

# IMPACT

 A publication of Opportunity International

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## Building microfinance banks

Creating life-changing opportunities for the poor

**O**pportunity International envisions serving 2 million clients annually by 2010 — an increase of more than 200,000 clients per year over the next four years. At the center of this ambitious vision is a strategy to develop a global system of national-scale, transformational financial institutions.

Reaching a national scale means that Opportunity will serve a significant share of the microfinance market in each country where it operates. As formal financial institutions, Opportunity's programs will become part of the mainstream financial system — with one difference — Opportunity is focused on serving the poorest of the working poor.

While one bank might seem just like another on the surface, Opportunity's banks for the poor have a triple bottom-line commitment to large-scale, financial viability and transformational impact.

The incredible generosity of Opportunity's donors has allowed the organization to reach hundreds of thousands of poor entrepreneurs and their families each year. Yet, according to the Consultative Group to Assist the Poor (CGAP), more than 1 billion poor people throughout the world lack basic financial services.

To meet this staggering global need, Opportunity must grow in strategic ways by mobilizing additional capital. Two ways to accomplish this are with commercial borrowings and with savings deposits. In most countries where Opportunity operates, only regulated financial institutions, such as banks, may legally accept savings deposits or commercial investments.

Over the past five years, Opportunity has created eight new microfinance banks for the poor — in Malawi, Mexico, Montenegro, Mozambique, the Philippines, Rwanda, Serbia and South Africa.

In addition to new bank start-ups,



PHOTOGRAPH BY RON LONDEN

**Through Opportunity International's innovative biometric technology, ATM customers at the Opportunity Bank of Malawi can access their money with confidence.**

Opportunity creates banks for the poor by converting existing nongovernmental organization (NGO) programs into formal financial institutions, as it has in Albania, Ghana, the Philippines, Romania and Russia.

### STARTING A MICROFINANCE BANK

Opportunity's leadership has identified several critical factors that it must address to launch a successful microfinance bank, such as the demographic, economic and regulatory environment; human capital (or the availability of talented leaders and staff); the ability to operate

(continued on page 2)

CELEBRATING  
35  
YEARS  
Serving Poor Families with Microfinance

## INSIDE



### 3 Pro-poor banking

Best practices drive microfinance bank expansion.



### 4 In the news

Opportunity presents at USAID conference.



### 5 New IRA Legislation

New law encourages charitable gifts for 2006 and 2007.

### 6 Helping others

Board of Governors couple find a way to give back.

## CROSSING THE THRESHOLD TO OPPORTUNITY

When a poor person in Malawi tries to enter a commercial bank, a security guard most often blocks the door. Not so at Opportunity International Bank of Malawi (OIBM). As a regulated financial institution, OIBM has safes, tellers and guards similar to other banks. The difference lies in how the bank treats people. OIBM security guards move toward the door when a poor person approaches — to open it. Once inside, a staff person greets the customer and treats him or her with dignity and respect. At OIBM, every customer is a child of God — capable, valued and trusted.

*Blessed are they who have regard for the poor.* — PSALM 41:1

## From the CEO's desk



**CHRISTOPHER A. CRANE**  
*President &  
Chief Executive Officer*

**F**rom its early beginnings 35 years ago, Opportunity International has grown into an internationally recognized microfinance leader. The recognition is due not only to the organization's presence in 28 countries, but also to the respected operations it has developed over time.

Opportunity creates an environment where respect grows — respect that starts with the individual and continues outward. With a small \$100 loan, a hardworking poor entrepreneur can start or expand a business, develop a steady income, provide for family needs and support the community.

On a larger scale, when Opportunity establishes a microfinance bank in a country, it also creates an atmosphere where respect grows. Opportunity earns this respect, first, by completing the extensive research necessary to fully understand the economic, cultural and regulatory environment; and, second, by establishing a microfinance bank that specifically addresses the needs of the environment.

This growing cycle of respect is also your legacy. Thank you for your continued vision for granting such respect to hardworking poor around the world.

In Christ's Service,

(continued from page 1)

efficiently and sustainably; and the mix of products and services.

### **DEMOGRAPHIC, ECONOMIC AND REGULATORY FACTORS**

Opportunity starts by looking at the big picture: Is there a demand for Opportunity International's unique model of transformational banks for the poor, and will a country's government and central bank for the poor allow such a bank for the poor to operate?

To assess potential demand, Opportunity considers the level of poverty in the target country and the density of its population. For example, Opportunity's new bank in Rwanda has the potential to have a significant impact because 80 percent of Rwandans live on less than \$2 per day.

Understanding a country's overall economic conditions is important. In a country experiencing hyperinflation, for example, it is extremely difficult to build a viable financial institution.

Regulatory factors are also crucial. A country's government and central bank must be receptive to outsiders doing business in their country and serving their citizens in new ways. Fortunately, most governments recognize the importance of accessible financial services to develop a stable economy, and so they willingly devise policies and regulations that facilitate growth of the microfinance sector.

### **HUMAN CAPITAL**

Early in the process of starting a microfinance bank, Opportunity names a chief executive officer — someone with the right combination of skills, expertise and heart. This individual, and each subsequent leader, is often recruited from successful partners within the Opportunity Network, or from the commercial or investment banking sector.

Local Opportunity board members and staff members need a similar skill set as the CEO. "I am attracted to people who can dream like me and exhibit the discipline to do what it takes," says Benjie Montemayor, CEO of Opportunity International Sinapi Aba Savings and Loans in Ghana.

"I tell them our work is waging war against poverty in the field. We are soldiers who must be ready to fight and win. Selecting and developing a core group of Christian leaders who have microfinance and banking experience will make or break a transformational program."

### **OPERATIONS, PRODUCTS AND SERVICES**

Opportunity must make sure its new microfinance banks have suitable technology,

## **OPPORTUNITY MICROFINANCE BANK CEO PROFILE**

*Benjamin (Benjie)  
Montemayor Opportunity  
International Sinapi  
Aba Savings and Loans,  
Ghana*



Benjie Montemayor has 20 years experience in investment, commercial and development banking, and 15 years experience in microfinance. He has held senior management positions at major commercial banks and was executive director and CEO of TSPI Development Corporation in the Philippines, the second-largest microfinance institution in the Opportunity International Network. Benjie has a Master of Business Administration degree and a bachelor's degree in economics.

Opportunity recruited Benjie from TSPI to lead Opportunity International Sinapi Aba Savings and Loans (OI-SASL) in Ghana through the transition from a nongovernmental organization (NGO) to a regulated, for-profit savings and loan. The bank conversion was successful because Benjie and his executive team possess the necessary balance of international financial experience, understanding of local markets and passion for serving the poor. In its first five quarters as a savings and loan, OI-SASL doubled the number of clients it serves. It recently received approval from the central bank to open six new branches, bringing the total to nine. OI-SASL has accessed commercial borrowings from private-sector banks to fund additional loan portfolio expansion.

operational procedures, management information systems (MIS) and staff in place prior to opening its doors. The Opportunity Network has excellent MIS and operating procedures that can be readily adapted to new start-up programs.

Rather than "reinventing the wheel" with its products and services, Opportunity looks at the best practices of its programs in neighboring countries and tailors them to the local market.

For example, in designing products for the new bank in Rwanda, Opportunity drew upon its best practices from its microfinance banks in Ghana, Malawi, Montenegro and the Philippines.

(continued on page 4)

Eluphy Banda stands in line to open a savings account with Opportunity International Bank of Malawi.



PHOTOGRAPH BY RON LONDEN

## OPPORTUNITY INTERNATIONAL BEST PRACTICES

### OPPORTUNITY INTERNATIONAL SAVINGS AND LOANS, GHANA

In 1994, Opportunity International established Sinapi Aba Trust to deliver microfinance services to the poor in Ghana. Its name, Sinapi Aba, meaning “mustard seed,” was meant to call to mind the great things that clients can do with a small beginning. In 2004, Sinapi Aba Trust converted part of its operation to a regulated savings and loans company renamed Opportunity International Savings and Loans (OI-SASL). By converting to a savings-and-loans operation, OI-SASL added both savings and insurance to its financial services package, thus broadening its services to Ghana’s poor. OI-SASL aims to become the strongest provider of microfinance in Ghana focused on serving the poor.

OI-SASL expects to grow from 28,500 loan clients to more than 210,000 in 2010. Similarly, savings clients are expected to grow from 13,000 to more than 190,000 by 2010. Currently OI-SASL operates a loan portfolio of \$5.4 million, of which only 0.19 percent is in arrears (more than 30 days). The remaining branches of Sinapi Aba Trust, together with the branches of OI-SASL, serve more than 60,650 loan clients and operate in all 10 regions of Ghana.



PHOTOGRAPH BY RON LONDEN

### OPPORTUNITY INTERNATIONAL BANK MALAWI

The poor have long been shut out from most formal financial services in Malawi due to a lack of a secure identity and high rates of illiteracy.

When Opportunity International Bank Malawi (OIBM) obtained its commercial license in March 2002, it overcame these obstacles by distributing “smart cards” utilizing biometric identification technology — a client’s fingerprint — embedded on a chip. These cards provide a secure identity for clients and enable the illiterate to complete transactions with the bank. As the largest issuer of smart cards in Malawi, OIBM is extending its services — and use of its smart cards — to rural areas through the use of satellite branches, mobile banks, ATM kiosks and point-of-sale devices. These various distribution channels will enable Opportunity to reach the very poor in rural areas with sustainable microfinance. Developed as a savings-led bank, OIBM serves more than 5,400 loan and 40,000 savings clients with an arrears rate (more than 30 days) of 1.58 percent. OIBM’s early successes, use of technology and focus on customer service are transforming the financial landscape in Malawi. Since OIBM began experiencing rapid growth, competitor banks have extended hours of operation and are beginning to move “down-market” to compete with OIBM to serve the poor.



PHOTOGRAPH BY RON LONDEN

(continued from page 2)

## TRANSFORMATIONAL BANKING

Opportunity International is building worldwide transformational banking, where any hard-working, poor entrepreneur can open a bank account and deposit savings to insure against catastrophic losses; can access working capital loans at a fair rate of interest to improve profit margins; can receive insurance coverage for life, health, and natural disasters; and can accept remittances from relatives overseas at a reasonable cost.

National-scale, formal financial institutions for the poor are the *heart* of Opportunity's vision and strategy, and social and spiritual transformation are its *soul*. Opportunity International has proven that offering impoverished entrepreneurs a high level of personal service and product sophistication is possible — with the proper leadership and planning.

Opportunity's global outreach and financial sustainability may be calculated in numbers, but the true measure of success of every Opportunity microfinance bank for the poor lies in the transformational change it produces in the lives of clients, families and communities. ●

## IN THE NEWS

### OPPORTUNITY PRESENTS AT USAID CONFERENCE

Last June, the United States Agency for International Development (USAID) hosted the "Microenterprise Development in a Globalizing World" learning conference. At this gathering, Opportunity International presented a model for providing financial services for the world's poor.

The USAID conference brought together practitioners, regulators, investors and donors from around the world to share their expertise in microenterprise development and to hear from others in the field.

In a session on commercial banking for the poor, Opportunity International Network CEO Larry Reed spoke about the three building blocks to establishing a successful commercial microfinance bank, including: accessing large amounts of capital, building a national branch network and hiring a team of professionals focused on the very poor.

Reed cautioned that most banks focus first

on creating profitable operations. Then, if they are socially motivated, they strategize on reaching the poor within that framework. He stressed that while sustainability is essential, Opportunity's model *begins* with outreach to the poor and then builds a sustainable, profitable bank around that.

"We see ourselves as impact maximizers rather than profit maximizers," Reed said. "Profit is important, but the measure of our success is impact."

When establishing new banks for the poor, Reed said that Opportunity hires a team of professionals who are able to use innovative techniques to expand their branch network and access capital.

"We seek to make sure that institutions we support remain focused on the poor over the long term," Reed explained. "That focus will lead to innovation in products for the poor."

## TAYTAY SA KAUSWAGAN, INC. AND KAUSWAGAN BANK, PHILIPPINES

Taytay Sa Kauswagan, Inc. (TSKI) was recognized for its achievements and awarded the Most Outstanding MFI Partner Award by the People's Credit and Finance Corporation – the highest recognition given to a microfinance institution in the Philippines.

Established in 1986, TSKI serves nearly 200,000 poor entrepreneurs.

In cooperation with the central bank, TSKI established Kauswagan Bank, Inc., a thrift bank dedicated to serving the very poor in the Philippines with a full range of financial services. Kauswagan Bank has recently embarked on a partnership with SMART, the long-distance mobile-phone carrier for the Philippines, to give Opportunity clients speedy and safe access to financing. With text messaging, clients can pay for goods and receive loans without ever leaving their businesses to go to the bank. Using mobile-phone technology, clients have access to nearly 16,000 merchants — all of whom will accept text messaging designed to take money from the "electronic wallet" of the client and place it in the "electronic wallet" of the merchant.



PHOTOGRAPH BY RON LONDEN

## Employment Opportunities

Do you know a marketing or sales professional with a heart for the poor? Would this person like to use his or her expertise to make a difference in the world?

Below is a list of positions available at Opportunity International:

- Director of Marketing (Los Angeles, Calif.)
- Director of Marketing (Philadelphia, Pa.)
- Vice President of Marketing (East Coast)
- Major Events Director (Oak Brook, Ill.)
- Manager of Administrative Services (Oak Brook, Ill.)
- Marketing Assistant (Oak Brook, Ill.)
- Report Coordinator (Oak Brook, Ill.)
- Recruiting Manager (Oak Brook, Ill.)
- Policy Coordinator (Washington, DC)
- Private Funding Project Manager (Oak Brook, Ill.)
- Prospect Researcher (Oak Brook, Ill.)

For full job descriptions, visit our Web site ([www.opportunity.org](http://www.opportunity.org)) under "Get Involved." 



**CHUCK DAY**  
*Opportunity International's  
Director of Planned Giving*

## Incentive to give New IRA legislation

**O**n August 3, 2006, Congress passed legislation that encourages charitable gifts of IRA assets during 2006 and 2007. President Bush then signed the bill into law. The new law — “The Pension Protection Act of 2006”— contains provisions that allow charitably-minded taxpayers (aged 70-1/2 or older) to make charitable gifts of up to \$100,000 annually from their Individual Retirement Accounts without the withdrawn funds being treated as taxable income on the donor’s tax return.

Both traditional IRAs and Roth IRAs qualify under the law. In order to qualify, the donor must make the gift directly from the IRA to the charity (called a “charitable rollover”), which will be facilitated through the administrator of the IRA account.

Under prior law, any withdrawal of IRA funds—even for charitable purposes—was treated as taxable income to the donor. While the donor qualified for a charitable income-tax deduction, which effectively offset the increased taxable income, the increased income then reduced or eliminated other tax deductions, which begin to phase out at higher income levels.

Under the new law, the charitable rollover is not treated as taxable income, and the donor still qualifies for the charitable income-tax deduction.

These provisions are limited to tax years 2006 and 2007. Congress may, however, choose to extend the law to later years or make the provisions permanent.

*For questions regarding the Pension Protection Act of 2006, or other questions regarding charitable giving or estate planning, please contact Chuck Day at [cday@opportunity.org](mailto:cday@opportunity.org) or (800) 793-9455.*

For more information about the Women’s Opportunity Fund, visit [www.womensopportunityfund.org](http://www.womensopportunityfund.org)

## Opportunity testifies before Congress

**I**n July, Susy Cheston — executive director emeritus of the Women’s Opportunity Fund and Opportunity International’s senior vice president for policy — testified before the Subcommittee on Africa, Global Human Rights and International Operations of the U.S. House of Representatives International Relations Committee.

This was the second time in 12 months that Cheston has advocated before Congress for a strong commitment to microenterprise development. She spoke of her beginnings in microfinance, with the Women’s Opportunity Fund: “I was given the most phenomenal opportunity of my life: to help make a difference in one small corner of the world. It was my privilege to spend my days meeting with very poor women, providing them with microloans so they could invest in very small businesses, and then watching as week after week they began to take charge of their lives.”

In her current role as senior vice president for policy, Cheston said her perspective is a bit broader, having seen “the explosive potential of microfinance.” She challenged Congress and the United States Agency for International Development (USAID) to develop a broader vision for microfinance as well, asking the subcommittee: “Will USAID, the State Department and the Millennium Challenge Corporation keep up with this revolution? Will they provide global leadership to ensure that microfinance achieves its potential?”

During her testimony, Cheston noted the important role that public funds play in leveraging private donations. Such funds make possible the technological and infrastructure advancements and the powerful incentives that have led to large-scale outreach and financial sustainability in the microfinance industry.

Cheston related an example of how incentives encourage outreach to unserved women. According to a 2000 USAID report, six Egyptian microfinance institutions reported a total of 72,634 clients, with an average loan size of \$506. Only 17 percent of those clients were women. Two years later, the same institutions reported 115,345 clients (59-percent growth), lower average loan size of \$372 and 54-percent female clients. These dramatic results were due to USAID



Susy Cheston

encouraging its long-time grantees to add a new group-lending product specifically designed for women, which now accounts for virtually all of their growth.

To illustrate the impact of microloans on individual lives, Cheston shared the transformational story of Opportunity client Evas Kalemeera, a Ugandan woman who lost her husband and young daughter to AIDS. Evas was struggling to live with HIV while supporting her remaining two children and the orphaned child of her sister. Her Trust Bank group-lending program provided the financial and emotional support to allow her to fend for herself and provide for her children. She now operates a thriving maize business, her children are in school and she is able to afford antiretroviral drug therapy to extend her life.

Cheston’s testimony emphasized that the enormous progress that microfinance programs have achieved — and will continue to achieve — depends on strong leadership and healthy, collaborative relationships between USAID and practitioner organizations such as Opportunity International.

Read Susy Cheston’s testimony on Opportunity’s Web site ([www.opportunity.org](http://www.opportunity.org)).

## BOARD OF GOVERNORS

For more information about the Board of Governors, visit [www.opportunity.org/BOG](http://www.opportunity.org/BOG)

### *Helping others is “the main thing”*

**E**arly in their marriage, Don and Ruth Ebinger were as busy as most young couples — raising their family. But despite the pull on their time and energy, they recognized the importance of giving back. As they approached mid-life, they began to focus even more on ways to help others. “Helping others becomes the main thing,” Don likes to say.

When their pastor told them in 1998 about Opportunity International, they got involved. Their desire to help others continued, even as Ruth’s health gradually declined. In March 2005, Opportunity presented them with the Servant to the Poor award for their devotion to those in need.

In early 2006, at age 82, Don became his wife’s eyes and ears on a life-changing Insight Trip with Opportunity to Mexico. He returned with stories of riding down dirt roads into remote regions with staff members and donors — an up-close view of the organization at work.

Ruth was thrilled to hear how Opportunity was proving to be everything they had believed in. “The organization continues to amaze me with its enthusiasm, commitment and effectiveness,” Don says. “The operation is based on improbabilities — helping poor people out of poverty with a loan. Yet through Opportunity’s Christian commitment, together we have neutralized the negatives that come with poverty, and the success is amazing.”

Don was impressed with the Opportunity staff in Mexico, but he wasn’t surprised by their commitment to excellence and professionalism.



PHOTOGRAPH BY MATTHEW NEAL

**Gonzalez Francisco is a member of the Nueva Santa Maria Trust Bank in Guadalajara, Mexico, and she owns a business making potato chips. “We ate our fair share of chips during our visit to her shop!” says Don Ebinger, pictured here with Gonzalez.**

“This is what I expected. It’s what Ruth and I have been hearing about for years.”

Don’s chance to see Opportunity in action and share the experience with Ruth came none too soon: After a long illness, Ruth passed away on April 10, 2006. But her legacy lives on, not only in her family, but also in families around the globe whose lives have been transformed because she and Don reached out to get involved.

“To those who have been given much, much is required,” Don says, quoting Luke 12:48. “This is why we are here: to help others.”


Don also refers to Jim and Judy Bergman — a couple whose story was told in a previous “Impact” newsletter about how their financial gifts to Opportunity helped transform more than 100,000 lives in other countries. The Bergmans’ story inspires him, although he initially didn’t think it was possible for one couple to reach so many people.

“But then I did the math,” Don admits. “I realized that it was attainable, and that we can all make an impact to transform lives.”

Even during this time of deep grief, Don has not stopped investing in the lives of the world’s poor — the commitment he and Ruth made together.

“I consider myself enriched by my involvement with Opportunity. I cannot hold back.” ●

### EBINGER FAMILY CHALLENGE

You can experience the generosity of Don and Ruth Ebinger through the Ebinger Family Challenge by visiting [www.opportunity.org](http://www.opportunity.org). By participating in the Ebinger Family Challenge, you will help Opportunity International move one person out of chronic poverty. Together, we can break the cycle of poverty. 



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**THE OPPORTUNITY MISSION** is to provide opportunities for people in chronic poverty to transform their lives.

**OUR STRATEGY** is to create jobs, stimulate small businesses and strengthen communities among the poor.

**OUR METHOD** is to work through indigenous partner organizations that provide small business loans, training and counsel.

**OPPORTUNITY INTERNATIONAL'S COMMITMENT** is motivated by Jesus Christ's call to serve the poor.

### STATEMENT OF INTENT REGARDING POVERTY AND WOMEN

Opportunity International—U.S. strives to reach the world’s poorest people through its microenterprise development programs. Recognizing that the large majority of the world’s poorest are women and that they contribute decisively to the well-being of their families, Opportunity makes it a priority to support programs that serve the particular needs of women.

**OPPORTUNITY INTERNATIONAL SERVES** women and men of any faith and no faith.

**OPPORTUNITY INTERNATIONAL HAS PARTNERS** in Albania, Bulgaria, China, Colombia, Croatia, Dominican Republic, Ghana, Honduras, India, Indonesia, Kenya, Macedonia, Malawi, Mexico, Montenegro, Mozambique, Nicaragua, Peru, Philippines, Poland, Romania, Russia, Rwanda, Serbia, South Africa, Uganda, Zambia and Zimbabwe.

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