

Pro-Poor Innovation Challenge Round VIII
Organization and Project Profile: IMF HOPE DRC
Preliminary report: April 2006

I. **General Information: (please complete the information in the section below)

Name of Organization:	IMF HOPE RDC (HOPE INTERNATIONAL/Congo)
Location: (City, Country)	Based in Kinshasa, DRC with regional program offices in Kinshasa, Kisangani and Lubumbashi.
Mission of Organization and year founded:	IMF HOPE RDC (HOPE) is a licensed microfinance institution based in Kinshasa, Democratic Republic of Congo (DR Congo). Its mission is to enable significant, lasting change in the lives of very many, very poor Congolese entrepreneurs through the creation of a sustainable, effective and efficient microfinance institution. With a broad outreach, the financial stability achieved by HOPE's members can contribute to the economic progress of the country as it recovers from civil war. Since August 2004, HOPE has successfully disbursed over 10,000 loans valued at more than USD 750,000 to over 3,700 entrepreneurs in three cities across DR Congo. The overall loan repayment rate is 100%. HOPE's current average loan size is \$86. As a microfinance institution with no prior experience in DR Congo, HOPE has firmly established itself as a viable institution in less than two years.
Products/Services offered:	HOPE uses a group lending strategy reinforced with lessons learned from partner organizations around the world. Groups of between 25 and 45 members constitute a Community Bank (CB). CB members receive loans within defined limits following group approval. The repayments are made weekly over a period of 16 weeks, following a one-week "grace period" after the distribution. An interest rate of 18% (calculated on the initial loan amount) is charged for each loan cycle. Savings, which are accessible with a one-week delay starting in the second cycle, are also considered to be a guarantee until the loan is fully repaid. New loan amounts can never exceed a 50% increase over the previous loan amount and are calculated based on on-time repayment, savings and group confidence in the borrower.
Do you work in rural and/or urban areas?	HOPE's direct client outreach is nearly 100% urban in its three programs. However, HOPE's future expansion (including during the implementation of the CGAP PPIC grant) will include directly and indirectly impacting more rural areas.
General Client Profile: (poverty level, occupations, gender, etc.)	81% of HOPE clients are female, with an average of between 5 and 6 dependants. The average HOPE client eats 1-2 meals / day.

II. PPIC-Program Information:

<u>Rationale:</u>	
Why did you choose to implement this specific project?	With vast demand for financial services in Congo, many MFIs are serving poor entrepreneurs at a different level of poverty than HOPE. While some institutions may reach this target population, it is not done on a large scale and profitability is not proven. The target group for this project is a population that until now, HOPE has not been able to serve. In order to reach this population, HOPE will need to change the way it delivers and collects loans, and the way it manages client relationships. It will require training staff specifically to reach this target group.
What do you wish to achieve by this project?	HOPE is dedicated to both breadth and depth of outreach. Reaching many

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	<p>clients with the right services will allow HOPE to become financially self-sustaining, but that will only accomplish one part of HOPE’s mission. HOPE also wants to find innovative ways to ensure that very poor entrepreneurs aren’t neglected by microfinance institutions in DRC.</p> <p>With the PPIC grant, HOPE intends to find ways to include poorer clients while maintaining progress towards sustainability. With the overall aim of the project being to innovate new ways to serve a population excluded from financial services, the new services created will hopefully serve as an example for the sector so that this target group can be more easily served in the future.</p>
<p><u>Description of project approach:</u></p> <p>What is the innovation financed with PPIC funds?</p> <p>What is the client profile of participants in this specific project?</p> <p>What is the timeline for this project?</p>	<p>PPIC funds will primarily be used for staffing and loan capital related to the product development /innovation required to reach the target population. The exact methodology will become clearer once the first learning question concerning barriers to providing credit to the target population is answered.</p> <p>The clients who will be among the pilot group for this project will be inhabitants of areas in the periphery of Kinshasa, Kisangani and Lubumbashi who do not currently have access to reliable financial services. These clients have less business experience than normal HOPE clients, have less business capital currently in their revenue generating activities, and have little or no savings even in informal structures. These clients will begin with HOPE having fewer household items like radios, cellular phones, etc. All of the above contribute to these clients having less of a safety net than HOPE’s current clients in times of crisis.</p> <p>The timeline for the project includes 4 months of research and product development; 4 months of staff and client development, and 16 months of pilot and adjustment. If the loans are approximately 4 months in duration, this timeline will allow the first clients to progress through several loan cycles before the project ends.</p>

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III. Progress to date: Challenges and Lessons Learned

<p>**Learning questions:</p> <ol style="list-style-type: none"> 1) What are the most important barriers to access to financial services for peri-urban clients? 2) How has HOPE DRC lowered these barriers for clients and reduced risk for the organization in reaching these clients? 3) How have institutional partnerships been formed to achieve this goal? <i>(Will not be included in early reporting; will respond to question when partnerships are further developed.)</i> <p>What challenges have you faced both internally and externally?</p> <p>What lessons has your organization learned while conducting this project?</p> <p>What factors have been key to your success?</p> <p>What would you do differently next time?</p>	<p>Learning Questions:</p> <ol style="list-style-type: none"> 1. The following major barriers exist for Congo’s peri-urban poor: <ul style="list-style-type: none"> - MFI growth limited by the lack of banking / cash management infrastructure which is present in many other countries (through larger commercial banks, post offices, and other networks) - Poor general infrastructure (especially roads during the rainy season) 2. In order to lower barriers to clients and reduce risk faced by the institution, HOPE is developing a new repayment system which will: <ul style="list-style-type: none"> - take advantage of available technology and advances in cash management to serve clients that HOPE could not otherwise serve - potentially use existing networks to bring repayment points closer to clients (gas stations, air-time distributors, soft drink depots, etc) 3. While a specific partnership has not yet been formed, HOPE is working with several potential partners to develop a system that takes advantage of networks created by other businesses already moving cash around the city. <p>External Challenges:</p> <p>The greatest external challenge has been the political climate. Isolated fighting has broken out several times in the capital since the grant was received. Office hours have been reduced at times and tension levels have been high making it difficult to pursue new initiatives and develop relationships with new clients and partners.</p> <p>Lessons learned:</p> <p>The research conducted during the first portion of this project has allowed us to see that measuring poverty (and targeting a specific population segment) is a complex task. In addition, the lack of services is so profound that offering lower loans does not ensure the institution will target poorer clients because less poor clients will “not bother” with your loan.</p> <p>Factors that are Key to Success:</p> <p>Since receiving the PPIC award HOPE has made progress in several areas of research and poverty assessment which will provide the information necessary for the successful implementation of this project.</p> <ol style="list-style-type: none"> 1. Focus Groups – Focus groups were piloted and rolled-out to determine client satisfaction as well as informing HOPE of clients’ perceptions of the impact of their loans. This was essential in determining that the current lending methodology of the community banking product is an effective entry level loan for clients who will be targeted in this project. Focus groups will also be used as the project is implemented to determine if the products offered are meeting clients’ felt needs. 2. Social Performance Indicators (SPIs) – HOPE also revised several questions used as Social Performance Indicators which are answered by clients each time a loan is given. This revision was done in order to more accurately measure the poverty of current clients and the change in their standard of living over time. The SPI questions will be used in combination with market research to
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	<p>determine a target population as HOPE seeks to deepen outreach through the PPIC project and on an ongoing basis to measure the impact of HOPE loans.</p> <p>3. Poverty Assessment / Market Research – Measuring internal indicators against national statistics has proven difficult due to the lack of recent systematic studies of poverty in DRC. A study was completed in the first period of one area of Kinshasa that appears poorer than other areas. In the next period a general market study will be done for the city and the combination of these reports will provide the information necessary to target growth among very poor clients.</p>
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IV. **Key Indicators: (please complete the information in the section below)

	<u>Baseline</u> April 2006	<u>6 months</u> November 2006	<u>12 months</u> April 2007	<u>18 months</u> November 2007	<u>24 months</u> April 2008
Total Clients	3,573	4,731			
Clients/loan officer	162	279			
Portfolio Outstanding (US\$)	\$183,606	299,406			
PAR (%), specify number of days (>30days)	1.7%	0.61%			
OSS	41%	75%			
FSS	39%	71%			
Average loan size	\$95	\$116			
Meals/day					
Mainstream clients					
Clients in PPIC-funded program					
Employees					
Mainstream clients					
Clients in PPIC-funded program					
Value of dwelling rental of clients in PPIC-funded program					
Mainstream clients					
Clients in PPIC-funded program					
Number of children for whom school expenses are paid by clients					
Mainstream clients					
Clients in PPIC-funded program					