

PERIOD FIVE IMPLEMENTATION GRANT REPORT

Period from October 1, 2001 to March 31, 2002

**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
April 2002**

Attachment 1A

Simplified Activity and Financial Statement

As of March 31, 2002	Year 1	Year 2	Year 3
ACTIVITIES			
1. Amount of Loans Outstanding, Start of Year	276,209	428,295	530,845
2. Amount of Loans Outstanding, End of Year	428,295	530,845	589,963
3. Average Amount of Loans Outstanding	345,076	554,445	580,135
4. Number of Loans Outstanding, End of Year	7,092	8,312	7,413
5. Average Loan Size (Outstanding Balance)	60.39	63.86	79.25
6. Delinquency Rate (Portfolio at Risk)	12.47%	10.32	7.54
7. Long Run Loss Rate (Provision)	2%	8%	3.5%
INTEREST RATES			
8. Nominal Interest Rate Charged	36%	36%	36%
9. Local Inter-Bank Interest Rate	28%	34%	31%
10. Inflation Rate	7.73%	6.57%	3.42%
CLIENT REVENUES			
11. Interest Income From Clients	301,006	442,590	244,187
12. Fee Income From Clients	12,365	5,057	2,321
13. Total Client Revenues	313,371	447,647	246,508
NON-FINANCIAL EXPENSES			
14. General Operating Expenses	336,539	298,403	195,681
15. Depreciation of Fixed Assets	7,296	10,868	5,291
16. Loan Loss Provision	11,575	48,726	21,050
17. Total Non-Financial Expenses	355,410	358,003	222,022
ADJUSTED FINANCIAL EXPENSES			
18. Adjusted Financial Expenses (line 3 multiplied by the higher of line 9 or line 10)	96,621	188,511	200,587
TOTALS			
19. Total Expenses (line 17 plus line 18)	452,031	546,514	422,609
20. Return on Operations (line 13 divided by line 19)	69%	82%	58%
OTHER			
21. Total number of savers (including compulsory)	6,791	8,055	7,169
22. Total savings outstanding	123,044	246,864	234,366
23. Percent women borrowers (of line 4)	90%	90%	88%
24. Number of total staff	54	57	79
25. Number of loan officers	38	42	56*
26. Number of loans outstanding with initial balance >US\$300	6,891	257	244

Currency in US Dollars

***Existing Loan Officers: 33**

Loan Officers hired in March: 23

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

INSTITUTION: Aging of Portfolio Report			
USD (\$)			
Period March 31, 2002			
	# of Loans	Outstanding Balance	Percent
Current Loans	4000	546.274	92,59
1-30 days past due	2962	23.442	3,97
31-60 days past due	138	7.840	1,33
61-90 days past due	117	5.432	0,92
Over 90 days past due	196	6.975	1,19
TOTALS	7413	589.963	100%

Note: Exchange rate: US\$1 = 2,261,37Pesos

ATTACHMENT 1B

TABLE 3
UNADJUSTED BALANCE SHEET
(In USD)

	Year 1	Year 2	Year 3
ASSETS			
Cash and Banks	146,198	152,053	335,405
Short Term Investments	0	202,575	213,340
Gross Loans			
Performing	372,293	480,213	546,273
Past Due >30 days	56,003	50,632	43,690
Less: Loan Loss Reserve	12,276	627	17,610
Net Portfolio Outstanding	416,020	530,218	572,353
Other current assets		25,504	32,770
Total Current Assets	562,268	910,350	1,153,868
Long Term Investments			
Net Property Equipment	126,449	87,289	76,821
Other Long Term Assets			
TOTAL ASSETS	688,667	997,639	1,230,689
LIABILITIES			
Demand Deposits			
Time Deposits			
Short Term Loans			
Other Current Liabilities	19,769		25,455
Total Current Liabilities	19,769		25,455
Long Term Concessional Loans	43,097	34,118	27,717
Long Term Commercial Loans			
Other Liabilities	110,709	235,976	11,518
TOTAL LIABILITIES	173,575	270,094	64,690
EQUITY			
Paid In Capital			
Retained Earnings			439,289
Donated Equity	515,092	727,545	726,710
Other Capital Accounts			
TOTAL EQUITY	515,092	727,545	1,165,999
TOTAL LIABILITIES & EQUITY	688,667	997,639	1,230,689

As of March 31, 2002

ATTACHMENT 2

Tc: 2.261,37

Key Program Indicators

	Baseline 12/98	Year 3 9/02 Projections	Mid-Year 3 Actuales A Marzo
Number of Loans Outstanding	3,235	11,891	7,413
Amount of Loans Outstanding (US\$)	350,000	1,391,825 ¹	589,963.11
Portfolio at Risk (>30 days)*	16.3%	7.0%	7,54%
Long Run Loss Rate		2.0%	3,5
Return on Operations**	86%	111%	116%
Operating Efficiency***	39%	34%	35%
Client Retention rate (avg. of rates for the 3 products)	83%	83%	65%
Clients per loan officer			
Trust Banks	280	300	244
Solidarity Groups	185	230	209
Individual Loans	90	150	81
Private sector commercial funds raised to support program (annual basis)	0	\$200,000	27,717

*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

¹ Modification requested September 2001 in AGAPE IGP Action Plan; approved in January 2002.

Narrative Report

In October of last year, AGAPE initiated a process of re-structuring, making changes that will secure the growth of the organization in an effective manner and that respond to the new trends in the microfinance market.

In this way AGAPE is establishing a change in focus from specialized areas (or by program) to branches in which the branch manager, previously the director of only one methodology, administratively and operationally manages a team of key supervisors (who supervise the credit management of loan officers for solidarity groups and trust banks) and loan officers.

The critical areas of the organization that have been reviewed during this stage and that continue to be adjusted are:

1. Organizational Structure

In order to achieve a larger operating scope for AGAPE (number of clients and outstanding portfolio), a market study was conducted in the municipality of Soledad in December that secures the expansion of AGAPE's services in this area. The positive results from this study helped make the decision to open AGAPE's first branch office here.

AGAPE is geographically divided into three branches:

- Soledad
- Sur-Occidente
- Centro

This new branch structure has presented new challenges for the administration that have required significant changes during this time of growth.

Some advantages of the new structure are:

- The opportunity for employees to know all of AGAPE's programs and to reach a greater number of clients.
- Greater dynamism through consolidation into branch offices, the first of which will open in April 2002.
- Service is closer to the client.

2. Human Resources

The focus of human resources this semester has been:

- The approval of a salary scale with which the organization will establish the base salary of employees in a systematic manner, consistent with performance indicators and seniority.

Currently AGAPE has 79 employees, of which 56 are loan officers and of these, 23 were recently hired and have been trained in aspects of the organization and methodologies.

- Training: This semester training and development were offered at all levels.

Some of the courses were:

- Business planning in which two of the current branch managers participated.
- International Loan Officer Conference (conducted by Opportunity International)
- Leadership and Human Relations
- Credit Analysis Workshop
- Methodology Initiation Workshops for Managers, Supervisors and Loan Officers
- Transformation Modules (on the Family), the effects of which are multiplied in the community
- Impact Evaluation – this course made up part of AGAPE's presentation at the Microcredit Summit in Mexico.
- Market Study

3. MIS

Because of the high costs to install eMerge, a new proposal was developed for redesigning AGAPE's current portfolio software and buying additional accounting software.

Also, investments were made in computer equipment, and a coordinator and assistant for MIS were appointed.

4. Administration

The administrative policies and procedures have been revised and a policy and procedures manual was developed and will be presented to the board for approval.

In order to support the needs of the organization in different areas, the following administrative jobs and responsibilities were created and specialized:

Director of Research and Development
Accounting Coordinator
Administrative Coordinator

These new positions gave rise to the hiring of only one additional person, a receptionist.

There was also an inventory of AGAPE's fixed assets by the firm, Saaset LTDA, which permitted the updating of AGAPE's books.

5. Programs

A revision of the solidarity group and individual credit loan methodologies was completed, considering in essence: the target population of each program, requirements for attaining credit, guarantees, and loan officer standards.

Analysis of Quantitative Results

	September/01	March/02 (Projected)	March (Actual)	%completed	%reduction from09/01
Clients	8,312	8,565	7,413	86.54%	11%

We found the following reasons for the reduction in clients:

- Loan write-offs (348 clients)
- Effects of the methodology reforms
- Bankruptcy of businesses due to the difficult economic situation in Colombia
- Displacement

The actions that AGAPE has considered taking to improve the abovementioned are:

- Continued improvement of methodologies, and strengthen follow-up at all levels (Supervisors, Loan Officers, Clients)
- Complete an exit survey of clients based on the AIMS tools
- Strengthen strategic alliances in order to offer other services to clients.
- Strengthen the culture of client retention

	September/01	March/02 (Projected)	March (Actual)	%completed	%variance from09/01
Portfolio Outstanding	530,845	716,926.73	589,963	82%	11%

The causes affecting the achievement of the portfolio outstanding goal are related to the following factors:

- Increased number of new clients entering the program who start with minimum loans of US\$55
- Clients leaving the program, which effects the increase of loan amounts in subsequent cycles
- Do not have the number of anticipated clients to date.

The strategy of AGAPE's administration to achieve the number of clients and amount of loan portfolio this year is:

- Expansion into new geographical zones, specifically Santo Tomás, Isabel López, Baranoa, etc.
- Adjust the standards of Loan Officers, Supervisors and Branches
- Completion of goals of the new loan officers who give their first loan in April.