

**PERIOD THREE IMPLEMENTATION GRANT REPORT**

**Period from October 1, 2000 to March 31, 2001**

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

**In fulfillment of the 1999-2002  
AID/OPPORTUNITY International Grant  
PCE-A-00-99-00030-00**

**Submitted by Opportunity International  
May 2001**

## **NARRATIVE REPORT**

### **Variations**

#### **Difficulties**

Over the past three years Colombia's economy has been in decline due to the current crisis caused by increasing violence between guerrillas, paramilitaries and government forces. This has resulted in the following: a dissuasion in foreign investment, the exit of national capital to other countries with higher security for their investment, both physical and financial as well as a decrease of 4.9% of the GDP in 1999 and 3.9% in 2000. This is reflected in a real unemployment rate of 50.2%. Another significant factor is a devaluation of the peso of 19.2% in 1998, 21.5% in 1999 and a projected devaluation of 18.2% in 2000. Actually, the exchange rate of the peso to the dollar is very unstable as the value progressively increases due to social unrest. It is because of this that the government is predicting a devaluation of 10% in 2001. Devaluation already stands at 4.71%.

AGAPE's clients, as a part of this economy, do not remain unaffected by this crisis. The number of clients who are unable to renew their loans has increased due to their inability to repay on time or due to bankruptcy. In 2000 there was a desertion rate of 15% and for this first quarter there is an average desertion of 20%. This affects the total number of clients as well as loan amounts, since the amount of loans are low, and older clients are not getting subsequent higher loans.

Together with the program coordinators, AGAPE is examining various possibilities to reach its goals. One possibility is to examine new geographic regions which will allow for expansion of credit services. Unfortunately, this may affect AGAPE's desire to reach the poorest.

Another difficulty which presents itself, in addition to the above mentioned, is that the projections for portfolio outstanding (projection for September 2001 is US\$1,894,025) in years 1999, 2000, 2001 and 2002 are based on a projected exchange rate of 1,500 pesos to the dollar. These projections fail to take into account the annual devaluation for each year which does not allow AGAPE to realize the established figures.

We are currently reviewing the impact of the difficulties mentioned above on our projections and working on an action plan to reach projected objectives by the end of the grant period.

### **Personnel and Training**

During the past two quarters, AGAPE has not hired any new personnel. In April AGAPE will begin a recruiting process to hire nine loan officers.

Regarding MIS, AGAPE is using its in-home developed software, but is in communication with Opportunity International's Director of MIS, Steve Callison regarding the installation of eMerge, a system chosen by the Opportunity Network. AGAPE plans to begin the pre-installation process in the second half of this year.

### **Expansion**

Current funding does not permit any expansion in Cartagena. AGAPE is currently undergoing a three year strategic planning process that will outline required funding for expansion.

### **Consolidation**

A meeting is planned between the executive directors of AGAPE and ADEMCOL to examine various possibilities for consolidation and to determine which option is best for both organizations.

**Attachment 1A**

*Simplified Activity and Financial Statement*

As of September 30, 2000	Year 1	Year 2	Year 3
<b>ACTIVITIES</b>			
1. Amount of Loans Outstanding, Start of Year	276,209	428,295	
2. Amount of Loans Outstanding, End of Year	428,295	563,769	
3. Average Amount of Loans Outstanding	345,076	563,351	
4. Number of Loans Outstanding, End of Year	7,092	7,892	
5. Average Loan Size (Outstanding Balance)	60.39	71.44	
6. Delinquency Rate (Portfolio at Risk)	12.47%	13.23%	
7. Long Run Loss Rate (Provision)	2%	2	
<b>INTEREST RATES</b>			
8. Nominal Interest Rate Charged	36%	42%	
9. Local Inter-Bank Interest Rate	28%	35%	
10. Inflation Rate	7.73%	4.46%	
<b>CLIENT REVENUES</b>			
11. Interest Income From Clients	301,006	202,673	
12. Fee Income From Clients	12,365	2,693	
13. Total Client Revenues	313,371	205,366	
<b>NON-FINANCIAL EXPENSES</b>			
14. General Operating Expenses	336,539	136,832	
15. Depreciation of Fixed Assets	7,296	5,099	
16. Loan Loss Provision	11,575	5,184	
17. Total Non-Financial Expenses	355,410	147,115	
<b>ADJUSTED FINANCIAL EXPENSES</b>			
18. Adjusted Financial Expenses (line 3 multiplied by the higher of line 9 or line 10)	96,621	25,125	
<b>TOTALS</b>			
19. Total Expenses (line 17 plus line 18)	452,031	172,240	
20. Return on Operations (line 13 divided by line 19)	69%	119%	
<b>OTHER</b>			
21. Total number of savers (including compulsory)	6,791	7,572	
22. Total savings outstanding	123,044	204,344	
23. Percent women borrowers (of line 4)	90%	89.83%	
24. Number of total staff	54	49	
25. Number of loan officers	38	33	
26. Number of loans outstanding with initial balance >US\$300	6,891	320	

Currency in US Dollars

**ATTACHMENT 1B****TABLE 1-part 2**

<b>INSTITUTION: Aging of Portfolio Report</b>			
<b>USD (\$)</b>			
<b>Period March 31, 2001</b>			
	<b># of Loans</b>	<b>Outstanding Balance</b>	<b>Percent</b>
Current Loans	4535	502,585	87.40
1-30 days past due	2196	28,770	5
31-60 days past due	284	9,713	1.69
61-90 days past due	142	3,901	0.68
Over 90 days past due	735	30,069	5.23
<b>TOTALS</b>	<b>7892</b>	<b>575.038</b>	<b>100</b>

Note: Exchange rate: US\$1 = 2309.83Pesos

**ATTACHMENT 1B**

**TABLE 2**

**UNADJUSTED INCOME AND EXPENSE STATEMENT  
(In USD)**

Exchange Rate: \$1 to \_\_\_\_\_2309.83\_\_\_\_\_

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Income from Loans</b>			
Interest and Fees from Loans	301,066	204,337	
Interest and Fee Expense on borrowings	12,365	1,030	
<b>Gross Financial Margin</b>	313,431	205,367	
Less: Provision for Loan Loss	7,215	5,184	
<b>Net Financial Margin</b>	306,216	200,183	
Investment Income			
Other Income	4,789	0	
<b>Total Financial Income</b>	311,005	200,183	
<b>Operating Expenses</b>			
Salaries & benefits	284,529	134,211	
Other administrative expenses		7,722	
<b>Total Operating Expenses</b>	284,529	141,933	
<b>NET INCOME BEFORE TAXES</b>	26,476	58,250	
Taxes			
<b>Net Income After Taxes</b>			
<b>Donations for operating expenses &amp; asset purchases</b>	50,254	65,639	
<b>Donations for loan capital</b>	123,221	139,675	

These amounts are from Oct. 1/2000- March 31/2001

**ATTACHMENT 1B**

**TABLE 3**

**UNADJUSTED BALANCE SHEET  
(In USD)**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>ASSETS</b>			
Cash and Banks	146,198	43,260	
Short Term Investments	0	198,218	
Gross Loans			
Performing	372,293	502,585	
Past Due >30 days	56,003	72,453	
Less: Loan Loss Reserve	12,276	11,269	
Net Portfolio Outstanding	416,020	563,769	
Other current assets		22,439	
<b>Total Current Assets</b>	<b>562,268</b>	<b>827,686</b>	
Long Term Investments			
Net Property Equipment	126,449	79,078	
Other Long Term Assets			
<b>TOTAL ASSETS</b>	<b>688,667</b>	<b>906,764</b>	
<b>LIABILITIES</b>			
Demand Deposits			
Time Deposits			
Short Term Loans			
Other Current Liabilities	19,769		
<b>Total Current Liabilities</b>	<b>19,769</b>		
Long Term Concessional Loans	43,097	41,277	
Long Term Commercial Loans			
Other Liabilities	110,709	213,781	
<b>TOTAL LIABILITIES</b>	<b>173,575</b>	<b>255,058</b>	
<b>EQUITY</b>			
Paid In Capital			
Retained Earnings			
Donated Equity	515,092	651,706	
Other Capital Accounts			
<b>TOTAL EQUITY</b>	<b>515,092</b>	<b>651,706</b>	
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>668,667</b>	<b>906,764</b>	

**As of March 31, 2001**

## ATTACHMENT 2

### Key Program Indicators

	<b>Baseline 12/98</b>	<b>Year 2 9/01 Projections</b>	<b>Year 2 3/01 Actuals</b>
Number of Loans Outstanding	3,235	10,296	7,892
Amount of Loans Outstanding (US\$)	350,000	1,894,026	575,039
Portfolio at Risk (>30 days)*	16.3%	9.0%	13.23%
Long Run Loss Rate		4.0%	2.25%
Return on Operations**	86%	97%	119%
Operating Efficiency***	39%	45%	30%
Client Retention rate (avg. of rates for the 3 products)	83%	83%	80%
Clients per loan officer			
Trust Banks	280	290	252
Solidarity Groups	185	200	300
Individual Loans	90	125	80
Private sector commercial funds raised to support program (annual basis)	0	\$200,000	41,277

\*Portfolio at risk: balance of loans outstanding with delinquent payments over 30 days.

\*\*Return on operations: Total client income and fees / Total Adjusted Expenses (line 30 of Table 1)

\*\*\* Operating Efficiency: Total operating costs / Average Gross Loan Portfolio