

THE NEW MARKET BRANCH IS REACHING HURTING FAMILIES IN HONDURAS
72,615 PEOPLE ARE LEAVING POVERTY BEHIND FOR GOOD BY 12/31/2023!

THE NEED IS GREAT: The Problem being Addressed.

2020 was likely one of the most disastrous years in Honduras with back-to-back hurricanes, the COVID-19 pandemic, and the treacherous caravan route. Life remained extremely challenging for families in 2021 and 2022 on many fronts, including lingering, extensive infrastructure damage and the spiking cost of food and fuel. As a result, millions more families began to suffer the indignity of poverty. IDH has recognized an unabated need to deliver its services in the urban Comayagüela Market situated in Tegucigalpa (pictured below).

According to the World Bank, the COVID-19 pandemic and Hurricanes Eta and Iota led to a rise in poverty from 2019 to 2020 and remained above pre-pandemic levels throughout 2021. The conflict in Ukraine as well as the slight economic rebound in 2021 send food prices skyrocketing. Families across Honduras remain vulnerable to rising food prices and food insecurity is high. In 2019, **families living in extreme poverty spent nearly 50% of their modest incomes** on food as food insecurity soared.

The quality of life in Honduras reflects a very deep and widening gap between those living in urban and those in remote and rural communities that impacts families across the spectrum of moderate to extreme poverty. **Disparities are most evident in people's ability to access basic services such as electricity, clean water, and sanitation, and internet.** Jobs are harder to come by in rural areas and improvement in income equality has remained stagnant. Inequality in rural areas has increased while declining in urban areas.

Honduras is one of the most unequal countries in Latin America-Caribbean where families face extreme disparities in access of quality education since even before the pandemic. **Human Development outcomes are among the lowest in Latin America and the Caribbean.**

According to the World Bank's updated official poverty estimates, about **48.3 percent of Hondurans (around 4.3 million people) live below the national poverty, of whom 22.9 percent (about two million people live in extreme poverty,** ranking Honduras with the second highest rate in LAC. About 50.3 percent) live on less than US\$5.50 per day. About 50% of those who are not officially living below the poverty line, are teetering and vulnerable to falling back into poverty. This story only looks worse for families living in **rural poverty at about 60.1 percent.**

Further,, the World Bank states that, "Honduras faces weak institutions, inadequate infrastructure, vulnerability to shocks, and now worsening access to credit and basic services, all of which hamper human capital accumulation and economic activity, and lower overall welfare."



THE STRATEGY: Sustainable Intervention with a Data Driven Approach.

For 48 years, IDH Microfinanciera (IDH), Opportunity International Canada's (OIC) Partner in Honduras, has been empowering marginalized families living in poverty across the country by providing access to financial services and business training that allow them to build capacity, increase incomes, support their families, and create jobs for neighbours.

In late 2022, IDH opened the doors of its newest service location, the Market Branch, which will impact 10,000 people by the end of next year. The Project will directly impact 5,000 people including hardworking entrepreneurs and their family members, and indirectly impact another 5,000 people when growing businesses create jobs for neighbours who will be able to support their families. The branch will grow sustainably year after year as microloans are repaid and then re-loaned to new clients. Financial inclusion through microfinance has a life-changing impact when delivered responsibly with intentionality and transparency.

Launching the new Market Branch reaches small business entrepreneurs who have been, until now, denied the financial inclusion that makes moving beyond subsistence living possible. Branch expansion will drive economic growth in a market community that desperately needs hope and stability. The need is so urgent that the Honduran government agreed to fund a portion of the new branch loan portfolio.



The people you will help us reach: IDH staff form individual relationships with **thousands of enterprising hard-working people like Denis, pictured right, who have goals and dreams who rise early every morning to support their families by selling clothing, food, cold drinks, cell phone accessories, and more.**

IDH clients gain a competitive edge in a busy marketplace by using capital to purchase in bulk to attract a steady flow of customers who are pleased to shop from a diverse inventory at great prices. As sales increase, clients increase their profits and ultimately their incomes which improve life quality for families and entire communities.

e-wallet: high-touch, high-tech, high-impact customer service leads to client success. IDH offers digital services that make loan applications, approvals, and receipt of funds faster, easier, and cheaper for both IDH, its staff, and clients, while ensuring clients are protected from becoming overindebted. Financial inclusion will also come in the form of access to financial products and services and a new ability to make secure loan repayments, utility payments, and remittances, saving clients time away from their businesses.

SMART OBJECTIVES AND GOALS

The new Market Branch is achieving its objectives through the Market Branch to:

- 1:** Provide 1,000 entrepreneurs, 5,000 people including family members, with financial and social inclusion to sustainably improve livelihoods, incomes, and life quality through microfinance and training in 2023.
- 2:** Reach more than 50% women, many of whom will access financial services and literacy for the first time.
- 3:** New clients will grow their businesses to create new jobs for 1,000 neighbours who will increase their incomes to support another 5,000 people, including themselves and their family members.



NOTABLE ACTIVITIES/IMPACT/OUTCOMES FOR 150 OIC-FUNDED FAMILIES

You brought hope to hurting Hondurans. Life in Honduras has remained extremely challenging for families throughout 2022 and into 2023. In fact, according to The World Bank more than 59% of the population now lives in poverty and more than 32% live in extreme poverty, most of whom are women. By supporting OIC's mission in Honduras, you fostered inclusion, equality, and job creation which promoted resilience and economic opportunities among the country's most vulnerable families and communities.

Thanks to generous supporters like you, OIC's Partner in Honduras, IDH, achieved growth across all indicators in 2022 despite the continued challenges of economic recovery from COVID-19, previous hurricanes, and most recently, soaring prices of food and fuel. Thanks to your support, deserving entrepreneurs like Raphael, pictured above, are operating thriving grassroots businesses, rising out of extreme poverty, and creating jobs for their neighbours who can now support their families. Together, we are moving the needle on poverty in Honduras.

THE IMPACT OF YOUR SUPPORT. By investing in OIC's Honduran initiatives in 2022, we empowered 72,615 people, including 14,523 clients and their families. Clients grew their businesses and created jobs for 21,784 neighbours, improving life for another 108,920 people living in poverty.

PERFORMANCE HIGHLIGHTS. With your help, in 2022, IDH:

- **Grew outreach by 11.6% to reach 14,523 active clients (51% of whom are women),** up from 13,014 on 12/31/2021.
- **Expanded to serve more families** in need by opening the new Santa Rosa de Copán and City Market branches bringing the total number of IDH branches to 24.
- **Increased the value of the loan portfolio by 12% to \$59.7M CAD,** up from \$50.6M on December 31, 2021, and by 56%, up from \$40.9 M on 12/31/20. IDH has doubled its portfolio since 2018.
- **Retained a 93% ACCION CAMEL AA Rating** during this challenging time, a globally recognized indicator of performance and customer service excellence by a microfinance institution.

SOCIAL PERFORMANCE: SUPPORTING FAMILIES THROUGH ECONOMIC TURBULENCE

Using **Social Performance Management (SPM)** to ensure client success during **unprecedented times**. SPM is the tool and reporting framework Opportunity uses to measure and demonstrate our impact. It is an industry initiative we promote across a network of 40 microfinance partners to fit the needs of clients, Implementing Partners, and supporters. Our strong SPM practices put clients at the centre of our strategy and operations and increase our ability to achieve better client outcomes. **IDH's key client SPM outcomes since the start of**



52%
clients are women



31%
women clients are single moms



75%
clients are educated at below primary



\$72 M
value of loans made in CAD



15,000
loans made during the pandemic



98%
loans grew micro/small businesses



47%
clients live in rural areas



24%
increase in Income per loan invested



93%
staff job satisfaction level



AA
Camel Rating awarded



32%
improvement in loan PAR > 30 days



21,784
jobs generated

the **COVID-19** pandemic and through the subsequent economic crises include:

IDH REACHED MORE FAMILIES IN NEED THROUGH TWO NEW BRANCHES IN 2022

IDH is keeping pace with the growing needs of our clients, their families, and communities through **24 service locations** and more than **200 devoted staff members**.

Achievements and goals: Thanks to our generous Canadian supporters, IDH has made great strides toward its goal to increase its outreach and service footprint by launching two new branches in 2022.

- **The new Santa Rosa Branch** was fully launched in 2022 and is working its way toward operational sustainability. Thank you to our very special supporters.
- **The new Central Market Branch** launched with partial funding in 2022 and there is an urgent funding opportunity to support the branch on its march toward sustainability. Please request a proposal if you have the capacity to help.

MAPA DE UBICACIONES DE AGENCIAS
IDH MICROFINANCIERA



- **The new Choloma Branch.** IDH is laying the groundwork to launch its 25th service location, the Choloma Branch, which will impact about 10,000 in its first two years of operations, including clients and their family members, and about 1,500 people for whom new jobs are created and their family members. We have not yet raised funds to help launch this new branch, however, IDH is poised and ready to go and families are awaiting their big opportunity to begin their new lives. Please request a proposal if you have the capacity to help.
- **Digitizing IDH to reach scale across Honduras as a formal financial institution:** Considered the top priority of IDH by Executive Director Francisco Banegas, replacing its old core banking system and developing e-wallet access for clients is necessary to truly scale. Digitalization would create a myriad of efficiencies and allow IDH to meet Honduras' Central Bank requirements to become a formal, deposit-taking financial institution. Saving is necessary to create resilience for families working their way out of poverty and would be a game changer for clients while ensuring IDH grows, remains relevant, and becomes more competitive. The cost is \$825,000. If you can support this critical, timely effort, please request a proposal.

SPOTLIGHT: LAUNCHING THE NEW CENTRAL MARKET BRANCH (Agencia Centro)

In 2022, IDH opened the doors of its newest service location, the Market Branch, located in a marketplace in Comayagüela, a community on the outskirts of Tegucigalpa. Through the Central Market Branch, IDH will impact about 10,000 deserving people in the next two years including clients (1,000), their family members (up to 4,000), people who get new jobs (about 1,500) and their family members (up to 6,000). Once operationally sustainable, the branch will grow year after year as microloans are repaid and then re-loaned to new clients. Funding is still needed to bring this branch to sustainability, but we are so grateful for those who have already supported IDH to open the doors to families who are waiting for their opportunity.

Outreach statistics as of December 31, 2022 (expressed in CAD)

- **229 clients: 33% toward the 2024 goal of 1,000 clients (impacting 1,145 toward the goal of 5,000 people)**
- **# of jobs created: 343 toward the 2024 goal of 1,500 (indirectly impacting 1,717 toward goal of 5,000)**
- **Loan portfolio value: \$683,775 toward the two-year goal of \$1.2M**
- **Portfolio at Risk >30 days: 0% — Incredible that there's 100% on-time loan repayments! Goal is <5%**



MEET MALCOLM, THE VERY FIRST CLIENT OF THE CENTRAL MARKET BRANCH



Owner of the thriving Barberia Christian barber shop, Malcolm was the first customer of the new branch. He has two sons, nine and 11-years-old, who are in a hurry to become barbers like their dad who says they need to complete their education. However, Malcolm has trained his young sons as barbers during school holidays and his eldest son has already cut his first client's hair, a friend of his dad's and willing volunteer.

Starting with nothing. A barber since he was a youth, Malcolm started his own business nine years ago when he finally saved enough to serve clients from home. He had increased his clientele to nearly 100 and knew he could no longer serve them from a stool in his kitchen. That's when he heard about the opening of the new IDH branch.

Malcolm was thrilled to invest his first loan to rent space along a busy street in a great location and he couldn't believe his luck when the landlord gave him permission to make any upgrades he wished. He used his loan to paint,

install a proper barber chair and mirror, a sign to attract new clients, two electric shavers, and a display featuring popular hair products. Some of his clients from his home shop followed and unfortunately some couldn't travel the extra distance. Malcolm says he is already serving 120 clients and is quickly on his way to a full appointment book.

"IDH put their faith in me." When asked why he chose to take a second loan with IDH, he said that he likes the flexibility of repayment terms, he feels respected by IDH staff who come by frequently to share business training, saying, "God led me to this place and IDH put their faith in me, now my life has changed."

Malcolm quickly paid down his first loan before it was due so he could borrow another and expand by adding a wider glass door and windows, a second chair and mirror, plus a hand massager to end his haircuts with a neck and shoulder massage.

Malcom is unstoppable. He has a vision to utilize the full space with four stations and create jobs in the community by training young people in the trade. He would like to expand his hair product line, which is selling well, and since he found an incredible deal on the chairs, he plans to start a second business selling barber shop equipment. He is most excited about opening more barber shops around town and in other locations in Tegucigalpa.

A man with a vision. Malcolm shared, "God takes me by the hand and leads me to achieve my visions. I started from zero. I learned to cut hair with my brother with a pair of rough scissors and a plastic chair. Now, my sons see my shop and customers waiting for their haircuts and see me as more than a father. They see me as a provider."