and had impacted over 16,000 jobs. As the largest microfinance institution in Zimbabwe, Zambuko Trust has earned its position as the outstanding provider of microenterprise development services in Zimbabwe. Zambuko's goal over the next five years is to increase its client outreach to over 50,000. 81% of Zambuko's loans are provided to women. The average loan size for Trust Bank clients is \$75 and for individual clients is \$137, an indicator that Zambuko's clients are among the poorest of the working poor in Zimbabwe. Zambuko operates through twenty-five branch offices and is operationally sustainable.

**IDH** – During 2000, IDH grew at a rate of 103% from 2000 clients in September 1999 to over 4,000 clients at the end of August 2000. High competition in Tegucigalpa caused IDH to reexamine its programs and make them more responsive to the needs of clients. IDH continues to emphasize training at all levels from the Board of Directors to the clients to make sure the work and policies of IDH are transparent and understood at all levels. The Board participated in two separate retreats, and a total of 18 loan officers participated in two different training courses.

IDH's Trust Bank program continues to develop leadership in the poorest of the economically active, a majority of whom are women. The benefits of the Trust Bank program are not confined to individual members only but are also being experienced by the community at large. This is demonstrated by several service projects, such as vaccination and cleaning campaigns organized by Trust Banks for their communities.

IDH continues to pursue expansion and is currently conducting market studies to examine the possibility of opening two new offices in underserved areas. With Matching Grant funding, IDH is in a position for continued growth and significant expansion.

OPPORTUNITY INTERNATIONAL - Opportunity International has grown at an average rate of 43% per year for the past 10 years, increasing from under 7,000 active clients to approximately 200,000. Establishing the Opportunity Network structure, an Accreditation Process, and Service Centers has enhanced this growth through standardization, the provision of technical assistance to Partners and the cross-fertilization of ideas and practices between Partners.

OI decided earlier this year that in order to better serve its clients and to support exponential growth, Network resources need to be realigned to operate more cost-effectively, while providing focused, top-quality services. In September during the Opportunity Global Conference in Oxford, England, Network Partners voted to initiate the following new structure:

- The ***Network Management Group*** which is a representative group of Support and Implementing Partners and the senior leadership of the new structure.
- The ***Investment Services Group*** is designed to support the business and financial needs of Partners structured as Formal Financial Institutions.
- The ***Technical Services Group*** (TSG) is a demand-driven, project-based group designed to provide high-quality, effective services to Partners within a competitive environment. (This group is the equivalent the five service centers originally proposed in the DIP.)

Through this new structure, which will absorb the Service Centers, Opportunity will continue to strive for excellence in governance, best practice, operational sustainability, loan portfolio quality and overall Network performance in order to maximize outreach, quality services and impact among Opportunity clients. The Matching Grant is providing substantial seed resources to carry out this requisite transformation of the Opportunity Network.

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## **Section I – Background to Grant and Project Context**

The Opportunity International Network collectively set a goal of reaching 1.4 million poor families over the next 5 years through the provision of microenterprise loans worth \$588 million. These loans, in conjunction with basic business training will create employment and income opportunities that enable families in chronic poverty to transform their lives. This transformation represents the fundamental goal of Opportunity International.

To reach this goal, Opportunity International has recognized it must transform its structures and service delivery systems; build its human resources capacity; enhance its product quality, focus and transformational impact; upgrade its MIS and back office systems; and create new legal structures and funding mechanisms that provide the major debt and equity financing required for this major expansion. The Matching Grant is providing substantial seed resources to carry out this requisite transformation of the Opportunity Network.

### **Assisting the Poor Through Microfinance**

Poor people have severely limited access to local, affordable credit and savings services from stable community lending organizations. When credit is available to start or expand a business, clients can increase their incomes and create new jobs in their communities. Increased incomes and new jobs provide families with resources for adequate food, shelter, clothing, health care and schooling for children. Clients also need to have a local lending organization who can stay with them as their business grows by providing larger loans and counsel on managing a growing business.

In partnership with USAID through the BHR/PVC Matching Grant, Opportunity International is providing Zambuko Trust and IDH with the technical services and capacity building expertise needed to increase their outreach to poor people in Honduras and Zimbabwe with growing quality in their services.

### **Project Context**

#### *Socioeconomic Environment of Zimbabwe*

In recent years, Zimbabwe has experienced sharp declines in many social indicators. Infant, child, and maternal mortality are all rising, primary school completion rates are falling, and educational and healthcare systems are seriously threatened. In July 2000, the Zim\$ was trading at 38 to the US Dollar. As of 30 September, it had fallen to 55:1. Consumer price inflation is over 60% in 2000, with an unemployment rate of 50+% and rising.

According to the CIA World FactBook, 60% of Zimbabwe's citizens fall below the poverty line. In 1999, the poorest 10% of Zimbabwe's population accounted for only 1.8% of the country's household income, while the richest 10% accounted for 46.9% of

household income. Food costs rose 1,371% between 1990 and 1999. Rent rates are up 580%; medical care is up 960%; and education costs have increased by 642% over that same period of time.<sup>1</sup> This dire economic scenario translates into a day-to-day struggle for the poorer members of Zimbabwe's population to meet their basic needs.

Through the Matching Grant, Zambuko Trust is able to improve the quality of its existing program and expand it to reach the thousands of Zimbabweans affected by the tumbling economy.

### *Honduras*

On October 29, 1998, Hurricane Mitch caused immense human and physical devastation in Honduras, one of the poorest countries in the Western Hemisphere. 5,600 people lost their lives and ½ of the population ended up in refuge centers. Approximately 2/3 of the population was directly affected and 70% of the country's infrastructure damaged. The immediate impact on the major economic sectors – including the banana, sugar, and shrimp agroindustries; cattle, export free zones and tourism – was estimated in the billions. As a result of the storm, unemployment increased from 32% to 42% due to the breakdown of the formal sector of the economy.

Many of the unemployed resort to the informal sector to earn an income and require credit and technical assistance to establish sustainable micro businesses. Existing micro entrepreneurs who lost premises, equipment or stock during the hurricane, require credit for the recapitalization of their businesses and advice on business reconstruction in the context of an increasingly competitive sector.

Opportunity International's partner, IDH, actively responded to the needs of its clients and others in the communities where it operates to cope with the aftermath of the Hurricane both in regards to rescheduling loans as well as providing relief-aid and temporary shelter. IDH organized a food relief project for 8 weeks for 6,000 poor people living in 4 cities in Honduras who had no access to basic food supplies in the wake of the Hurricane.

IDH continues to expand its credit programs to meet the increased demand for financial and technical services from micro entrepreneurs in a post disaster situation. During the next three years, IDH will increase its active client base from 3,255 up to 9,135. Nevertheless, with 66% of Hondurans living in poverty as of 1999, there is still much to accomplish.<sup>2</sup>

## **SECTION II – Project Methodology**

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<sup>1</sup> UNDP *Zimbabwe Human Development Report*. 1999

<sup>2</sup> *World Bank and IMF Support Debt Relief for Honduras: Assistance Under the Enhanced HIPC Initiative Will Cut More Than US\$900 Million in Debt Service Over Next Two Decades.* [www.worldbank.org](http://www.worldbank.org). World Bank Press Release No. 2001/002/LAC.

Opportunity International's goal for the Matching Grant Program is to create employment and income opportunities for poor families in Zimbabwe and Honduras through small and microenterprise development, enabling them to transform their lives.

The primary purpose of the project is to help Zambuko Trust in Zimbabwe and IDH in Honduras to increase their outreach and improve their services to the poor in their respective countries. This will be accomplished through an increase in the size of the loan portfolio; reaching financial sustainability by the end of the project; providing training in business management, leadership and basic life skills to their clients; targeting women; and opening additional branch lending offices.

Opportunity is working to build IDH's and Zambuko's capacity in the following 4 areas to enable this program to reach its objectives:

**Capital Growth:** OI will work to increase Zambuko's and IDH's aggregate portfolio through: 1) providing technical assistance to them in developing formal financial institutions that will allow them to take savings from their clients and communities and access funds from formal money markets; 2) raising equity for them through private and institutional fund raising in the US, Australia, the regional-based funds targeted for microenterprises; and 3) creating a US-based investment fund for institutional and private investors that will provide these MFIs with soft loans, equity investments and letter of credit guarantees that secure commercial loans.

**Product Quality & Focus:** OI will assist its two Partners in :1) dropping lending "products" that meet the needs of only small numbers of clients at the top end of the poverty pyramid; 2) developing and improving the quality of a tightly focused "tiered lending" program model that provides "Trust Bank" loans to the poorest of the economically active poor and "Growth Loans" to poor entrepreneurs whose businesses need capital to grow and create jobs.

**Program Efficiency & Cost-Effectiveness:** OI will provide assistance in operations management that leads to: 1) declining delinquency rates; 2) increased client to loan officer ratios; 3) expansion models based on well-defined branch office structures with standard staffing models, systems, policies and procedures; 4) tight monitoring of product profitability, cost of capital and interest rates; and 5) enhanced MIS with upgraded, computerized accounting and portfolio management systems.

**Human Resources Growth & Development:** OI will assist its Partners to: 1) develop recruiting, staff training and compensation systems that allow them to attract and keep quality staff; 2) provide advanced management/technical training to senior/middle management that provides the requisite skills for managing larger, more complex institutions; and 3) upgrade the skills of boards of directors and recruit new members needed to provide oversight for larger, more complex institutions; and 4) upgrade the skills of boards of directors and recruit new members needed to provide oversight for larger, formal financial institutions.

To best build this capacity in its Partners, the Opportunity Network has refocused and restructured into three units:

- The *Network Management Group* which is a representative group of Support and Implementing Partners and the senior leadership of the new structure.
- The *Investment Services Group* is designed to support the business and financial needs of Partners structured as Formal Financial Institutions.
- The *Technical Services Group* is a demand-driven, project-based group designed to provide high-quality, effective services to Partners within a competitive environment. (This group is the equivalent of the five service centers originally proposed in the DIP.)

## **Outputs and Product**

At the end of the grant period, Opportunity International will have produced the following: membership organization governed by representatives from Implementing and Support Partners; an accreditation process with defined standards that will lead to membership; Network Technical expertise focusing on Accreditation, MIS, training & research, Trust Banks, Growth Loans, Governance, and Information and Reporting.

The following tools and products will be created: 1) Trust Bank Manual, Toolkit & Operations Guide; 2) Growth Loan Manual & Toolkit; 3) Governance Toolkit; 4) Accreditation Manual & Toolkit; 5) Institutional Self-Diagnostic Toolkit; 6) Computer-based Business Planning Model & Manual; 7) Guide for Choosing Accounting & Loan Portfolio Management Software; and 8) Executive Director & Middle Management Training Curriculum and Toolkit.

Together with the above products and tools, the technical assistance and capacity building provided to Zambuko Trust and IDH through this grant will assist the Opportunity Network to obtain its goal of reaching 1.4 million families by 2002.

## **Program Target Groups**

IDH and Zambuko Trust target the poorest of the economically active with the Trust Bank lending methodology. The Trust Bank methodology is specifically designed to target women who most often are the poorest in their communities. Growth loans are designed for slightly larger businesses with greater capital needs and that through expansion can create new jobs.

## **Gender Equity Issues**

At the 1997 Global Conference, the International Gender Task Force (IGTF) was formed as the result of an informal gathering of staff and board members from around the world who were committed to promoting gender issues and women in leadership throughout the Network. In July of 1999, based on recommendations from the IGTF, the Network passed a resolution declaring the following recommendations as priority for the Network:

- The development of a gender policy for the Network Board, Network Office and Regional Offices.

- The appointment of regional staff to disseminate information and coordinate input to the Gender Task Force for that region.
- The organization of tailored gender workshops at regional conferences and for the Global Conference in September 2000.
- The Gender Task Force, with support from the Network Office and regional offices, would conduct a Network-wide organizational gender assessment and women in leadership survey. The results of the survey were to be presented at the Global Conference and updated every three years.
- A Network-wide Internet Conference would be conducted to discuss the issues of gender and women in leadership.

The Women's Opportunity Fund (an Opportunity Support Partner) also recently completed a first round of grants for Promoting Gender Equity and Women in Leadership. These grants are designed to support innovation in gender equity issues and then disseminate lessons learned, systems, policies or training curriculum developed to all Network Partners.

### **Comparison of Actuals with Projected**

#### *Opportunity International*

A completed draft of the Trust Bank Toolkit was circulated to IDH, the Latin America Regional Office and other selected locations in second quarter 2000 for field testing and review. Due to additional rounds of field testing and other reasons addressed under Section V, the final version of the Trust Bank Toolkit will be completed in second quarter 2001.

The MIS Service Center was opened at the end of 1999, earlier than originally projected in the DIP. In September 2000, the Opportunity MIS Service Center identified a new portfolio management and accounting system to be implemented by Partners of the Opportunity Network. In November 2000, licensing was purchased for 20 Partners. Installation and full implementation for 20 Opportunity Partners will take place between December 2000 and June 2002.

Neither the Growth Loan Service Center nor the Latin America Training Center were opened this year. This is due to a restructuring of the Opportunity Network. All current Service Centers and future Service Center functions fall under the Technical Services Group within the new Network structure.

#### *Zambuko Trust*

At the end of 2000, Zambuko had 9,992 clients outstanding. Zambuko was unable to open a new branch office or hire a second regional manager as originally planned. Zambuko also initiated a strategy to lower arrears by weeding out clients with poor repayment records.

*Instituto para el Desarrollo Hondureño (IDH)*

IDH held loan officer training in February and August of this year. The SACC upgrade and training was completed. IDH hosted two board retreats which were conducted by two members of the Opportunity Network.

At the end of September 2000, IDH had 35 loan officers and 4,055 clients outstanding. Due to high competition and IDH's late entry into the Matching Grant program, the growth of the program was lower than projected.

**SECTION III – Monitoring and Evaluation**

**Partner Refinements – IDH and Zambuko Trust**

No changes have been made for either Zambuko Trust or IDH in regards to monitoring and evaluation information. Although the grant period was extended from three years to five years, all baseline data, targets, benchmarks of project progress and critical indicators of effectiveness remain the same as originally proposed in the DIP.

Opportunity International continues to track financial and performance outputs/targets of IDH and Zambuko Trust on a Quarterly Basis. Through the use of an excel based reporting system, Quarterly Data Reports, Trend Analysis Reports, and Comparative Performance Reports are compiled for Zambuko Trust and IDH each quarter by the Opportunity Network office and distributed to each member of Senior Management.

In addition to these quantitative indicators, qualitative indicators such as governance and transformation (sustained economic, social, political, and value based changes) are also measured. Both the quantitative and qualitative indicators are placed in a scoring system. This scoring system provides comparison reporting between the Partners of the Opportunity Network.

**Status of Midterm Assessment**

OI is in the process of finding an evaluator for the midterm assessment. Midterm assessments are planned for first quarter 2001.

*Specific Efforts to Address Gender Issues/Considerations*

Through a recent survey conducted by the International Gender Task Force, Opportunity Partners indicated a need for assistance in recruiting tools for women employees at all levels and Board members, and are interested in guidance in developing Gender policies of their own. The IGTF will be working on providing this assistance during 2001.

**SECTION IV – REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY**

## **Instituto para el Desarrollo Hondureño (IDH)**

### *Outputs and Effects*

At the end of Year 2 of the Matching Grant, IDH had 4,055 clients outstanding, 90% of who were women. The size of their portfolio was 1,109,788 Lempiras with an arrears rate of 6.31%. Their operational sustainability was 98%.

Out of the 4,055 clients, 3,500 are members of Trust Banks. Trust Banks are a form of group lending which focuses on women and emphasizes the personal and social development of the members as well as their economic development. During the course of this year, specific changes have been observed in the leadership capacity of Trust Bank members:

- Very capable peer leaders are guiding 80% of the Trust Banks.
- Members of the Trust Banks are fully participating in debt recovery and loan payments.
- A spirit of solidarity is growing stronger among the groups.
- There is active participation of older members in training newcomers insuring that the spirit of the Trust Bank is not changed with the arrival of others

There is also noticeable change in the self-esteem of Trust Bank clients such as:

- A noticeable improvement in their businesses and their personal appearance.
- Their speech patterns have dramatically improved
- Increased interpersonal skills
- They place value on their skills and capacities.

### *Problems and Solutions*

During the present year, IDH grew at a rate of 103% from 2,000 clients in September 1999 to 4,055 clients at the end of August 2000. The original target was 6,501 clients. There were two factors which made reaching this goal extremely difficult:

1. IDH was not one of the original agencies chosen for the Matching Grant program and, therefore came into the program in the second year. However, it was expected to meet the goals of the first year and come directly into the second year. Although IDH was able to make use of funds for two years, it took double effort within the organization to meet objectives in one year which were originally designed for two.
2. The initial projections took into account that IDH's program could grow from a base of 3,500 clients. However, due to the restructuring of the program – and after the projections had been made – it was found necessary to reduce credit activities, which drastically reduced the client base and the portfolio. As a consequence, the year was started with 1,500 clients less than projected.

In addition to these factors, IDH also faced competition for their programs in Tegucigalpa, where most of their lending occurred the first part of the year. After January 2000, the program was extended to three regional offices outside Tegucigalpa. This increased the portfolio and number of clients.

IDH is also careful to train the members of Trust Banks before they receive their loan. Due to the longer training period, other microfinance institutions are actively soliciting IDH's clients. In the beginning, these institutions were able to acquire some of IDH's best Trust Banks, because IDH was unwilling to increase the loan size they were giving per loan cycle. This forced IDH to examine their program and become more responsive to the needs of the client. Over the past two months, IDH has begun to give higher loans to clients according to the needs of their businesses and not according to the number of loan cycles they have completed. The response has been very positive and some of the Trust Banks, which were lost to the competition, came back to IDH. However, higher loan sizes means fewer clients, all else being equal.

*Impact on Community*

Members of Trust Banks have also started small community projects such as cleaning campaigns, vaccinations and making First Aid Kits.

*Comparison of Actuals with Projected*

Indicators for Year 2, Quarter 3, 2000 In Lempiras

INDICATOR	Projected	Actual
<b>Clients</b>		
# of loan clients outstanding	6,501	4,055
% female	85%	90%
# Indirect Beneficiaries **	32,505	24,330
# of jobs impacted	11,376	9,327
<b>Lending</b>		
# of loans made	15,612	7,345
Average Loan Size	288	150.91
Portfolio size	1,640,703	1,109,788
Loan loss	0.6%	0.1%
Client to Loan Officer Ratio	197	190
Financial Viability	76%	80%
Operational Viability	100%	98%
<b>Institution</b>		
# of loan officers (FTE)	33	35

*Reasons for Variances*

Please see *Problems and Solutions* above.

*Loan Officer Hiring and Training*

In 2000 IDH held the following training courses for loan officers:

- February 15<sup>th</sup> – Ten loan officers were trained, four to work in the small towns surrounding Tegucigalpa and six to expand the programs at the Regional Offices.
- August 15<sup>th</sup> – Eight more loan officers were trained to complete the teams in the Regional Offices.

### *MIS Upgrade*

The Opportunity International Network has recently selected eMerge Advanced software for all Network Partners. IDH decided that it would be better to utilize the funds of the Matching Grant for this new system. Nonetheless, the SACC system was installed, as per the DIP, and is in full use.

There have been several MIS training sessions starting in 1998. Cesar Jimenez, a MIS consultant from the Latin America Regional Office regularly visits IDH to supervise the system and train the MIS administrator. It is the function of the MIS administrator to train personnel.

### *Board and Senior Staff Training*

IDH held two board retreats in 2000. In February David Stiller of Opportunity International Canada conducted a retreat to discuss governing through committees. The second retreat was conducted by Juan Ulloa, the Executive Director of Opportunity's partner in Nicaragua, in August. Mr. Ulloa discussed the relationship between the board and executive director of an organization.

### *Anticipated Problems in Reaching Targets for Next Year*

Currently IDH is conducting two to three market studies in areas not serviced by other microfinance institutions to determine if IDH will open two new offices in these areas. IDH is targeting to reach 5,000 clients by December 2000 which will mean that IDH will reach approximately 8,000 clients by the end of August 2001. This is 90% of next year's target number of clients, a considerable increase from the number of clients with which IDH started the program.

### **Zambuko Trust (Zambuko)**

#### *Outputs and Affects*

As of September 30, 2000, Zambuko Trust had nearly 10,000 clients, approximately 47% of whom are manufacturers, 44% are traders, and 9% are in service, agriculture, and food enterprises. 82% of Zambuko's loans are provided to women. The average loan size for Trust Bank clients is \$75 and for individual clients is \$137, an indicator that Zambuko's clients are among the poorest of the working poor in Zimbabwe. Zambuko had a

portfolio of Zim \$52,335,929 and an operational sustainability of 103.78%. Zambuko has earned the position as the outstanding provider of microenterprise development services in Zimbabwe.

### *Problems and Solutions*

Zambuko is also facing the affects of the poor macroeconomic conditions in Zimbabwe. In July 2000, the Zim\$ was trading at 38 to the US Dollar. As of 30 September, it had fallen to 55:1. Consumer price inflation is over 60% in 2000, with an unemployment rate of 50+% and rising. The devaluation of the Zim\$ has lead to devaluation of Zambuko's portfolio in real terms.

Zambuko also experienced severe cash flow problems this year, which was aggravated by an expected \$500,000 matching donation from Opportunity US. Opportunity raised a \$500,000 donation in the form of stock. Immediately after receiving the donation, the value dropped to below half. OI-US is currently waiting for the stock to further rebound. However, this donation would have enabled 5,000 more clients to receive loans. Due to these cash flow problems, Zambuko stopped accepting new loan applications in August of last year. One way Zambuko addressed this problem was through an overdraft facility from the bank. Zambuko has also initiated a strategy for reducing arrears and is thus weeding out clients with poor repayment records.

Opportunity and Zambuko are responding to these problems in the following ways:

- Zambuko Trust, through inputs provided by Opportunity International, will build capacity to absorb new growth through the installation of the eMerge Advanced MIS, the utilization of palm pilot technology, and the streamlining of financial products.
- In November of this year, four consortiums (including an Opportunity International – led consortium) submitted proposals to USAID to fund microfinance in Zimbabwe. This should result in substantial capitalization for Zambuko Trust beginning in 2001.
- Zambuko has implemented a private placement investment vehicle by which they can accept equity investments, and is seeking international and local investments.
- Zambuko is taking steps to increase its level of viability to cover the cost of dvaluation.
- Zambuko anticipates increasing its Trust Bank program as part of its expansion which will facilitate greater client outreach.
- Opportunity has increased its fundraising efforts for Zambuko, raising \$500,000 in 2000.

### *Impact on Community*

Zambuko Trust funds people who are turned away from financial institutions because of they lack the security banks require. Zambuko's services ensure that families are well looked after especially during the current economic crisis in Zimbabwe.

*Comparisons of Actuals with Projected*

Indicators for Year 2, Quarter 3, 2000

INDICATOR	Projected	Actual
<b>Clients</b>		
# of loan clients outstanding	23,115	9,992
% female	75	81%
# Indirect Beneficiaries **	115,575	37,580
# of jobs impacted	45,586	16,983
<b>Lending</b>		
# of loans made	26,915	7,516
Average Loan Size USD	123	173*
Average Loan Size Zim\$	2,116**	9,539
Portfolio size USD	1,915,609	951,562*
Portfolio size	32,948,474**	52,335,929
Loan loss	2.9%	1.89%
Client to Loan Officer Ratio	223	159
Financial Viability	76%	72%
Operational Viability	86%	103.78%
<b>Institution</b>		
# of loan officers (FTE)	76	65

\* US\$1 = Zim\$55 (September 2000)

\*\* US\$1 = Zim\$17.2 (May 1998)

*Variances*

Number of Clients

Zambuko Trust did not have the funding to expand its operations. Due to their cash flow problems, Zambuko stopped accepting new loan applications in August 1999. Additionally, Zambuko initiated a strategy to reduce arrears and was thus weeding out clients with poor repayment records.

Zambuko was also unable to open a new branch office and did not hire a regional manager as originally planned for in quarter three due to lack of funding.

Average Loan Size

The average loan size was larger than projected because Zambuko was lending to repeat clients and thus granting bigger loans to a smaller number of borrowers.

Outstanding Portfolio

Zambuko's loan portfolio grew (in Zim\$) because of increased loan size due to repeat borrowers. However, due to the devaluation of the Zim\$ against the US\$, the amount is less in US\$ than compared to projected figures.

#### Operational Viability

Operational viability improved because of improved internal controls and tight control of expenditure.

#### Number of Loan Officers

The number of loan officers was less than projected due to lack of funding which did not warrant the hiring of new loan officers. In fact, Zambuko was overstaffed and had to allow natural attrition to streamline operations. Zambuko expects to have 75 loan officers by the end of next year.

#### Way Forward

Zambuko Trust, through inputs provided by Opportunity International, will build capacity to absorb new growth through the installation of the eMerge Advanced MIS, the utilization of palm pilot technology, and the streamlining of financial products.

#### *MIS Upgrade*

Opportunity International is partnering with Decentralized Banking Solutions (DBS) to install the eMerge Advanced system at Zambuko Trust. This system is based on the Globus banking system, by Temenos, which was the number one banking system in sales for new customers in 1999. The system, marketed through Global Technologies is now in more than 200 banks and financial institutions on every continent around the world. Credit Suisse is the largest user, currently running the system with 6,000 concurrent users. The smallest has only 5 concurrent users. EMerge, a micro-enterprise system, is therefore derived from the #1 international banking system in terms of installations worldwide. The system has been selected as the official system of the Opportunity International Network. It was decided that the MIS upgrade Zambuko was to implement in third quarter 2000 will be postponed in lieu of the purchase of the eMerge Advanced software. Opportunity International will facilitate the installation and support of the system at Zambuko and integrate Palm technology in quarter two of 2002.

#### *Training*

In February 2000, Zambuko's Managing Director visited BancoSol, PRODEM and Caja los Andes located in Brazil to learn about commercialization.

The Finance Manager attended a five day course organized by SAMCAF (Zambia) in October on Financial Management and Ratio Analysis.

Zambuko's internal auditors attended a course on fraud organized by the local institute of Internal Auditors.

The Operations Manager, Finance Manager and Internal Audit Supervisor attended a workshop in September on Fraud and Internal Controls organized by the International Network for Alternative Financial Institutions (INAFI). The workshop was held in Harare.

## **Relationship Between OI and IDH and Zambuko**

### *Structure of Working Arrangement Between OI and Local Partner*

#### Memorandum of Understanding

The guiding document for the working arrangement for the Matching Grant is a Partner-specific Memorandum of Understanding, which is customized to fit the objectives and requirements of the Matching Grant. This is signed by the Implementing Partner, Regional Office, and OI-US. The document defines clearly USAID funding, match obligations, objectives of the grant, reporting requirements, USAID requirements, and other issues related to the grant. Opportunity International signed agreements with both Zambuko Trust and IDH.

#### Reporting

Opportunity developed a comprehensive quantitative reporting system that tracks the indicators through reports provided by each of its Partner MFIs. Quarterly Data Reports, Trend Analysis Reports, and Comparative Performance Reports are compiled by Opportunity based on this standardized data and are distributed to Support Partners, Regional Directors, Country Directors, Program Managers, and to the Executive Director of each Partner. IDH and Zambuko will continue to report on a quarterly basis, as is the OI Network standard. OI's Program Managers and Regional Directors closely monitor variances from planned targets.

#### Network Structure and Services

The Opportunity Network is a membership organization of Partners in over 30 countries around the world. The Network is governed by a 12-member international Network Board representing seven regions which include all Partner Organizations. The Network Board is responsible for implementing the collective vision of partners through the Network Office and Regional Offices. In addition, the Network Office oversees communication and coordination between Partners, new Partner development, alliance building, and the accreditation of Network Partners.

The accreditation process is defined as standards that will lead to full membership in the Opportunity International Network. Specifically, Network Partners passed a resolution calling for the following:

*The Network shall employ a process of accreditation as a mechanism for building Network-wide best practice and reviewing the performance of an organization against standards and guidelines developed by the Network. Central to the accreditation process will be an organization's self-evaluation and a peer review process that result in organizational assessment, evaluation, and planning.*

Partners have agreed to meet international standards of excellence in key areas of governance, financial performance, program services and management. They recognize that these standards are a crucial way of producing transparent, quality information that will benefit themselves and potential investors alike. They believe that this will support their ultimate goals of maximizing **outreach, quality services and impact among clients.**

The Network also has a Web page that enables all Network Partners to share information and ideas. The Web page has recently been designed and will be available for use by Partners by the end of 2000. The new site is designed to be a clearing house for Network Best Practices and Lessons Learned. Easy access to this type of information provided through the Web greatly enhances the experiential learning occurring between Partners.

#### *Background of IDH*

The Institute for Honduran Development (IDH) was approved as a private, non-profit development organization by the Honduran government in March 1979. IDH is headquartered in Tegucigalpa with branch offices located in Juticalpa, Danli, and Siguatepeque.

The mission of IDH is to contribute to the socioeconomic development of Honduras through the provision of credit and technical assistance to poor micro and small entrepreneurs. Its vision is to assist the economic, social and spiritual transformation of its clients, their families and communities.

IDH functions with an assembly as its maximum authority. The IDH Board of Directors is elected from the assembly. The Board of Directors meets once a month in ordinary sessions, and only as required in extraordinary situations. The Board appoints the Executive Director and establishes the policies of the organization, which are then implemented by the Executive Director. Legal representation of the organization is the responsibility of the President of the Board of Directors.

#### *Background on Zambuko Trust*

Zambuko Trust (Zambuko), an Opportunity International Partner since its establishment in 1992, has earned its position as the outstanding provider of microenterprise

development services in Zimbabwe. Zambuko's goal over the next five years is to increase its client outreach to over 50,000. Currently Zambuko maintains an active client base of 9,992 (up from 1,500 clients in 1995), approximately 47% of whom are manufacturers, 44% who are traders, and 9% who are in service, agriculture, and food enterprises. 82% of Zambuko's loans are provided to women. The average loan size for Trust Bank clients is \$75 and for individual clients is \$137, an indicator that Zambuko's clients are among the poorest of the working poor in Zimbabwe. Zambuko operates through twenty-five branch offices and is operationally sustainable.

Zambuko Trust consists of two legal entities, The Geshur Trust and Zambuko Trust, with two Boards of Directors. These operate as one in practice. Neither organization is owned by shareholders. Rather, A Board of Trustees holds the fiduciary and policy responsibilities for Zambuko.

As established by the Board and detailed in the Policies and Procedures Manual, the mission of Zambuko is to "...be a bridge for the underprivileged to provide opportunities for enterprise and income generation in Zimbabwe's society.

Zambuko offers three loan products to its clients: Individual Loans (IL), Solidarity Group Loans (SG) and Trust Bank Loans (TB). Individual Loans do not require collateralization, but do require a guarantor that is minimally qualified (monthly income equal to or greater than four times the monthly repayment amount of the loan.) Solidarity Groups average from four to seven members and are self-selected. Loans are cross-guaranteed by group members. Trust Banks are a group lending product in which members cross-guarantee each other's loans, however, with 25 or 40 borrowers in a group, they are larger than Solidarity Groups. The Trust Bank lending methodology also targets women who are the poorest of the economically active in their communities.

## **SECTION V – MANAGEMENT: REVIEW AND ANALYSIS OF HEADQUARTERS/SUPPORT FUNCTIONS**

### **Comparisons of Actuals with Proposed**

#### *Service Centers*

In September 2000, the Opportunity International Network set a goal of growing from 200,000 to 700,000 clients by 2005 and increasing to 2,000,000 clients by 2010. In order to support Network Partners in achieving this goal, a new Network structure was developed to replace the current Regional Structure (attachment C).

The new structure is divided into the following four service areas: the Opportunity Investment Group, the Technical Services Group, the Regional Directors and MIS. The work of the current Service Centers and future Service Centers will be incorporated into the Technical Services Group. (The MIS is currently a separate division of the new structure as stated above, but will be incorporated into the Technical Services Group after installation of the new MIS is complete.)

Through this restructuring, the Network is developing the financial, technical and human resources necessary to support the growth of national scale, transformational, financial institutions. The end result streamlines the Network to make the best use of the resources and expertise that exist within it.

#### *Trust Bank Service Center*

The Trust Bank Toolkit will be completed in Quarter II of 2001. Originally the Toolkit was to be finished in Quarter I of 2000. The Toolkit was delayed for the following reasons:

- There was turnover in senior program staff at the Trust Bank Service Center.
- As the main writer is also responsible for several other projects for the Service Center, only a certain percentage of her time could be fully dedicated to completing the Toolkit.
- Several rounds of field testing were completed rather than just one as originally planned. A complete draft was circulated to IDH, the Latin America Regional Office and other selected locations in Quarter II of 2000 for field testing and review.

#### *Growth Loan Service Center*

In light of the restructuring process mentioned above, the Growth Loan Service Center was not created. Under the new structure, the Technical Services Group will be responsible for further development of growth loan products.

#### *MIS Service Center*

In July 1999, Steve Callison was hired as Director of the MIS Service Center. Later that same year, Daryl Skoog, former Chief Information/Technology Officer for Federal Express, was hired as co-director of the Service Center.

In September 2000, the Opportunity MIS Service Center identified a new portfolio management and accounting system to be implemented by Partners of the Opportunity Network in order to create greater uniformity and increased capacity throughout the Network.

Opportunity International has negotiated a contract with Decentralized Banking Systems (DBS) for the purchase and distribution of Temenos eMerge Advanced. EMerge Advanced is a microfinance configured portfolio management system with integrated general ledger and reporting capability and is derived from the number one, externally produced international banking package on the market.

Opportunity has planned for the installation and full implementation of eMerge Advanced at twenty of its partner microfinance institutions, including Zamubko Trust and IDH, to take place between approximately December 04, 2000 and June 2002.

EMerge Advanced will allow Partners to manage larger portfolios more effectively through access to accurate delinquency and portfolio quality information on a daily basis. Partners will be able to manage savings products, where the legal/regulatory environment allows, increasing capitalization through debt acquisition and will be able to attract additional funding.

#### *Latin America Training Center*

As per the Network restructuring process, regional centers are no longer a part of the Opportunity Network structure. All technical assistance and training will be provided by the Technical Services Group.

#### *Increased Capacity of IDH and Zambuko*

Opportunity International continues to assist IDH and Zambuko increase their capacity through onsite training.

At IDH, two board retreats were held. In February David Stiller of Opportunity International Canada conducted a retreat on governing through committees. The second retreat was conducted by Juan Ulloa, the Executive Director of Opportunity's partner in Nicaragua, in August. Mr. Ulloa discussed the relationship between the board and executive director of an organization.

IDH also received MIS training from Cesar Jimenez from the Latin America Regional Office.

Opportunity International recently purchased licensing for the eMerge Advanced accounting and management software to help increase the capacity of its partners. Zambuko and IDH are scheduled to receive the new software by 2002.

#### *Dissemination of Lessons Throughout the Opportunity Network*

From September 4 – 8<sup>th</sup>, over 300 delegates representing Support and Implementing partners of the Opportunity Network, met in Oxford, England for the Opportunity International Global Conference. During that time delegates participated in several general sessions and workshops which aimed at developing a sense of cooperation and family in the nearly 30 partners of Opportunity International. The conference provided a forum for sharing best practices from the various Opportunity Partners on topics such as commercialization, communications and marketing. From Sept 9<sup>th</sup>-11<sup>th</sup>, over 100 delegates participated in the International Staff Training (IST). IST provided the delegates technical workshops and specific skill developing sessions to build capacity and add value to the day-to-day operations of their organization. Some of the topics were as follows:

- Applying Accreditation

- Conversion to a bank style model
- Staff Training techniques
- Trust Bank Toolkits
- Impact Assessment Tools
- MIS Portfolio management
- Reporting
- Communications workshops

The Network also has developed a new Web site that enables all Network Partners to share information and ideas. The web site will be active by December 30, 2000 as planned. The site will serve as a clearing house for Best Practices and Lessons Learned in the Opportunity Network. Country specific information and partner newsletters will also be available to site users. Easy access to this type of information provided through the Web greatly enhances the experiential learning occurring between Partners.

#### *Mid-Term Evaluation*

OI is in the process of finding an evaluator for the midterm assessment. Midterm assessments are planned for first quarter 2001.

#### *Anticipated Problems in Meeting Final Project Objectives*

As per the DIP, a Growth Loan Manual is to be completed by third quarter 2001. As was mentioned above, the Service Center that would have produced the manual was not created, and it is unknown at this time if the Technical Assistance Group has the Growth Loan Manual as a priority for 2001.

### **SECTION VI – FINANCIAL REPORT**

#### **Financial Narrative to the Matching Grant Annual Report**

The first two years of the grant, budgeted AID expenses totaled \$800,005. Grant to date actual amount as of September 30<sup>th</sup>, 2000 was \$768,013, resulting to a total of \$31,992 below budget.

As shown in the exhibit, Growth Loans Center, Training and Research Center, as well as MAPS Center activities were delayed in year 2, mostly due to a change in structure of duties between Opportunity International and Opportunity Network.

- In Year 2, MAPS Center activities were transferred to the Opportunity International Network. Its primary focus was to refine the reporting system in order to improve accuracy and timeliness of reporting, as well as to enhance monitoring of partners performances. As a result, no expenses were charged to the grant for the year.
- Training and Research activities focused on developing Trust Bank training tools, notably a Loan Officer Toolkit, and a Supervisor Toolkit, as well as training Loan

Officers on how to best use the toolkits. As a result, training expenses for the year shifted from Training and Research Center to Trust Bank Service Center.

- As previously mentioned, the Growth Loan Center was not created due to the completion of Opportunity Network's restructuring, which will be completed in the next few months.

In 2001, Opportunity International plans to contract with the Opportunity Network to provide all service centers related activities.

Total actual match for year 1 and year 2 combined exceeded budget by \$169,863. Matching funds were provided by contributions from individuals, private foundations, corporations and churches raised as part of Opportunity's annual fund-raising campaign.

Opportunity International does not anticipate any problems meeting match requirement for the life of the project. 2001 plans are to raise \$1,500,000 for the MIS Service Center, \$500,000 for other Service Centers, \$863,000 for regional office support, \$500,000 for Zimbabwe, and \$100,000 for Honduras.

See attached financial report for estimated expenses for the rest of the grant period.

**Opportunity International  
Matching Grant  
FY 98 Application**

As of 09/30/00

	Year 1 10/98 - 09/99				Year 2 10/99 - 09/00				Year 3 10/00 - 09/01				Year 4 10/01-09/02				Year 5 10/02-09/03				Grant Total				LOP			
	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	Budget AID	Actual AID	Budget OI	Actual OI	AID	OI	Total	
<b>Headquarters Direct Costs</b>																												
Grants Management	38,568	51,063	24,064	42,049	41,842	18,743	23,850	-	34,843	-	26,672	-	41,233	-	23,281	-	35,971	-	27,613	-	192,457	69,806	125,481	42,049	192,457	119,615	312,072	
Evaluation	-	-	-	-	-	-	-	-	16,500	-	-	-	-	-	-	-	15,000	-	-	-	31,500	-	-	-	31,500	-	31,500	
<b>Total HQ</b>	<b>38,568</b>	<b>51,063</b>	<b>24,064</b>	<b>42,049</b>	<b>41,842</b>	<b>18,743</b>	<b>23,850</b>	<b>-</b>	<b>51,343</b>	<b>-</b>	<b>26,672</b>	<b>-</b>	<b>41,233</b>	<b>-</b>	<b>23,281</b>	<b>-</b>	<b>50,971</b>	<b>-</b>	<b>27,613</b>	<b>-</b>	<b>223,957</b>	<b>69,806</b>	<b>125,481</b>	<b>42,049</b>	<b>223,957</b>	<b>119,615</b>	<b>343,572</b>	
<b>Network Service Centers</b>																												
Trust Bank Center	56,813	79,204	96,840	65,608	67,835	67,835	98,275	25,775	52,093	-	86,984	-	54,531	-	90,241	-	52,944	-	86,316	-	274,217	137,039	457,657	91,382	286,608	353,923	640,531	
Growth Loans Center	3,298	162	942	-	3,393	-	979	-	3,523	-	1,019	-	3,657	-	1,059	-	3,798	-	1,102	-	17,639	162	5,101	-	11,160	4,122	15,282	
MIS Center	25,057	26,120	65,069	36,240	24,236	24,265	67,804	266,779	24,713	-	68,540	-	25,855	-	72,261	-	24,961	-	61,024	-	124,841	50,375	334,998	303,019	125,923	505,144	631,067	
MAPS Center	11,427	21,380	18,174	56,146	11,969	-	19,076	-	11,583	-	18,249	-	12,132	-	19,152	-	12,707	-	20,103	-	59,818	21,390	94,754	55,145	57,813	113,650	171,462	
Training & Research Center	37,847	49,076	32,412	42,472	33,705	10,038	27,518	2,911	29,724	-	36,739	-	35,567	-	31,509	-	27,376	-	41,241	-	164,419	59,114	169,519	45,384	151,961	154,973	306,954	
<b>Total Network Serv. Ctr.</b>	<b>134,413</b>	<b>175,972</b>	<b>213,437</b>	<b>200,465</b>	<b>131,136</b>	<b>92,128</b>	<b>213,652</b>	<b>295,465</b>	<b>121,637</b>	<b>-</b>	<b>210,831</b>	<b>-</b>	<b>131,743</b>	<b>-</b>	<b>214,223</b>	<b>-</b>	<b>122,006</b>	<b>-</b>	<b>209,888</b>	<b>-</b>	<b>640,934</b>	<b>265,100</b>	<b>1,062,029</b>	<b>495,930</b>	<b>633,465</b>	<b>1,131,911</b>	<b>1,765,297</b>	
Zimbabwe	68,173	68,173	68,878	34,448	68,175	92,583	86,878	128,979	68,174	-	86,877	-	68,175	-	86,877	-	68,175	-	86,877	-	340,872	160,767	434,387	161,422	365,281	422,053	787,334	
Honduras	76,308	46,581	204,634	8,324	76,309	34,280	120,004	434,838	76,307	-	76,506	-	76,309	-	61,366	-	76,307	-	76,073	-	381,540	110,871	638,583	443,860	371,182	667,805	1,028,987	
<b>Indirect Costs</b>	<b>82,540</b>	<b>81,085</b>	<b>-</b>	<b>-</b>	<b>82,540</b>	<b>177,414</b>	<b>-</b>	<b>-</b>	<b>82,540</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,538</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>412,697</b>	<b>158,479</b>	<b>-</b>	<b>-</b>	<b>406,095</b>	<b>-</b>	<b>406,095</b>	
<b>Total MG Program</b>	<b>400,002</b>	<b>392,855</b>	<b>529,013</b>	<b>286,282</b>	<b>400,003</b>	<b>375,158</b>	<b>444,384</b>	<b>856,980</b>	<b>400,000</b>	<b>-</b>	<b>400,886</b>	<b>-</b>	<b>389,998</b>	<b>-</b>	<b>385,746</b>	<b>-</b>	<b>399,997</b>	<b>-</b>	<b>400,449</b>	<b>-</b>	<b>2,000,000</b>	<b>768,013</b>	<b>2,160,479</b>	<b>1,143,281</b>	<b>2,000,000</b>	<b>2,331,285</b>	<b>4,331,285</b>	

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## **SECTION VII – LESSONS LEARNED AND LONG-TERM PROJECT IMPLICATIONS**

### **Estimates of Project Costs and Benefits**

The estimated total project cost is \$4,331,285 over five years. By the end of year five, IDH and Zambuko Trust will be serving over 40,000 clients, of whom 75-80% will be women, impacting well over 75,000 jobs, and affecting the lives of nearly 200,000 people.<sup>3</sup>

### **Institutional Building Assessment**

In order to support the exponential growth of its Partners, the Opportunity Network recently restructured into the following four service areas: the Opportunity Investment Group, the Technical Services Group, the Regional Directors and MIS. Through this restructuring, the Network is developing the financial, technical and human resources necessary to assist its Partners increase their outreach and the quality of their services.

To increase uniformity and capacity throughout the OI Network, Opportunity International recently purchased Temenos eMerge Advanced software from Decentralized Banking Systems (DBS) for distribution to OI's micro-finance institutions worldwide.

Opportunity believes that a uniform MIS will have a positive effect on each of the following factors: capacity building, business environment, information technology and access to capital. OI also intends to work with selected partners toward legal/regulatory transformation from NGO to commercial financial institution. EMerge Advanced is considered an integral component to the process of meeting legal and regulatory requirements associated with transforming our partners to commercial financial institutions, which includes, to varying degrees, the factors above.

### **Network Sustainability**

OI is making significant progress in increasing sustainability of the Network. At the end of third quarter 2000, OI's average operational sustainability was 95.5%. This was a climb from 84.9% at the end of third quarter 1999. Also the average arrears rate over 30 days was 6.6%. This represents a fall from 7.2% at the end of third quarter 1999.

### *Opportunity Transformation Investments*

At the end of August 2000, Opportunity International received approval for Opportunity Transformation Investments, a US-based investment fund for institutional and private investors that will provide our Partners with soft-loans, equity investments and letter-of-credit guarantees that secure commercial loans. The fund is ready to take investments

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<sup>3</sup> # of indirect beneficiaries based on an average family size of five members.

as of the beginning of fourth quarter 2000. The fund will provide debt instruments, loan guarantees and equity to Implementing Partners as follows:

Concessionary Rate Notes – The Fund’s initial offering will be a below market rate debenture. Investors will lend to the Funds in \$1,000 increments for one to five years at an interest rate they select ranging from 0-3%, possibly with graduated returns based on amount lent. This offering will be made through the Calvert Social Investment Foundation’s “Calvert Community Investments” program. This is a private label program. Opportunity undertakes promotion and initial investor education efforts. Calvert provides broker/dealer services as well as all legal, regulatory, and administrative work.

Guarantee Pools – A number of models exist for pooling investor deposits and utilizing them to guarantee lines of credit through local banks to Partners. Investors will be able to select a range of returns. OI will keep a portion of the interest earned on deposits as a reserve against losses and to cover expenses.

Equity – Investors interested in placing equity in OI’s Partners will be given the opportunity to invest directly or participate in a pool that holds stock in various Network Partners. Such investments will be strictly limited to accredited individuals and institutional investors.

Another method Opportunity has instituted to increase sustainability is the creation of guarantee funds. The first guarantee fund was established in third quarter 2000 for Append, Opportunity’s Partner in the Philippines. The fund provides Append with expanded access to capital from the Land Bank of the Philippines at a ratio of 6:1. In addition to this, the fund has created a source of income for Opportunity International through the interest on the account.

A similar fund is being created in Ghana to assist Opportunity’s Partner, Sinapi Aba Trust to become a formal financial institution.

### **Benefit Distribution**

Both IDH and Zambuko make a significant amount of loans to women – 90% of IDH’s clients are women and 81% of Zambuko’s clients are women.

Through Trust Bank lending, Zambuko and IDH are able to target the poorest of the working poor as reflected by smaller loan sizes.

Zambuko Trust is also witness to the AIDS pandemic in Zimbabwe and is committed to assisting its clients affected by AIDS through its lending program

### **Local Participation**

At IDH members of Trust Banks have started small community projects such as cleaning campaigns, vaccinations and making First Aid Kits.

## **Leadership Development**

During the course of this year, specific changes have been observed in the leadership capacity of Trust Bank members at IDH:

- Very capable peer leaders are guiding 80% of the Trust Banks.
- Members of the Trust Banks are fully participating in debt recovery and loan payments.
- A spirit of solidarity is growing stronger among the groups.
- There is active participation of older members in training newcomers insuring that the spirit of the Trust Bank is not changed with the arrival of others

## **Innovation and Technology Transfer**

From September 4 – 8<sup>th</sup>, over 300 delegates representing Support and Implementing partners of the Opportunity Network, met in Oxford, England for the Opportunity International Global Conference. During that time delegates participated in several general sessions and workshops which aimed at developing a sense of cooperation and family in the nearly 30 partners of Opportunity International. The conference provided a forum for sharing best practices from the various Opportunity Partners on topics such as commercialization, communications and marketing. From Sept 9<sup>th</sup>-11<sup>th</sup>, over 100 delegates participated in the International Staff Training (IST). IST provided the delegates technical workshops and specific skill developing sessions to build capacity and add value to the day-to-day operations of their organization. Some of the topics were as follows:

- Applying Accreditation
- Conversion to a bank style model
- Staff Training techniques
- Trust Bank Toolkits
- Impact Assessment Tools
- MIS Portfolio management
- Reporting
- Communications workshops

The Network also has developed a new Web site that enables all Network Partners to share information and ideas. The web site will be active by December 30, 2000 as planned. The site will serve as a clearing house for Best Practices and Lessons Learned in the Opportunity Network. Country specific information and partner newsletters will also be available to site users. Easy access to this type of information provided through the Web greatly enhances the experiential learning occurring between Partners.

IDH has participated in a program developed by the Opportunity Latin America Regional Director called the Group of 12. The Group of 12 consists of the EDs and some board members of several Latin America Partners. The purpose of the Group is to share best

practices and institutional knowledge within the various Latin American Programs in order to enhance the ability of each organization to better run their programs.

As previously stated, Opportunity will implement eMerge Advanced from Decentralized Banking Systems throughout its network of partner micro-finance institutions.

### **Partnering with Local Entities**

IDH has strategic alliances with NGOs providing housing to people devastated by Hurricane Mitch. These institutions have provided IDH with lists of beneficiaries who have small businesses and have shown to be responsible with their house payments. These people are invited to receive information on IDH's credit programs. Only the people on this list will be able to obtain financing. This alliance has a double edge as it allows IDH to work with people who already have a culture of paying their debts. For the other institution it may set an example that those who are faithful to pay, can obtain additional benefits such as being able to participate in a credit program.

### **Replication Potential of Project Approach and Activities**

The Trust Bank lending methodology has proven to be highly replicable. In the early 90s, the first Trust Bank projects were established at two Opportunity International Partners - KMBI in the Philippines and ADEMCOL in Colombia. Since that time, many other Opportunity Partners received training in the Trust Bank methodology and now approximately 30 Partners have Trust Banks as one of their lending products.

IDH has also participated in a program developed by the Opportunity Latin America Regional Director called the Group of 12. The Group of 12 consists of the EDs and some board members of several Latin America Partners. The purpose of the Group is to share best practices and institutional knowledge within the various Latin American Programs in order to enhance the ability of each organization to better run their programs.

As previously stated, Opportunity will implement eMerge Advanced from Decentralized Banking Systems throughout its network of partner micro-finance institutions. Further, the partnership between Opportunity and DBS may be a model for other global network organizations seeking uniformity and increased capacity from management information systems.

**Attachment One**  
**Form 1550-11**

**PVO PROJECT REPORTING INFORMATION  
ON A.I.D. SUPPORTED PVO PROJECTS**

(See Instructions and OMB Statement on Reverse)

**PAPERWORK REDUCTION ACT STATEMENT:** Public reporting burden for this collection of information is estimated to average thirty hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to:

Agency for International Development  
FVA/PVC/IPS, Room 102, SA-2  
Washington, D. C. 20523-0220  
or  
Office of Management and Budget  
Paperwork Reduction Project (OMB No. 0412-0530)  
Washington, D. C. 20503

**FOR OFFICIAL USE ONLY**

PVO Type	Project Number	
Appropriation	Level	
Country Code	Fund Type	Technical Code
Project Officer	Key 1	Key 2

**PROJECT INFORMATION (PRIMARY)**

Name of Organization <b>Opportunity International</b>		Grant/Contract Number <b>FA0-A-00-98-00070-00</b>
Start Date (MM/DD/YY) <b>09/21/98</b>	End Date (MM/DD/YY) <b>09/28/03</b>	A.I.D. Project Officer's Name <b>Sherrill Facht</b>

**A.I.D. OBLIGATION BY A.I.D.-FY (\$000)**

FY	AMOUNT	FY	AMOUNT

LOP ~~XXXXXXXXXX~~

Activity Description

Opportunity International is involved in the development of an indigenous agency which assists poor entrepreneurs through a revolving credit program. The project provides credit to microenterprises which will either improve the living standard of the owner or create jobs for the unemployed. The agency provides technical assistance in addition to credit through training seminars and on-sight visits.

Status

In Grant Year two of the Matching Grant, IDH made 7,354 loans for a total value of \$1,109,788 with 90% of the clients being women. This has resulted in a total job impact of 9,327 jobs. The Board participated in two retreats and training courses for loan officers were conducted in February and August. Currently several marketing studies are being conducted to examine the possibility of opening two new offices in underserved areas.

**COUNTRY INFORMATION (SECONDARY)**

Country <b>Honduras</b>	Location in Country (Region, District, Village) <b>Comayagua/Tegucigalpa</b>
PVO Representative's Name <b>Jim Frantz</b>	Local Counterpart/Host Country Agency <b>Institute for Honduran Development</b>

**COUNTRY FUNDING INFORMATION (\$000)**

YEAR	FY99	FY2000		
AID \$	0	88		
PVO \$	0	165		
INKIND				
LOCAL				
TOTAL <del>XXXXXXXXXX</del>	0	253		

PVO PROJECT REPORTING INFORMATION  
ON A.I.D. SUPPORTED PVO PROJECTS

(See Instructions and OMB Statement on Reverse)

PAPERWORK REDUCTION ACT STATEMENT: Public reporting burden for this collection of information is estimated to average thirty hours, per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to:

Agency for International Development  
FVA/PVC/IPS, Room 102, SA-2  
Washington, D. C. 20523-0220  
or  
Office of Management and Budget  
Paperwork Reduction Project (OMB No. 0412-0530)  
Washington, D. C. 20503

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PVO Type	Project Number	
Appropriation	Level	
Country Code	Fund Type	Technical Code
Project Officer	Key 1	Key 2

PROJECT INFORMATION (PRIMARY)

Name of Organization Opportunity International		Grant/Contract Number FA0-A-00-98-00070-00
Start Date (MM/DD/YY) 09/21/98	End Date (MM/DD/YY) 09/28/03	A.I.D. Project Officer's Name Sherrill Facht

A.I.D. OBLIGATION BY A.I.D.-FY (\$000)

FY	AMOUNT	FY	AMOUNT

LOP

Activity Description

Opportunity International is involved in the development of an indigenous agency which assists poor entrepreneurs through a revolving credit program. The project provides credit to microenterprises which will either improve the living standard of the owner or create jobs for the unemployed. The agency provides technical assistance in addition to credit through training seminars and on-sight visits.

Status

During Grant Year two of the Matching Grant, Zambuko provided 7,516 loans for a total value of approximately \$987,470 with 81% of the loan recipients being women. This resulted in a total job impact of 16,983 jobs. The average loan size for Trust Bank clients is \$75 and for individual clients is \$137, an indicator that Zambuko's clients are among the poorest of the working poor in Zimbabwe. Zambuko operates through twenty-five branch offices and has reached operational sustainability at 103.78%.

COUNTRY INFORMATION (SECONDARY)

Country Zimbabwe	Location in Country (Region, District, Village) Bulalwayo/Harare/Kwekwe/Gweru/Chitungwiza
PIO Representative's Name Ken Appenteng-Mensah	Local Counterpart/Host Country Agency Zambuko Trust

COUNTRY FUNDING INFORMATION (\$000)

EAR	FY99	FY2000		
IDS	51	169		
POS	29	72		
KIND				
DCAL				
TOTAL	80	241		

# **Attachment Two**

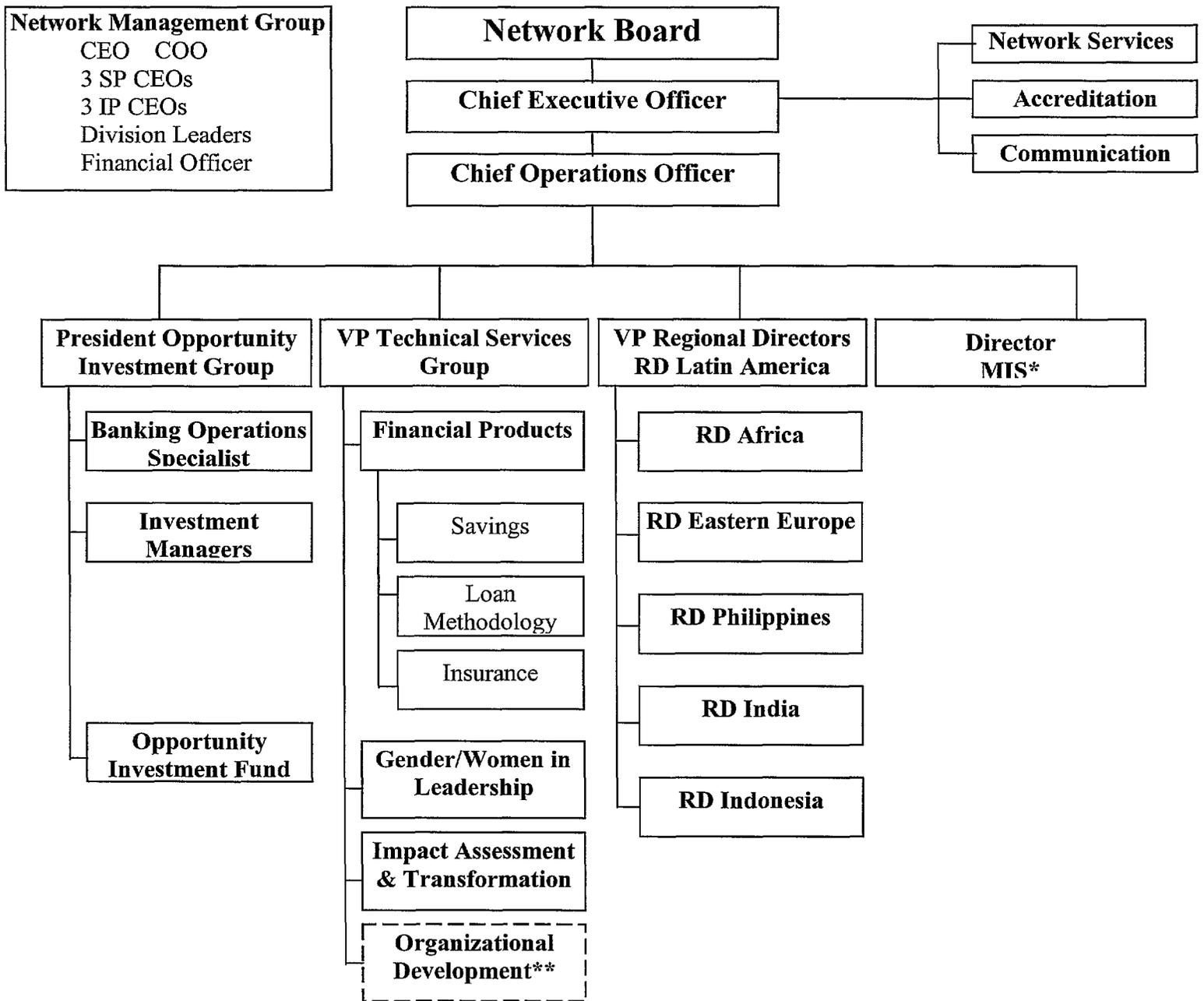
## **DIP Logical Framework**

**OPPORTUNITY International**  
**Implementation Plan**  
 1998 USAID Matching Grant

ACTIVITIES	1999				2000				2001			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
<b>Service Centers</b>												
Trust Bank Service Center Officially Opened												
Trust Bank Manual Revisions Complete												
Trust Bank Toolkit Complete												
Growth Loan Service Center Officially Opened												
Research on Best Practices												
Growth Loan Manual Complete												
MIS Service Center Director Hired												
MIS Service Center Officially Opened												
Support Systems Developed												
Ongoing Support Provided												
Information and Reporting Center Officially Opened												
Auto Report System Installed												
Partners Trained												
Web-based Partner/Profile Developed												
System Operating at Both Partners												
Africa Training / Research Center Officially Opened												
Latin America Training Center Officially Opened												
Business Planning Model Complete												
Business Planning Manual Complete												
Partner Diagnostic System Complete												
Governance Manual Complete												
Senior Management Curriculum Complete												
Mid-Term Evaluation												
<b>Zimbabwe</b>												
New Branch Office Opened												
Chief Operations Manager Hired												
Over 16,000 Active Clients												
Over 23,000 Active Clients												
Over 30,000 Active Clients												
Achieve Operational Viability												
MIS Upgrade Complete												
Trust Bank Evaluation by Trust Bank Service Center												
Regional Manager Hired												
85 Lending Personnel												
115 Lending Personnel												
125 Lending Personnel												
<b>Honduras</b>												
Loan Officer Group Hiring and Training												
Transition to Trust Bank product												
SACC System Installed												
SACC Upgrade Complete												
Staff Trained on System												
Loan Officer Incentive System Implemented												
Write-Off Policy Implemented												
Board / Snr. Staff Training												
Over 3,200 Active Clients												
Over 6,500 Active Clients												
Over 9,100 Active Clients												
21 Lending Personnel												
33 Lending Personnel												
45 Lending Personnel												

# **Attachment Three**

## **Network Structure**



*\* Over the next 2 years the MIS project will be in the installation and training phase and will require its own division. Following that time, it will most likely become a part of the Technical Services Group.*

*\*\* The Technical Services Group will begin concentrating on the areas for which it has ready funding, while researching and studying the needs of the Partners and raising funds for the Org. Dev. & Human Resources area.*