



FROM THE BOARD OF DIRECTORS - 31st December 2014

Zambian Development Support Foundation was founded in April 2013. It is now eight months since the first report on successes was shared with our supporters. On behalf of my fellow Board Members, and indeed on my behalf, I wish to thank you for your generous support of the organization because of shared vision and common understanding that everyone deserves a healthy life and this can only happen when we all put our efforts to defeat the worst enemy – poverty. We share with your our partners the experience and lessons learnt in the past year has taught us that poverty is possible to defeat with such innovations as that of Zambian Development Support Foundation mission of empowering local people with financial support....

In the past eight months, ZDSF has recorded progress on its commitments made earlier in the year. Key achievements include the following:

LOAN DISBURSEMENT

In the first year when Zambian Development Support Foundation was formed a total of 32 clients were served with small loans ranging between ZK450.00 and ZK1, 000.00 for a 13 weeks repayment period. The organization also approved and disbursed to 5 clients medium loan amounts ranging from ZK1, 500.00 to ZK2, 500.00 payable in 24 weeks. These loans were only made available to paid-up clients graduating from small loans in the range of ZK450.00 and ZK1, 000.00. Medium loans disbursed amount to the total of ZK8, 500.00.

The loan portfolio at Risk was at 6.25% as the result of 2 out of 32 clients, who defaulted their repayment.

BUSINESS DEVELOPMENT SUCCESSES

The 32 clients of ZDSF who have benefitted from loans have set up various businesses including chicken poultry, block making, selling groceries. |The following are some of the success stories



Figure 1 some of the clients who have benefitted from ZDSF loans

1. Loveness Mudenda, a widow with three grandchildren, has started a business rearing chickens. She has fully re-paid her loan, has a flock of 60 chickens and is now financially successful and looking after her family. Her dream to have two of her children go to school by September 2014 became a reality. All this was made possible through the loan she got and started her Chicken business.
2. Rose Mulenga had a very small scale business making cement blocks, but due to lack of capital she could not make sufficient blocks to meet demand from some of her customers. She had three children and three grandchildren depending on her, and she was struggling to survive. With a loan of ZK1,000.00 from ZDSF she was able to buy more raw materials and to expand her production. She now employs four young men to make the blocks and her business has expanded four fold. She reports that the business is now stable and successful and she is confident that she can now continue to expand her business using her own resources.



Figure 2 Rose Mulenga on her site in the community

3. Mary Bwalya, a 32 year old mother of 4 children, Chipulukusu resident, who previously had no income started a small cement block making business with a ZDSF loan of ZK450.00. After paying that loan, she then received a further loan of ZK1,000.00 to expand the business, which she again re-paid without difficulty. Mary's business grew but she still could not afford to meet the demand for the blocks, and could not expand her business as she did not have enough capital to inject into her business. She obtained a third loan from ZDSF of 2,000.00 kwacha which is still running and this has helped her to grow her business further. She is now able to sell the blocks to other members of the Habitat community, her business is thriving and her family are now secure. She is hoping that with the income she now has, she can afford to send her children to school, which had not previously been possible.

4. Miriam Musimuko a 28 year old divorcee with four children to support used to sell groceries at side of the road near the local market, but the business was too small and her family were often hungry. Miriam obtained a loan of in total of 1,950.00 kwacha from the time the project started, which she used to stock and expand her business. The effects have been immediate. She now moved from selling on the road side to a small shop at the local market. Her business is now growing strongly and she is confident about the future. She is hoping to use the money to carry out some repairs to her home which is in a very poor state of repair, and she is also supporting her sister who is ill.



Figure 3 Miriam in her new shop

TWO LOANS IN DIFFICULTY

Of the 32 clients of ZDSF who have benefitted from loans, two are in default.

1. Mary Bwalya was a vulnerable mother of 3 children. Neither she nor her husband had work, and they were dependent on the kindness of their neighbours to feed their family. In October 2013 Mary received ZK1,000.00 to set up a tailoring and grocery business. Although the business was successful, Mary unfortunately lost her husband, who died in February 2014 and due to the funeral cost and disruption in her life she was in default of the loan. However, she was put on a monitoring program and has since paid back her loan. Before the death of her husband, she was ahead in paying her loan, and so ZDSF was confident that with time and understanding, Mary's business will continue to grow

and the loan will be paid back in full, which has been done. Mary is thankful to ZDSF for the loan, without which she would now have had no hope.



Figure 4 Mary Bwalya on her shop before losing husband

2. Enaya Chama received a loan of ZK450 from ZDSF in order to expand her small grocery business, which was struggling. It was the only source of income for herself, her three children and four orphaned grandchildren. With the help of the loan, the business expanded and became profitable and Enaya paid back that loan on time. Enaya then took a second loan of ZK1,000.00 to further expand the business, and again this led to a dramatic improvement in the business. Enaya unfortunately then fell ill and became unable to run her business properly and her loan repayments ceased. Enaya had to divert some of her income to pay for expensive medicines. The community team of ZDSF has been engaged with Enaya so as to help her to manage her affairs and to re-commence repayments. Enaya has slowly re-commenced payments but as her illness is continuing, the payments are slower than was planned. It is expected that the loan will be re-paid in full but this will take longer than initially planned, and the timing will largely depend on the timing of Enaya's return to full health.

The loan portfolio at Risk is at 6.25% as the result of 2 out of 32 clients being in default of repayment. However, the ZDSF Directors holds the group members accountable to make good of two loans in default based on the terms and conditions attached to the company's lending model and groups practices. Additionally, because each loan issued is levied with an interest charge equal to 10% of the sum advanced, it is expected that any shortfall in repayment from these two loans will be more than covered by the interest charge paid on performing loans.

GOALS

The past year has shown that the ZDSF method of advancing small micro finance loans is effective in empowering people to start their own businesses, to work for themselves and to lift their families out of poverty. The Foundation has lifted 32 individuals and their families out of poverty. It is the immediate goal of ZDSF to now expand its operations to include;

- a) More families – so as to bring relief from poverty to a greater number of people.
- b) Greater loan amounts – so as to enable the fund to support medium sized businesses which require greater startup capital than the small business ventures which have been so far supported.

FINANCE

Pericles Alumni Association of Elon University, North Carolina of the United States of America and certain donors from Ireland provided the organization with the initial capital of \$6,300.00. However, the Foundation has not received any further funding since then and this lack of funding is the main restriction on the expansion of the work of the Foundation. Well-wishers in Ireland have identified some other potential donors who have shown an interest in supporting to the organization. During July and August 2014 some of the Irish financial supporters visited the project in Chipulukusu on a fact-finding mission and met with several of the clients of ZDSF who had started businesses with a loan from ZDSF. As a result of this inspection, it is anticipated that the Foundation may receive further funding in the region of €5,000.00 Euro (\$6,470.00 US Dollars) from Ireland within the coming months, and arrangements to draw down those funds are currently being processed. Pericles Alumni Association has donated a \$3,000.00 as indicated and promised in September 2014. These funds will substantially increase the ability of the Foundation to satisfy the demand for business loans in Chipulukusu, but a lot more will be required in order to enable the Foundation to commence giving loans in another community near Ndola.

The funding goal set in January 2014 was to increase the capital base from the then level of \$6,300.00 to \$30,000.00 by August 2014. This has not happened as it has proven very difficult to raise funds. However, the recent review by Irish supporters was very positive and with the anticipated increase in funding now from Pericles Alumni Association and from Irish Donors, it is reasonable to set a new goal of \$30,000.00 by the end of August 2015.

As the Foundation is prohibited by Zambian law from taking deposits from clients, future growth in the size of the fund available for lending will depend on the generosity of our supporters and friends and clients continued commitment to repay their loans.

VISION

The Foundation envisions being among the major micro finance institutions within and outside Ndola on the Copper belt region of Zambia in the provision of financial services to low income groups within three years. The Foundation is committed to recovering group loans in full from its clients. The Foundation is also committed to meeting its obligations to its lifeline donors of continuing to report on the progress of the project.

GOVERNANCE

The retention rate of Board of Directors is at 100%. The continuity of leadership assures institutional stability, thereby decreasing staff needed to manage the pilot project and reducing on administrative costs. The organization has operated at all times within the laws of Zambia.

The organization recently received a donation of a laptop from Irish donors for administrative use. Pericles Alumni Association of Elon University, North Carolina of the United States of America, has committed to provide funding to ZDSF for operational costs. It is anticipated that an administrator (who has so far been managing the loans in Chipulukusu for the Foundation on a voluntary basis) may be paid a small salary out of this funding which is provided for operational cost, to reward her for her work, now that the operation is becoming more time consuming. The directors will continue to work for the Foundation on a voluntary basis and without any payment.

FUTURE SHORT TERM PLANS

1. Provide training in financial management to potential and beneficiary clients to encourage proper financial planning of businesses, structured book-keeping and an appreciation of the core economics of a successful business.
2. Provide training in skills development and entrepreneurship for youths and women to encourage development and management of larger businesses such as block-making, chicken rearing.
3. Explore and enter into partnership with other NGOs with shared vision.
4. Expand the project to other communities
5. Develop policy guidance on loans disbursement to clients including, but not limited to, graduation from one level of loan amount to another.
6. Be able to give out bigger group loans so as to encourage sustainable businesses for the communities.

CONCLUSION

We, at ZDSF, would like to grow both institutionally and financially. The poor whom we serve by providing collateral-free loans need us. The project, with almost no administrative cost and no banking complications, has been able to lift 32 people from one of the poorest communities of Zambia out of economic poverty. We require additional funds to expand our operations in the Copperbelt region of Zambia where there is great need for access to financial capital, which in

the very short term reduces poverty and permanently improves the lives of target groups. Through concerted effort of ourselves, the community and our donors, we hope to see more communities in Zambia and in many places around the world come out of economic poverty

ZDSF is a young and growing organization. We are open to learning new ideas and best practices to make our vision come true.



Figure 5 Irish Donors with Rose Mulenga and Baila Milo in the middle who are both beneficiaries of the ZDSF and have ventured in the blocking making business



Milo Baila on the block making site which was visited by the Irish Donors.