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**COOPERATIVE HOUSING FOUNDATION (CHF)  
QUARTERLY PERFORMANCE REPORT  
THE HOME IMPROVEMENT LOAN PROGRAM IN GAZA**

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**Contractor:** Cooperative Housing Foundation  
**Contract:** Cooperative Agreement No. HNE-006-A-00-4087-00  
**Reporting Period:** April 1, 1995 to June 1995.

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**SECTION I. CONTRACTORS REPORT**

**A. NARRATIVE OF PROGRESS ON MAJOR ACTIVITIES**

**1. Background.**

The United States Agency for International Development (USAID) signed a cooperative agreement with the Cooperative Housing Foundation (CHF) for a two-year Home Improvement Loan Program (HILP) in the Gaza Strip (Gaza) to be administered by CHF and the Palestinian Housing Council (PHC). The primary goal of the program is to work with the PHC and make credit available throughout the Gaza Strip for home improvement loans targeted at families whose income is below the median income. Considerable demand for such loans exists in Gaza where unemployment is high, and many of the unemployed workers are skilled in the building trade. The employment generation potential and the physical improvements that will result from the construction activities of the HILP are viewed as important economic and stabilizing elements at this critical time in the history of the Palestinians. The program began in October 1, 1994 with a total funding level of \$5,022,035. USAID obligated \$2,305,624 for home improvement loans. For the first year of operation, the overall Cooperative Agreement's objective in terms of level of effort is 19.8 person months of expatriate time and 72 person months of local hire time, or total of 91.8 person months.

**2. Expected Results.**

At the conclusion of the 2-year start-up phase of the Home Improvement Loan Program (HILP), the following results are expected:

- ▶ development of a capacity within the PHC to provide home improvement loans to below median income families in the Gaza Strip,
- ▶ participation in the program by private commercial banks,

- ▶ approximately 384 loans approved<sup>1</sup>, with the capital fund obligated for the first year,
- ▶ 3,456 people benefiting from improved housing<sup>2</sup>, and
- ▶ 864 person months of employment created<sup>3</sup>.

**3a. Current Core Activities**

Given the important objectives of the project and the delicate social and economic situation in Gaza, CHF is deploying the necessary resources to guarantee the establishment of a strong programmatic foundation and systems for the HILP and insure its timely implementation.

After his nomination and approval by USAID during the last quarter, CHF Resident Advisor, Mr. Rafael Jabba, attended a three-week orientation at CHF headquarters on CHF and the HILP, prepared a short-term work plan for the program, met with officials of USAID's Bureau for Asia and the Near East and Office of Environment and Urban Programs to discuss the revised program, met with Mr. Harry Birnholz to discuss using a market interest rate versus an initially subsidized interest rate. The project was effectively initiated on April 14, with the fielding of CHF Resident Advisor who has begun the process of setting up an office while working to come to an agreement with the PHC, and the banks on the details of the HILP.

To assist the resident advisor in the programmatic and financial aspects of the start-up activities, CHF fielded two financial consultants, John Biasucci and Joe Abed, respectively, in May and June to help conduct programmatic negotiation with the banks and assist in the development of the HILP and draft a Memorandum of Understanding (MOA).

The purpose of Mr. Biasucci's trip was to:

- ▶ determine the most appropriate mechanism to deliver and collect the loans made under the HILP,
- ▶ assess the Banks coverage, number of clients, type of operations, institutional funds, and the nature and scale of the loan programs that are being carried out in

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<sup>1</sup> Based on an average loan of \$6,000 for a loan capital fund of \$2,305,624 for the first year.

<sup>2</sup> Based on an average of 9 persons per family for a total of 384 loans

<sup>3</sup> Based on the estimate that for an average loan of \$6,000 will employ three people, one construction foreman and two helpers, for three weeks.

- ▶ the Gaza Strip with their own and/or external funds, and
- ▶ analyze the effectiveness of the banks' credit analysis process and loan documentation.

The negotiations between the Banks and Mr. Biasucci and Mr. Jabba were quite successful in that, the Arab Bank and the Cairo/Amman Bank expressed an interest in contributing their own funds to the program. The initial program which was designed with the Bank of Palestine (BOP) did not require any funding participation by the participating banks. CHF, through its negotiations with these new banks, which are more sophisticated than the BOP, has succeeded not only in bringing them on board as participants but also as investors. Preliminary negotiations with the Arab Bank confirmed that the bank would contribute 10% of its funds into the program, and its compensation will consist of a one time fee of 1% of the loan amount loan application processing and a 2% fee based on the declining balance of the loan.

In order to reevaluate the design of the HILP to take into consideration this new development in the banking sector in Gaza and to give the private sector a more substantive role in the program, CHF fielded Mr. Joseph Abed, a legal/banking advisor to provide support in developing the revised HILP. The purpose of Mr. Abed's trip was:

- ▶ to help negotiate the terms of the revised HILP with the Cairo/Amman Bank,
- ▶ assist CHF in preparing a Memorandum of Understanding (MOU) with the Banks,
- ▶ review the loan documentation that the Banks are currently using and determine if they are adequate for the HILP

Negotiations between the Cairo/Amman Bank and CHF resulted in a commitment by the Bank to contribute 15% of their funds into the HILP. A draft MOU reflecting the new design of the HILP and the responsibilities of the parties was also drafted as a result of these negotiations. The banks and the PHC agreed in principles with the content of the MOU, and CHF expects that an official signing ceremony will take place in the early part of the next quarter.

During the quarter, administrative support was also provided by CHF/Washington staff member Dick Owens who initiated various start-up activities for the HILP, including the following:

- ▶ Assisted the PHC in finding a suitable office for the HILP staff
- ▶ Conducted preliminary interviews for various HILP staff positions
- ▶ Checked on the acquisition and/or availability of vehicles, computers, furniture, mobile phones, and other items needed for the program.

The deployment of the above-mentioned resources has led to the programmatic changes through which the participating banks are now assuming some of the lending risk associated with the HILP. In addition, the drafting of an MOU that satisfies the concern of all parties represents a crucial milestone for the successful implementation of the HILP. CHF expects that the MOU will be signed by all parties at the beginning of the next quarter and it will take approximately one month to establish the operating mechanisms for the program. Loans should be made in the early part of September 1995.

**3b. Current Buy-ins.**

This Cooperative Agreement had no buy-ins or work orders.

**3c. Current Subcontracting Activities.**

No subcontracting was done during the reporting period.

**4. Performance.**

Three major activities were to be accomplished in this quarter as projected by our initial implementation plan for the HILP: the selection of the participating banks, the hiring of the local staff, and the signing of the Memorandum of Understanding by CHF, the banks, and the PHC. As described in the Section 3a: *Current core activities*, CHF has had tremendous success during this quarter in accomplishing these activities, by starting the program with on-the-ground technical assistance on a continuous basis.

With the support of consultants John Biasucci and Joe Abed, the HILP was restructured to include greater participation of the international banks that are present in Gaza. The Cairo/Amman Bank and the Arab Bank have both expressed a strong interest in joining the program as a true partner. The Banks are willing to contribute between 10% and 15% of their own funds into the program. This risk sharing on behalf of the private sector will greatly enhance the chances of success of the program, and its long term sustainability.

A draft Memorandum of Understanding (MOU) with each of the Banks which was coordinated through the PHC and USAID was developed. It is expected that these MOU's will be approved by the end of July 1995 (See attached copy of this MOA).

HILP staff relocated to their permanent headquarters. The process of identifying financial, administrative and engineering staff continued. Candidates for all office positions have been selected for the final interview phase. It is expected that final approval for key positions (Chief Accountant, Director of Administration and Chief Engineer) will occur by the end of July. An office assistant/secretary has been hired during this quarter to help the

resident advisor with the start-up activities.

**Status of Home Improvement Loan Program**

In accordance with the implementation plan, it was not expected that the loan program would be operational during this quarter. Once the program is operational, the necessary performance indicators will be provided in the following format.

Reporting Period (4/1-6/30)	No. Of Loan Applications Received	No. Of Approved Loans	No. Of Improvements under Construction	No. Of Improvements Completed
Current reporting period	0	0	0	0
Cumulative reporting periods	0	0	0	0

**Status of Employment Generated by the Home Improvement Loan Program**

In accordance with the implementation plan, it was not expected that the loan program would be operational during this quarter. Once the program is operational, the necessary performance indicators regarding job creation will be provided in the following format.

Reporting Period (4/1-6/30)	Estimated Direct P/Ms of Work Generated by Loans	Estimated Indirect P/Ms of Work Generated by Loans	Estimated Total Direct and Indirect P/Ms of Work
Current reporting period	0	0	0
Cumulative reporting periods	0	0	0

**5. Statement of Work.**

As of the end of the last reporting period, CHF had decided that a modification to the operational budget will be required to take into account the delayed start of the program, the change in the CHF's USAID provisional indirect rate structure, and the higher than anticipated costs in the areas of housing, office equipments, and communications. CHF is currently in the process of revising both the operational budget and the project implementation plan to reflect all the above-mentioned changes.

**B. ADMINISTRATIVE INFORMATION****1. First Year Contract Data:**

Total level of effort*	91.8 person months
Total estimated costs**	\$525,336

(\* Budgeted level of effort for CHF employees and local hire)

(\*\* total program costs for the first year is \$2,830,960 including \$525,336 for administration and \$2,305,624 for home improvement loans).

1. Level of effort (last three months):	5 person months
2. Cumulative level of effort:	8 person months
3. Unused level of effort:	83.8 person months
4. Expenditures (last three months):	\$ 119,688
5. Cumulative expenditures to date:	\$174,705
6. Remaining unexpended balance:	\$350,631

**2. Standard Form 269**

Attached, in accordance with the reporting requirements of the Cooperative Agreement, are copies of Standard form 269 that CHF submitted to USAID during the reporting period.