

Cooperative Housing Foundation
Quarterly Performance Report

Municipal Credit Program for Family Sanitation
Honduras

Grantee: Cooperative Housing Foundation
Cooperative Agreement: 522-A-00-98-00004-00
Reporting Period: April 1, 2000 to June 30, 2000
Submission Date: July 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. 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

Due to increased levels of promotion in the urban area of Nacaome and a change in the strategy for the placement of sanitation loans, a resurgence in this sector occurred in the month of June where a total of 14 of 29 loans were placed for connections, bathroom facilities, and septic tanks. CHF had decided to concentrate efforts once more in the urban area in an attempt to convince those residents, that were originally approached with the idea for a loan for a full sanitation unit at a cost of approximately \$900, that they could also take a smaller loan and construct their household sanitation systems in stages. Citizens are encouraged to start with a flush toilet and add on from there. At all times, the client is given the opportunity to make the decision regarding the construction project most convenient for their family.

Home improvement loans, however, continue to overtake sanitation loans, topping the list in each of the three months covered by this quarterly report. The most common elections for home improvement continue to include roofs, floors, and wall repair but some creative loan recipients have been able to repair their entire kitchen and in some cases build an entire free standing room that serves as a minimal dwelling until the opportunity arises to add on to the home. These constructions have been completed in Nacaome with as little as \$600.

CHF continues to search for new areas in which to expand the program in Nacaome. El Jardín Barrio of the city is still waiting for the completion of its elevation tanks for the new sewer system to fully come online. Once it is up and running, there is a potential to connect 150 families to the new system. CHF has promoted the program in this area in anticipation of the system's completion, but for understandable reasons, families are hesitant to build bathrooms without the guarantee that the system will be completed.

CHF has consistently encouraged the Municipality to complete this construction at the earliest possible moment. Other neighborhoods like Agua Fria have to date, not been able to resolve ongoing problems and disputes that prevent CHF from entering these areas where a sewer system was recently constructed by another donor and where the citizens will need assistance to connect their homes.

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

Credit:

Number of loans disbursed this quarter: 53	Cumulative: 286
Amount of loans disbursed this quarter: \$31,619.73	Cumulative: \$189,217.82

Sanitation facilities constructed this quarter: 24
Connection to Sewer: 10
Improvement to existing Connection: 0
 Septic Tank: 9
 Sanitation units with bathrooms and wash facility: 5
Home Improvements: 29

Construction and Employment Generated:

Number of person months employment generated: 79.5	Cumulative: 422.5
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Health and Sanitation Education:

Health and sanitation workshops held this quarter: 12	Cumulative: 62
Participants in health and sanitation education this quarter: 61	Cumulative: 738

Municipal Development:

CHF continues to promote the Municipal Credit program in Nacaome using the Municipality's vehicle and the recently acquired megaphone. The promotional posters have been distributed throughout the community and the program continues to receive increased attention due to a promotional signboard placed in a park conveniently located in the entrance to Nacaome. The Municipality has for all practical purposes reached the point of operational sustainability and has begun to receive monthly checks to be used for its own office operations. In the 3rd quarter of FY00, the Municipality of Nacaome received a total of 28,641.14 Lempiras. These funds are to be used at the discretion of the mayor and the city council. CHF strongly encourages that the funds be put back into program infrastructure improvements and operations.

The Nacaome program is in need of several items for its continued implementation that include: a bicycle, a new file cabinet to secure confidential information, and funds for staff mobilization. The Municipal Credit team has brought these issues up with the mayor on several occasions and sent a letter asking for his support. This tactic of persistence has worked in the past when the team needed desks and additional office furniture. Now that the mayor has seen a significant amount of income from this program, he has been much more supportive of the program's efforts.

CHOLUTECA

The program in Choluteca only recently got underway but the municipality has already begun to realize the level of popularity for programs such as Municipal Credit. It will take some time, however, to convince municipal officials of the potential monetary benefits to the municipality in the long-term.

After the agreement between the Municipality and CHF was signed on March 17, 2000, the CHF Tegucigalpa members of the Municipal Credit team shifted their gears to concentrate on the demand in Choluteca for sanitation and home improvement loans. The local team in Nacaome is presently fully trained and operating with a reduced need for outside guidance. This has allowed CHF to focus more than 80% of their efforts on the Choluteca office, and the results in that city have been astonishing.

As of the end of June, only three short months after its inception, the project in Choluteca had already placed 58 loans with 43 of those coming in the month of June alone. In the third month, Choluteca had already surpassed the top loan placement month for Nacaome two years into its program. In addition, an incredible 649 residents had attended a total of 31 credit and health workshops throughout the neighborhoods elected for the first round of project loans.

Total loan amounts in the first quarter of operation in Choluteca reached \$39,216. In addition, CHF/Choluteca has already identified 21 more loans for its first of four disbursements in the month of July, and it is expected that 80 loans will be placed in July.

CHF adopted a strategy to initially concentrate in only those neighborhoods where residents were directly affected by Hurricane Mitch and/or benefited from a recent expansion of the Choluteca sewer system. The following neighborhoods were selected: La Libertad, Los Graneros, San Juan Bosco, Los Mangos, Santa Lucia, and San Pedro Sur. Since the initial promotion in these six neighborhoods, the project has expanded to encompass areas in the new sections of the city. These resettlements were built after Mitch to house the families that lost their homes. CHF has begun the promotion for home improvement loans in the barrio of Marcelino Champañat. Newly incorporated barrios that possess access to the sewer system include: Las Acacias, and Buenos Aires. As a result of radio advertising for the program sponsored by the municipality, many representatives have made the effort to visit the CHF office housed in the municipality. It was decided therefore, to accept applications from these individuals, as long as they live within the immediate radius of the city of Choluteca. Several neighborhoods that had sent representatives to the first CHF presentation given to all the presidents of the local *patronatos* in Choluteca had expressed interest in the sanitation loans even though the sewer system did not pass through their neighborhoods. CHF decided after three months of concentration in the initial six barrios to open the project to the following barrios for septic tank construction loans: Las Colinas, Morazan, Las Delicias, and Piedras Azules.

CHF has hired a total of three loan promoters in Choluteca and has split the territory in three parts to allow for portfolio ownership. One of these promoters who lives in the area of the "Ciudad Nueva," also known as Limon de la Cerca, was directly affected by Mitch when he lost his home and all his possessions. He has exhibited a high level of resolve to place loans with those that possess the capacity to pay and need assistance for their families in the areas of sanitation and home improvement. CHF will coordinate with the numerous NGOs working in that area so as not to duplicate efforts.

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

Credit:

Number of loans disbursed this quarter: 58

Cumulative: 58

Amount of loans disbursed this quarter: \$39,216.03

Cumulative: \$39,216.03

Sanitation facilities constructed this quarter: 34
Connection to Sewer: 34
Improvement to existing Connection: 0
 Septic Tank: 0
 Sanitation units with bathrooms and wash facility: 0
Home Improvements: 24

Construction and Employment Generated:

Number of person months employment generated: 87 Cumulative: 87

Health and Sanitation Education:

Health and sanitation workshops held this quarter: 31 Cumulative: 31
Participants in health and sanitation education this quarter: 649 Cumulative: 649

SAN LORENZO

CHF recently received approval from USAID to expand the Municipal Credit Program to San Lorenzo in the Department of El Valle where residents were also greatly affected by Mitch. CHF made a presentation before the presidents of the local *patronatos* in San Lorenzo in April and received a highly positive response to the idea of bringing the program to their communities. As a result, the mayor has pledged his support for the program and promotion has already begun in several neighborhoods. The Municipality has assigned a liaison to the program and he has exhibited strong support and willingness to assist in the implementation of Municipal Credit in the communities of San Lorenzo.

CHF plans to hire a loan promoter in San Lorenzo and ask Carlos Cruz from its Nacaome office to supervise the construction of the projects from this nearby location. It is expected that the first loans will be disbursed in August 2000.

D. Current Buy-Ins

None.

E. Current Sub-Contracting Activities

None.

F. Performance

The Municipal Credit team in Nacaome continues to work hard in the area of loan payment recovery. The members have closely followed the steps that are to be taken when a client falls in arrears with their payments. The onset of the rainy season has brought new challenges to the team but they have expressed their resolve to overcome any difficulties. The program in Choluteca will be seeking to maintain its high level of placement of quality loans to ensure the project is a continued success. Efforts will not only be placed in loan placement but will shift accordingly to ensure the necessary strong recovery on the loans as well. CHF decided to divide the Choluteca loans into three portfolios to guarantee a healthy portfolio for the future.

Although the number of loans disbursed to date is behind schedule due to the more than nine month

delay associated with Mitch, CHF expects to disburse all program funds and meet all established goals before the new estimated program completion date of December 31, 2000.

G. Statement of Work

The statement of work was changed to include Choluteca and San Lorenzo as municipalities participating in the project.

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 (04/01/00 – 06/30/00)

Expatriate	.92 person months
Local	20.92 person months

b. Cumulative level of effort used to end of report

Expatriate	7.15 person months
Local	79.87 person months

c. Unused level of effort

Expatriate	9.35 person months
Local	(25.87) person months

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.