

**Cooperative Housing Foundation
Quarterly Performance Report**

**Municipal Credit Program for Family Sanitation
Honduras**

Grantee: Cooperative Housing Foundation
Cooperative Agreement Number: 522-A-00-98-00004-00
Reporting Period: July 1, 2000 to September 30, 2000
Date Submitted: October 31, 2000

I. Narrative

A. Background

CHF was awarded a Cooperative Agreement by USAID to carry out a Municipal Credit Program for Family Sanitation in two communities in Honduras: Nacaome and Choloma. The Cooperative Agreement was effective December 12, 1997, and the Project Assistance Completion Date (PADC) is December 31, 2000. The program will support USAID's objective of assisting local governments in Honduras to provide appropriate sanitation solutions to their constituent populations by maximizing USAID's recent investments in the installation of sewer systems in the two communities. The program will cover a large portion of the demand for sewer hook-ups in Nacaome and a small pilot project in Choloma. The program is funded with a \$548,677 grant from USAID, a \$104,191 in-kind contribution from the municipalities, and a \$50,000 loan from CHF for loan capital.

This Cooperative Agreement was amended in May of 1999 increasing the program funding by \$200,000. This additional funding resulted from a request by CHF Honduras to attend to the more than 1200 families in the Nacaome area who experienced home loss or damage from hurricane Mitch. This additional loan capital will be used for home repair and home improvements in Nacaome.

B. Expected Results:

The goal of the Municipal Credit Program for Family Sanitation is to improve the health condition of households in the communities of Nacaome and Choloma with particular emphasis on children's health. Specific objectives of the sanitation credit program will be as follows:

- Strengthen the institutional capacity of the municipal entities administering the program in the areas of health education, loan monitoring and recovery, financial management and supervision.
- Provide health and sanitation education to all clients and their families.
- Provide access to credit to the targeted populations in order to finance sanitation

needs.

- Help low-income households build appropriate sanitation facilities to connect with the recently installed municipal sewer systems.

The Municipal Credit Program for Family Sanitation is designed to disburse 558 loans for sewer connection and various types of sanitation units within the first phase of the program of which approximately 470 loans were planned for Nacaome and 88 for Choloma. The original goals have been changed as the decision was made to enter into Choluteca instead of Choloma. It is now estimated that a larger percentage of the sanitation loans will be given in Choluteca. In addition, in May of 2000 CHF obtained approval to enter San Lorenzo to place an approximate 100 loans for home improvement and sanitation with emphasis on the former where many were affected by the Hurricane and had not been attended to. A revolving loan fund will be established that will fund a total of 754 loans after two years and over 1,000 loans within six years.

The goal of the program amendment which covers home repair and home improvement loans is to provide access to credit and technical assistance so that homes can be repaired and/or improved insuring a safe and secure home for beneficiaries. Specific objectives of the home repair/improvement amendment include:

- Provide access to credit to the targeted population in order to finance home repairs and improvements;
- Provide technical assistance to beneficiaries enabling them to identify and resolve their most urgent home repair/improvement problems.

The program amendment will allow approximately 330 families to receive home repair/improvement loans (\$600 average loan size) during the first phase of the program. A revolving loan fund will be established that will be mixed with the sanitation credit revolving fund. Together, these two program funds will continue to lend money in Nacaome and Choluteca for sanitation and home improvement construction.

C. Current Core Activities:

NACAOME

With a total of 338 loans in its portfolio the Municipality of Nacaome has received the lion's share of the Municipal Credit Program funding. It was the only one of the three municipalities that had its Program interrupted by the Hurricane and yet it has survived and continues to provide solid results. The Municipality of Nacaome represents the mature market for the Program but will undoubtedly continue to provide a strong target area for repeat loans for those clients who have maintained a clean repayment record. In addition, the Nacaome staff continues to realize the loan recovery procedures to the letter. In 12 cases, CHF has had to resort to more stringent measures in an effort to recover certain loans. Legal proceedings were initiated against these 12 individuals after thorough analysis of the families' economic situation. As a result of this measure, eight of the 12 decided to continue paying their loans and the demand was dropped by CHF.

In the other four instances, the clients have chosen not to cooperate and CHF has proceeded with the demands the ultimate purpose of which, is the complete recovery of the loan capital through either goods or salaries. In all cases, CHF conducts an economic analysis of the family to determine if they indeed have the capacity to pay. This is done as there are times that families experience significant economic hardship after the loans are disbursed and perhaps a legal demand is not the most appropriate alternative. CHF considers these four out of 338 families to fall well within programmatic parameters in comparison with similar micro-credit Programs in Honduras and the region.

CHF recently learned that in El Jardín *Barrio* and the Agua Fria *Aldea* seasonal rains have interrupted the scheduled completion of their respective sewer systems. These two systems will be closely monitored to proceed with the Program at the earliest possible date. Meetings have been sustained with the Mayor of Nacaome to discuss the current status of these two areas on various occasions and he is well aware of CHF's interest to enter these markets. CHF sees these two neighborhoods as key areas for program expansion in Nacaome.

Nacaome continues to realize net income from the Program and the Municipality was able to purchase a file cabinet recently to store documentation with these funds. Although the purchase of a file cabinet may not appear to be a great feat it shows CHF that the mayor is taking ownership of the program. CHF will be conducting an internal review of the Municipal Credit Program in late October to provide an up to the date assessment of the Program's achievements and at the same time further identify areas for improvement and potential expansion. Municipal development will be a key measure during this evaluation.

The following represent some of the quantitative program accomplishments in Nacaome during this quarter:

Credit:

Number of loans disbursed this quarter: 52	Cumulative: 338
Amount of loans disbursed this quarter: \$33,297.57	Cumulative: \$222,515.39

- Sanitation facilities constructed this quarter: 9
 - Connection to Sewer: 4
 - Improvement to existing Connection: 0
 - Septic Tank: 2
 - Sanitation units with bathrooms and wash facility: 3

Home Improvements: 43

Construction and Employment Generated:

Number of person months employment generated: 79.5	Cumulative: 502
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Health and Sanitation Education:

Health and sanitation workshops held this quarter: 13	Cumulative: 75
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Participants in health and sanitation education this quarter: 79 Cumulative: 817

CHOLUTECA

The key to the recent success in Choluteca resides with the local team's ability to juggle the two pillar goals for the Program to include strong and quality loan placement while at the same time maintaining solid loan recovery. Despite the rapid and intense placement of loans over the course of the past five months in Choluteca, the loan promoters have exhibited the ability to generate consistently high repayment rates. This is never an easy task in communities like Choluteca that have experienced such high levels of damage from a natural disaster the size of Hurricane Mitch.

The local radio station has provided support for Program promotion in Choluteca and the loan promoters complement this through house-to-house visits and neighborhood workshops. It is during these sessions that members of the Choluteca Municipal Credit team drive home the importance for responsible loan investment and payment. The team emphasizes the Program benefit of rewarding hard working citizens that choose to improve their living conditions through this loan Program and maintain a clean repayment record with a good chance for a future home improvement or sanitation loan.

Demand continues to be strong in Choluteca and recent stepped up efforts to reach those most in need have turned up working individuals that were affected by Hurricane Mitch but still require relief and/or development assistance. Emphasis continues to be placed in the 27 barrios where the sewer system has been constructed in Choluteca and efforts have been channeled through the local Development Board Presidents that have in some cases provided tremendous support for the Program.

Due to the size of Choluteca, CHF is analyzing the possibility of purchasing a motorcycle for its Municipal Credit Program. Local transportation systems are highly unreliable and are not conducive to a strong monitoring and placement effort to maintain current success levels on into the future.

The following represent some of the quantitative program accomplishments in Choluteca:

Credit:

Number of loans disbursed this quarter: 209	Cumulative: 267
Amount of loans disbursed this quarter: \$145,756.84	Cumulative: \$184,972.87

Sanitation facilities constructed this quarter: 87
Connection to Sewer: 58
Improvement to existing Connection:
Septic Tank: 18
Sanitation units with bathrooms and wash facility: 11

Home Improvements: 122

Construction and Employment Generated:

Number of person months employment generated: 313.5 Cumulative: 400.5

Health and Sanitation Education:

Health and sanitation workshops held this quarter: 39 Cumulative: 70

Participants in health and sanitation education this quarter: 654 Cumulative: 1303

SAN LORENZO

The municipal loan promoter in San Lorenzo rapidly reached Program implementation competence and essentially functions as a one-man show with strong support from CHF/Tegucigalpa and the Construction Supervisor from Nacaome. The majority of the loans to date have been for Home Improvement in San Lorenzo; however, sanitation loans have constituted just short of one third of the loan portfolio placement. Evidence of the strong demand in this market has been provided by the number of loans placed, which reached 31 in the first month and 40 in the second.

CHF Tegucigalpa expects this growth rate to continue in San Lorenzo as the Program gathers momentum and the general populace obtains a heightened awareness of its benefits to their communities and families.

The following represent some of the quantitative program accomplishments in San Lorenzo:

Credit:

Number of loans disbursed this quarter: 71 Cumulative: 71
Amount of loans disbursed this quarter: \$46,899.12 Cumulative: \$46,899.12

Sanitation facilities constructed this quarter: 17
 Connection to Sewer: 6
 Improvement to existing Connection:
 Septic Tank: 7
 Sanitation units with bathrooms and wash facility: 4

Home Improvements: 54

Construction and Employment Generated:

Number of person months employment generated: 108 Cumulative: 108

Health and Sanitation Education:

Health and sanitation workshops held this quarter: 6 Cumulative: 6

Participants in health and sanitation education this quarter: 90 Cumulative: 90

Municipal Development:

The income generated by the Municipal Credit Program has allowed the **Nacaome** Municipality to recently purchase a file cabinet to be used exclusively for this Program. The monthly income in September reached the equivalent of \$600 USD.

The Mayor in **Choluteca** is extremely pleased with the Municipal Credit Program in his Municipality and the successful implementation it has had to date. Choluteca will most likely reach a break-even income point in the next couple months but more than this the Mayor has used the Program to provide a much needed employment source for his community.

The Mayor in **San Lorenzo** has been extremely involved in the implementation of the Municipal Credit Program in his Municipality. Due to low overhead and Municipal costs in his Municipality for the Program, San Lorenzo realized their break-even point in a matter of two short months. The promoter in San.Lorenzo continues to actively perform all aspects of Program implementation with minimal supervision. This was achieved in a comparatively short period of time and proves that the municipality has the capacity and desire to manage this type of program with minimal support.

D. Current Buy-Ins

None

E. Current Sub-Contracting Activities

None

F. Performance

During this 3rd quarter of 2000, the rate of loan placement increased dramatically on the whole across the three municipalities currently participating in the Municipal Credit Program. The loan placement in Choluteca responded to a pent up demand and quickly accelerated from 15 in the first month to 42 in the second, 76 in the third and 81 in the fourth. San Lorenzo has also responded fervently to the Program and placed 31 loans in its first month and 40 in its second. The Municipal Credit Program in Nacaome has entered a more advanced and mature phase in a market that with each passing month approaches its saturation point. The emphasis in Nacaome is presently on loan recovery in a market that has been hit hard by the economic recession currently plaguing various Honduran Departments. Projections for the future in Nacaome are to focus on second loans for loan recipients that maintain clean repayment records.

The heightened pace of loan placement in recent months has marked a rapid depletion of Program fresh funds provided by USAID. These monies coupled with the \$50,000 CHF fresh fund loan are projected to be exhausted by the end of October 2000. The demand continues to increase just when these funds are expected to run out. CHF has plans to continue to meet the increasing needs as long as they last with reflows from the loan Program. These reflows will be considered counterpart to the Program and thereby places CHF right on track to meet its obligation in that area.

Recently, CHF presented a proposal to USAID for additional fresh funds that will help it further meet the increasing demand the Program has generated in these markets and potentially move into other markets where pent up demand should easily allow for Program expansion.

Nacaome continues to receive income from the Program even with the slow down in loan placement. For example, in the month of September the Municipality generated Lps. 8,967 of income or \$600 USD. San Lorenzo was able to realize income in the second month of loan placement and Choluteca, due to a larger staff, is projected to reach the break-even point within the next two months.

7. Statement of Work

The statement of work has not changed.

II. Administrative Information

A. Contract Data

Total level of effort

Expatriate	16.50 person months
Local	54.00 person months

a. Level of effort used (07/01/00 – 09/30/00)

Expatriate	2.03 person months
Local	31.90 person months

b. Cumulative level of effort used to end of report

Expatriate	9.18 person months
Local	111.77 person months

c. Unused level of effort

Expatriate	7.32 person months
Local	(57.77) person months

Total estimated cost

Financial information will be sent under separate cover.

B. Standard Form 269A

A copy of Standard Form 269A, the Financial Status Report, Short Form, for the project will be sent under separate cover.