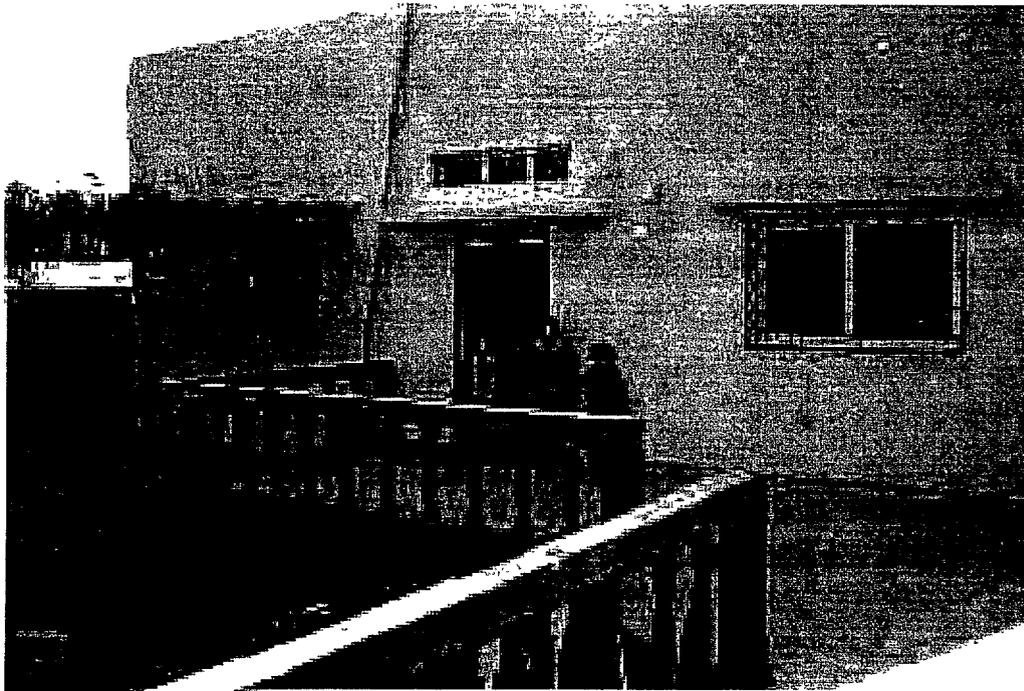


PD-ABT-436
109160



**SEMI-ANNUAL PERFORMANCE REPORT
HOME IMPROVEMENT LOAN PROGRAM
GAZA**



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1 GENERAL PROJECT INFORMATION

1.1 Project Purpose and Expected Output

1.1.1 Project Purpose

The purpose of the project is to develop a self-sufficient revolving Home Improvement Loan Program (HILP) in Gaza that will be sponsored and managed by a Palestinian Entity. CHF makes credit available throughout the Gaza Strip for home improvement loans. The target group is families with below median income. Considerable demand for such loans exists in Gaza where unemployment is high and many of the unemployed workers are skilled in building trades. The employment generation potential and physical improvements that result from the construction activities of the HILP are important economic and stabilizing elements at this critical time in Gaza.¹

1.1.2 Expected Output:

CHF's role in the HILP has been extended beyond the closing date of September 30, 1997. As outlined in the Transition Plan and endorsed by USAID, CHF will manage the program until a suitable Palestinian entity is identified that is able to guarantee the successful continuation of HILP in the foreseeable future.²

In 1994 it was expected that the Cooperative Agreement plus an additional two-year of CHF involvement would result in the:

- Development of a capability within a CHF Palestinian partner organization to sponsor and manage home improvement loans to below median income families;
- Participation in the program by private commercial banks.

Achievements over the program life are the following:

- 1996: 384 loans approved; 1,920 people benefiting from improved housing; and 864 person months of employment created;
- 1997: 282 loans approved; 1,410 people benefiting from improved housing; and 1,137 person months of employment created; and
- 1998: 310 loans approved; 1,550 people benefiting from improved housing; and 1,240 person months of employment created.
- 1999: 376 loans approved; 1,880 people benefiting from improved housing; and 1,441 person months of employment created.
- 2000: 520 loans approved; 2,600 people benefiting from improved housing; and 1,992 person months of employment created.
- 2001: 390 loans disbursed; 1,950 people benefiting from these loans; and 2,000 person months of employment created.

1.2 Project Status

The current crisis and the closure of the Palestinian territories have increased the unemployment rate to more than 50%. Construction materials have become unavailable on the market that has caused an increase in prices by approximately 30%. All of these circumstances have negatively affected construction activities and caused a decrease in the number of loans received and disbursed during the reporting period.

¹ Modification #9 extended the completion date of the Cooperative Agreement from 9/30/97 to 11/30/97 and according to CIB 95-24 changed the Cooperative Agreement number to HNE-A-00-94-00087-00. This was a no-cost extension. Currently the HILP is operating off of reflows that cover operational costs.

² There was a transition plan outlined between the Palestinian Housing Council(PHC)—and endorsed by USAID— whereby CHF would manage the program until the PHC completed a detailed set of program milestones. Full compliance with these conditions would result in the approval by CHF and USAID to gradually hand-over HILP to the PHC. Non-compliance was to lead to a new proposal by CHF for identifying a new Palestinian partner that is able to guarantee the successful continuation of HILP in the foreseeable future. No program milestones have been achieved by the PHC to date.

Lending through the HILP has had a considerable impact in Gaza, having made over \$14.4 million in home improvement loans. Approximately 26 applications for new loans are received each month. The HILP has created over 19,500 person months of employment over the life of the program.

CHF continues to play an important role in supporting the banks in underwriting, monitoring and MIS aspects of the HILP. The HILP staff closely monitors the banks' reporting on the HILP. During the current crisis, HILP has worked with the banks on a daily basis to maintain both on-time repayment and the overall repayment rates. However a continuation of the current crisis may result in a lower repayment rate over the long term.

Monthly, the CHF collection officer provides the three partner banks with lists of the delinquent borrowers. In cooperation with the three banks, a CHF loan officer conducts site visits to the delinquent borrowers who have more than 3 payments in arrears. This process has remained effective as a means of collection.

1.3 Major Actions Planned for The Next Six Months

CHF headquarters, the Country Director, the Program Director and CHF's Field Staff will review annual implementation plans in order to adequately respond to any new challenges.

The following are the main new activities planned for the next six months:

- Expand the HILP activities into the West Bank;
- Raise new funds to improve living conditions in the West Bank and Gaza;
- Develop methodologies to reduce costs and increase revenue.

In addition, the following activities are also planned for the next six months:

- Continue the formal and informal actions on a personal level against clients who are over 3 months in default;
- Proceed with legal action against clients whose loans are 180 days in arrears. Legal action will entail opening court cases (after 270 days), which could lead to potential incarceration for those clients;
- Disburse 100% of the program re-flows;
- Continue to refine the loan collection mechanisms at all three partner banks;
- Continue to improve the MIS at all three partner banks;
- Continue technical site visits and monitoring visits for all loan recipients;
- Evaluate and perhaps modify the loan price structure to cover the full costs of the program.

1.4 Financial Status

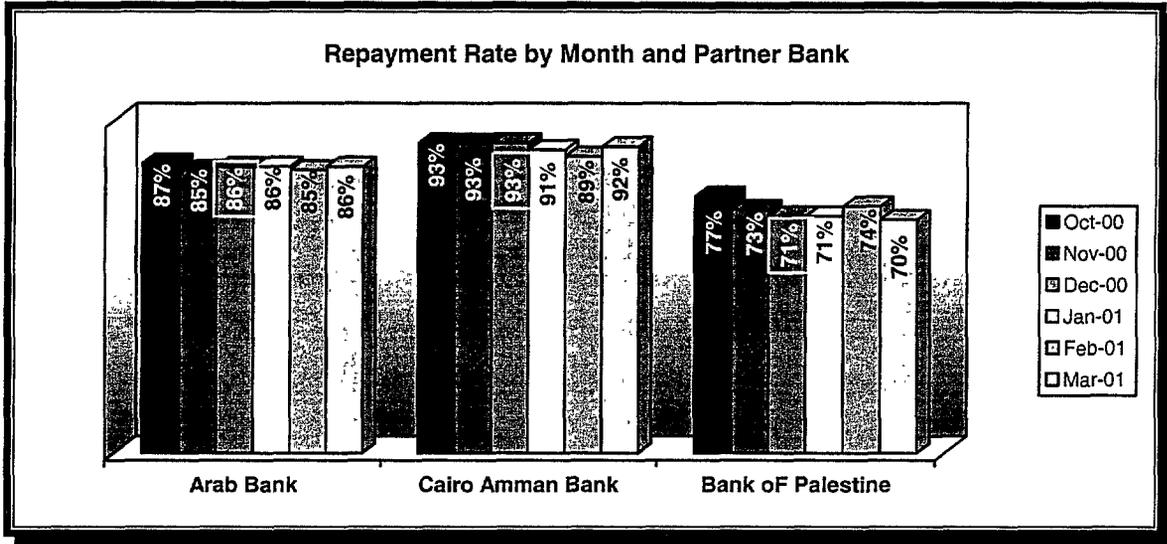
| | Amount | Expenditure |
|---|-------------|-------------|
| Life of Project Funds (capital and operating) | \$5,364,639 | N/A |
| Obligated to Date (capital and operating) | \$5,364,639 | N/A |
| Expended to Date (capital and operating) | \$5,364,639 | Actual |
| Expended During SAR Period (operating) | N/A | Actual |
| Projected Expenditure in the Next SAR Period | | Budgeted |

2 MAIN REPORT

Results and Accomplishments during the SAR Reporting Period are the following:

2.1 On time Repayment Rate

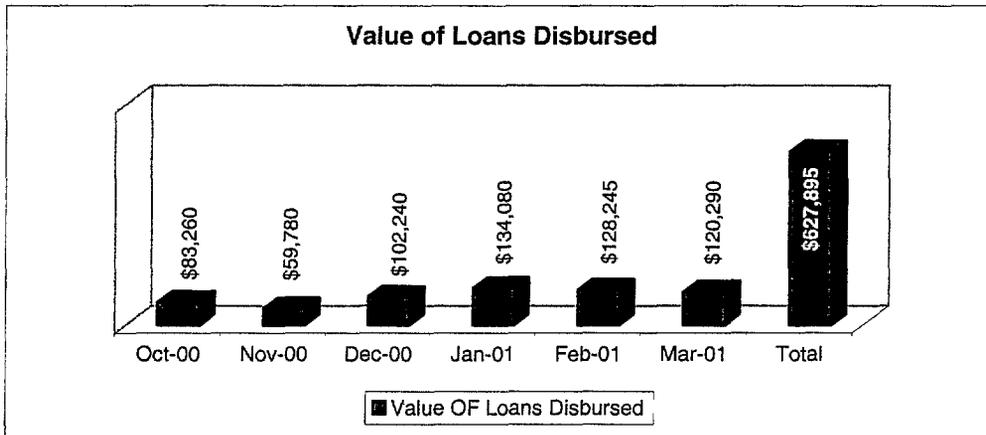
The following table represents the on-time repayment rate by partner Bank. The on-time repayment rate is calculated by the number of payments paid on time to the number of payments due. During this reporting period, the on time repayment rate decreased slightly due to the current crisis and the economic recession. The on-time repayment rate may decline further during the coming six months if the current crisis continues and its effects are felt more profoundly on the private sector.

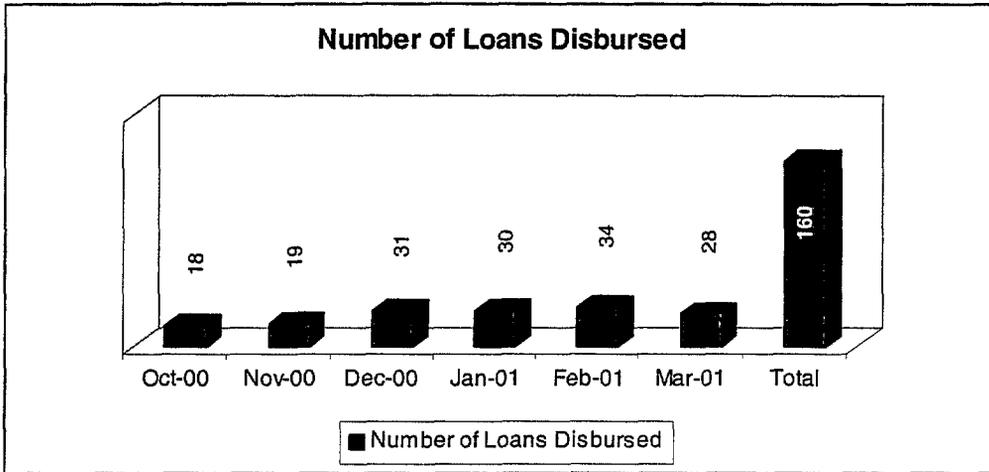


2.2 Value of Loans Disbursed

During this reporting period, the program has disbursed approximately \$ 627,895 in home improvements. As a result of the current crisis in Palestine, the value of loans disbursed dropped sharply during the previous six months.

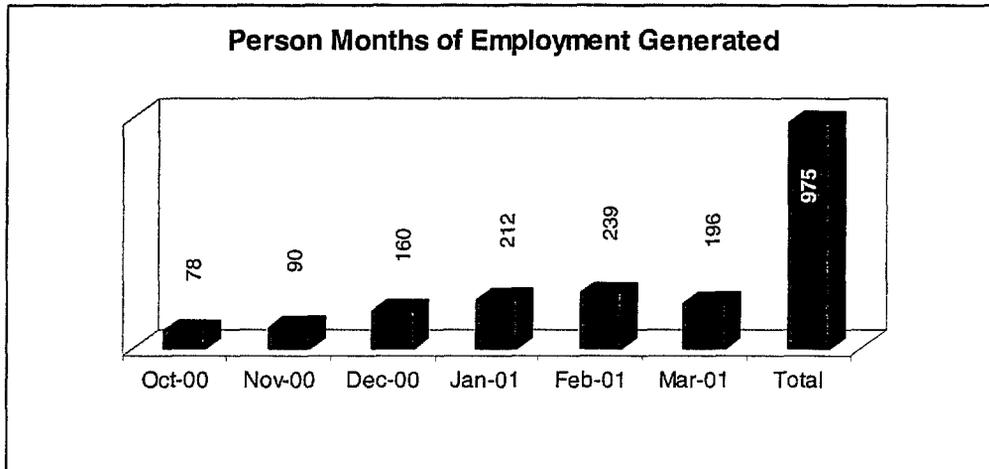
The following table represents the monthly value of loans disbursed during this reporting period.





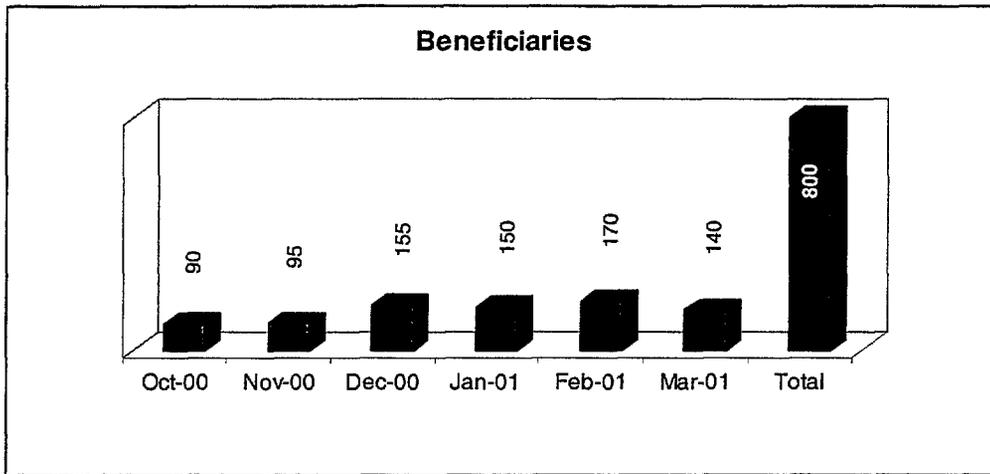
2.3 Job Creation

Job creation is a key component of the HILP. The following table represents the number of person months of employment created per month during the current reporting period.



2.4 Number of Beneficiaries

The total beneficiaries are calculated by multiplying the number of loans by the average CHF borrower's family size.

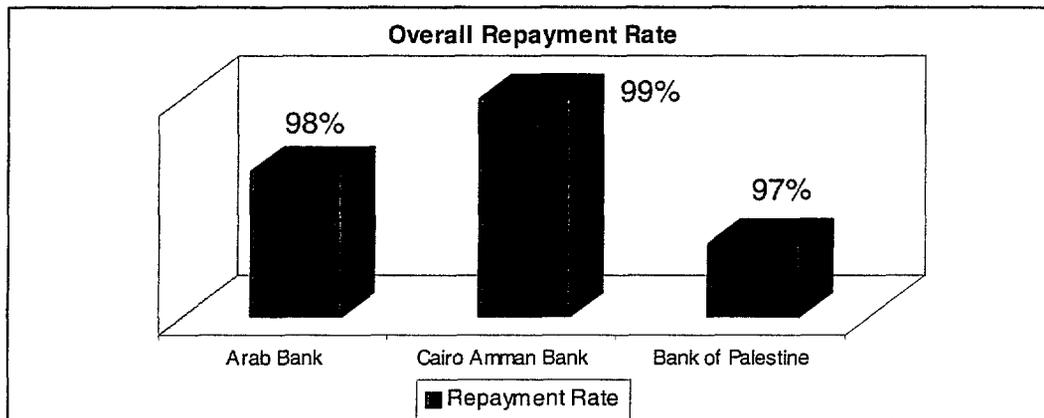


2.5 Results and Accomplishments Since Program Inception

2.5.1 Over-all Repayment Rate

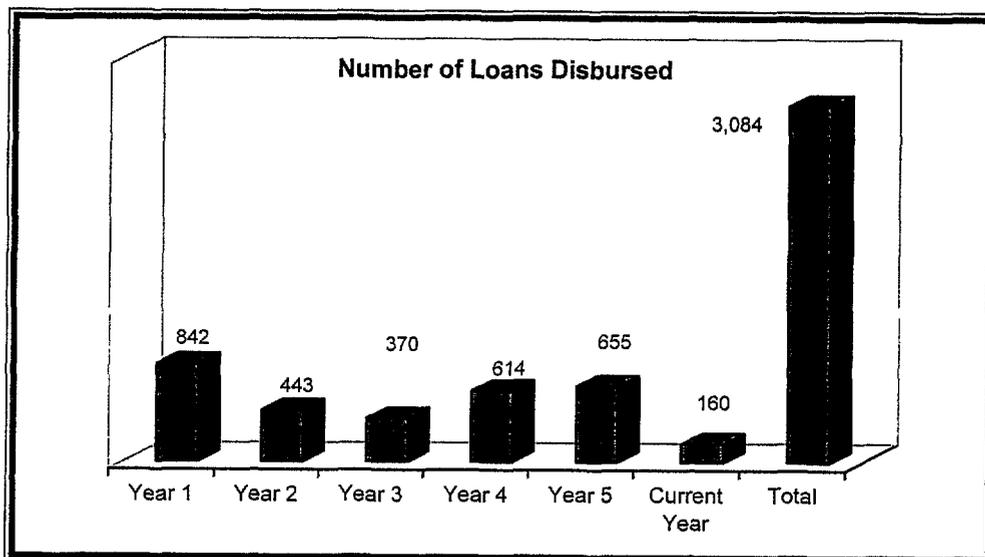
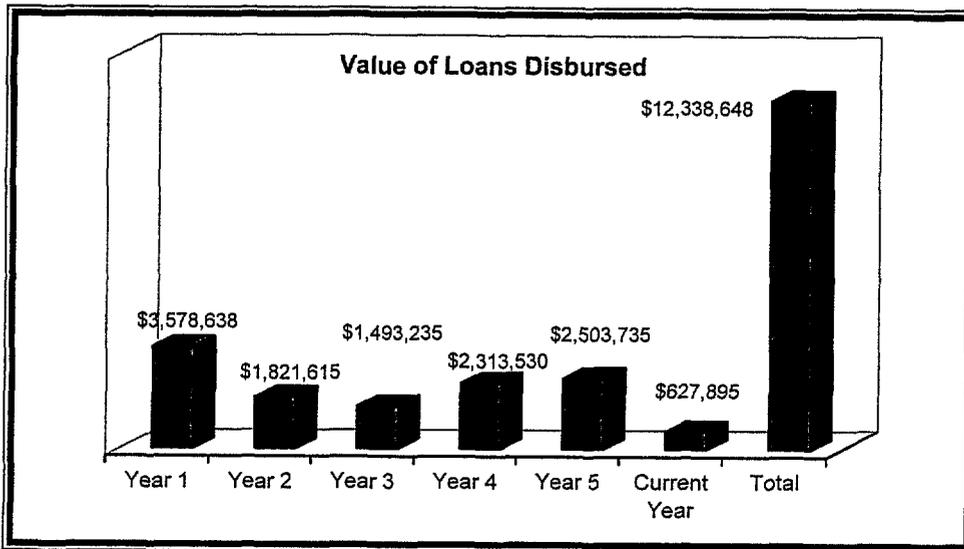
A high repayment rate is essential to the sustainability of any credit program. The following table represents the overall repayment rate of borrowers by partner bank. The overall repayment rate is calculated by the total payments paid to the total payments due.

The over all repayment rate is 98% for the Arab Bank, 99% for Cairo Amman Bank and 97% for Bank of Palestine.



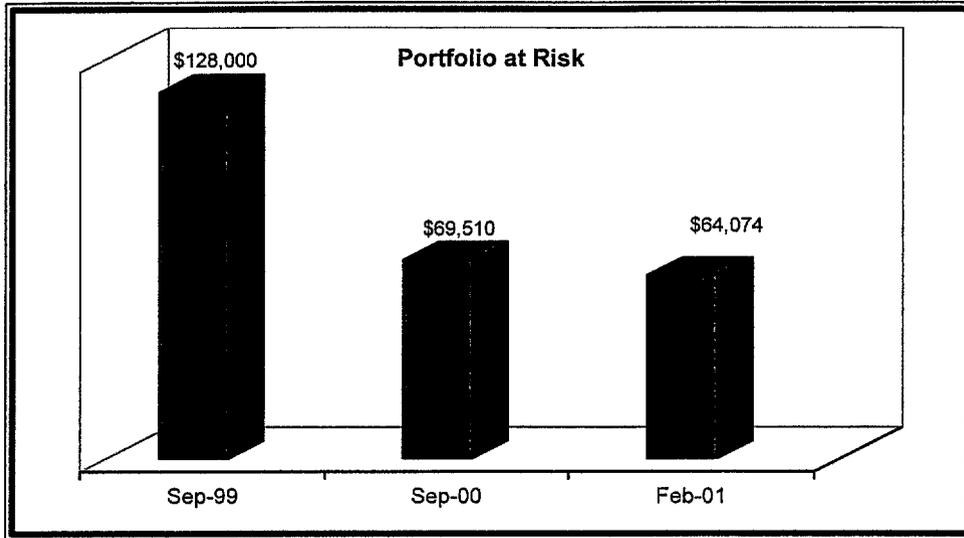
2.5.2 Value/Number of Loans Disbursed.

Since program inception, the program had disbursed approximately \$12,338,648 in home improvement loans. The value of loans disbursed dropped sharply during the last six months due to the current crises in Palestine.



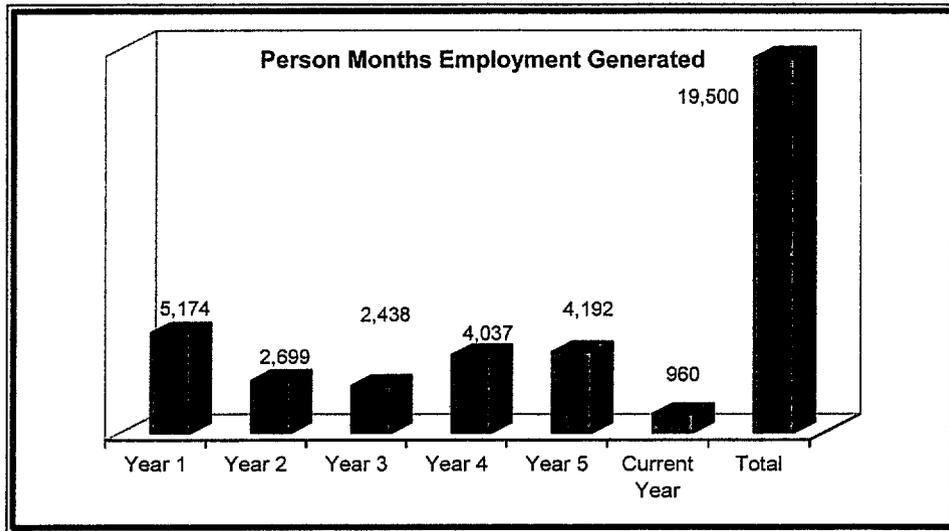
2.5.3 Portfolio at Risk.

During this fiscal year CHF will continue the effort to reduce the portfolio at risk for loans that are over 180 days in arrears. The portfolio at risk has been reduced from \$128,000 in September 1999 to \$ 64,074 during March which means an improvement of 50%. After six months of the current crisis, reducing the portfolio at risk became much more difficult than before and we expect that if the current crisis continues the portfolio at risk will increase.



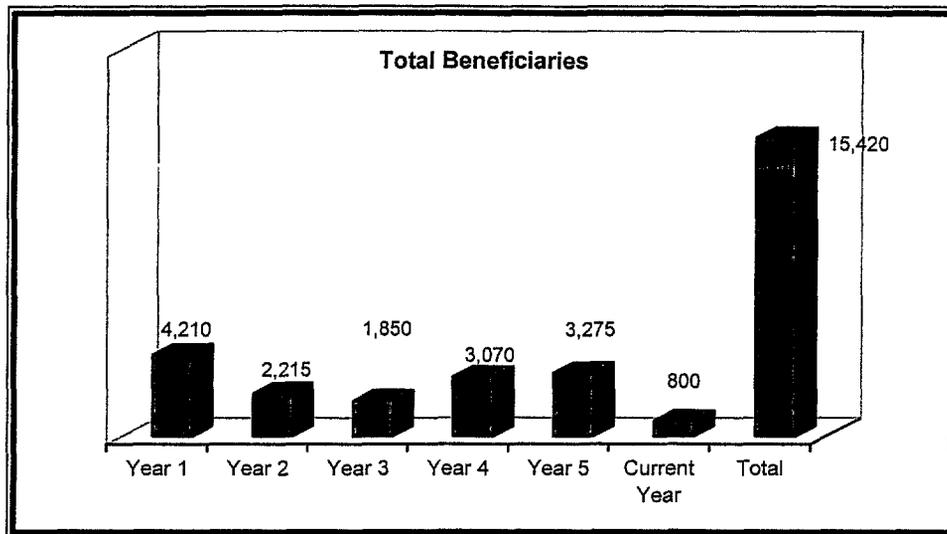
2.5.4 Job Creation

Job creation is a key component of the HILP. As of March 2001 the program has generated over 19,500 person months of employment. The following table represents the number of person months of employment created per year.



2.5.5 Number of Beneficiaries

The total beneficiaries are calculated by multiplying the number of loans by the average CHF borrower's family size



2.6 Partnerships with the HILP

2.6.1 CHF & PHC Partnership

On March 3, 1998 CHF submitted a proposal to USAID that vested ownership of the loan portfolio with CHF and outlined the possibility of transferring HILP to another local organization, the Palestinian Housing Council (PHC). This proposal was approved on March 11, 1998. The proposal stipulated a series of steps/requirements that the PHC was to accomplish/meet over a specified period of time. The PHC was unable to follow any aspect of the proposed plan or timetable. In our letter to Mr. Tim Beans dated February 24, 2000, CHF informed USAID that we considered the Transition Plan with the PHC "no longer in effect and we have no further obligation to that organization." This letter was copied to the PHC.

On March 28, 2001 CHF submitted to USAID a final plan for the program continuation outlined that CHF as a locally registered organization with the Palestinian Authority, will continue to operate the HILP and the ownership of the \$4,000,000 corpus will remain with CHF so as to allow for the use of these funds for program implementation in Palestine and capital leveraging from private sector sources.

2.6.2 CHF & Banks Partnership

During the current period, The **Cairo-Amman Bank** approved 21 loans valued at \$98,300. The on-time repayment rate was 92% in March. The over all repayment rate was 99%. There are 9 Cairo-Amman Bank clients whose loans are over 180 days in arrears. The outstanding loan portfolio at risk for these clients is \$20,332. Appropriate legal action will be taken with these clients.

The **Arab Bank** continued to require a high level of monitoring and support. During the semi-annual reporting period, the Arab Bank approved 56 loans with a value of \$320,400. The on-time repayment rate was 86% in March. The overall repayment rate was 98% for the CHF-Arab Bank partnership. The Arab Bank has 22 clients who have loans over 180 days in arrears. The outstanding loan portfolio at risk for these clients was \$43,406.

During this reporting period, the **Bank of Palestine** approved 74 loans, totaling \$315,700. The on-time repayment rate for Bank of Palestine was 70% in March. The over all repayment rate was 96%.

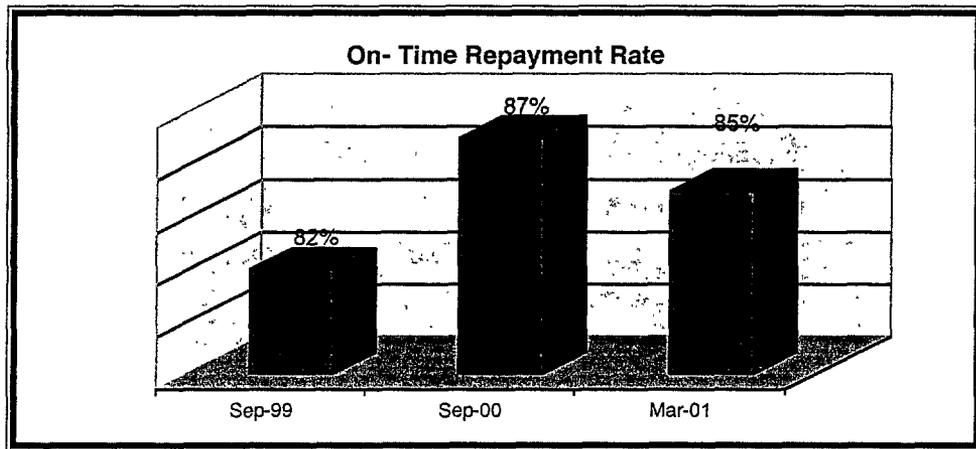
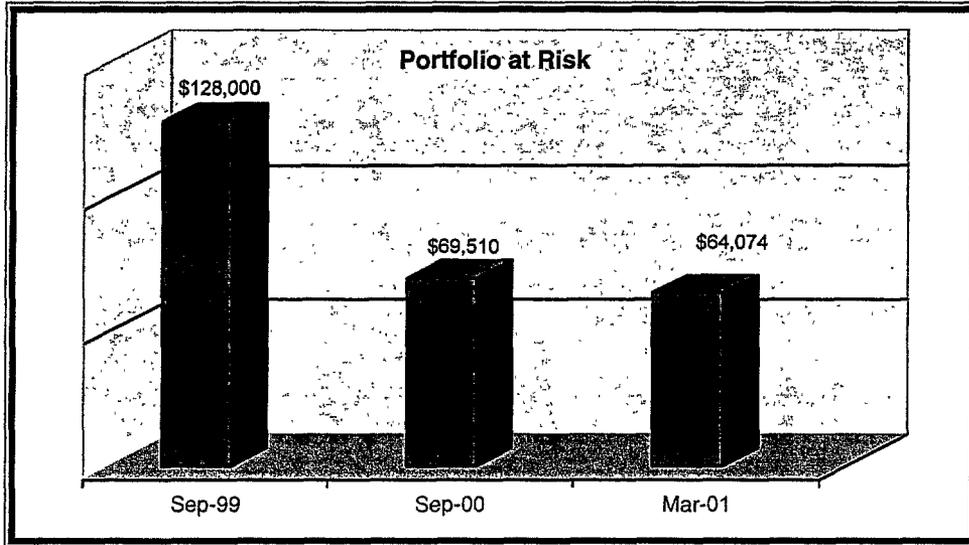
2.7 Initial Indication of Impact

During this reporting period, loan demand was lower than the previous period due to the current crisis. Approximately \$734,400 in loans were approved. This represents 159 new borrowers. In addition to the direct impact of the program, home improvements also stimulate economic activity in the area by providing

direct and indirect labor, which is approximately 975 person-month of employment. During this reporting period, 160 home improvement projects were completed. With an average of five persons per family and have directly impacted the lives of 800 individuals.

2.8 Progress on Indicators

During this reporting period, the current crisis has clearly affected the value of loans disbursed and caused a decrease in the value of loans disbursed by approximately 50%. Nevertheless, CHF succeeded in reducing the HILP portfolio at risk from \$69,508 to \$64,074, an improvement of 8%. In addition to the aforementioned, and in spite of the current crisis, CHF succeeded in keeping the on time repayment rate high, which is 85%.



2.9 Gender Equity³

The following table provides data on female involvement in the HILP.

³ Due to the nature of this program 50% of the indirect beneficiaries are women.

| Indicator | # of Direct Beneficiaries | # of Female Beneficiaries | Females as % of Beneficiaries |
|-------------------------------|---------------------------|---------------------------|-------------------------------|
| # of Loans Disbursed | 160 | 14 | 9% |
| # of Beneficiaries | 800 | 70 | 9% |
| No. of Person Months Employed | 701 | 0 | 0 |

2.10 Problems/Solutions

None

2.11 Other Pertinent Information on the Project

Despite the current crisis in Palestine, the overall HILP repayment rate has remained unaffected. Nevertheless, the conflict has had very real consequences for the program's borrowers including demolished homes and loss of life.