

**Municipal Credit Program for Family Sanitation
CHF/HONDURAS**

Quarterly Performance Report

Grantee: CHF International
Cooperative Agreement Number: 522-A-00-98-00004-00
Reporting Period: October 1, 2001 to December 31, 2001
Submission Date: January 31, 2002

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 original Project Assistance Completion Date (PADC) was December 11, 1999. 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 investments in the installation of sewer systems in the two communities. The program was originally planned to cover a large portion of the demand for sewer hook-ups in Nacaome and a small pilot project in Choloma, and was originally 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 and extending the program to December 31, 2000. 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 was used for home repair and home improvements in Nacaome, Choluteca and San Lorenzo.

In February of 2001, an additional \$50,000 in funding was authorized by USAID for disbursement of loans destined for both sanitation and home improvement in the southern region of Honduras. Another \$50,000 was also approved in third quarter 2001 extending the PADC to December 31, 2001. The total amount obligated to date is \$848,677. Another no-cost extension is pending which will extend the program for another 3 months.

B. Expected Results

The goal of the Municipal Credit Program for Family Sanitation is to improve the health



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January 16, 2002

Mr. Todd D. Sloan, Jr., Office Director
Municipal Development and Democratic Initiatives
U. S. Agency for International Development
Apartado Postal 3453
Tegucigalpa, M.D.C., Honduras

**Re: Cooperative Housing Foundation Quarterly Report for
Municipal Credit Program for Family Sanitation, CA # 522-A-00-98-00004-00**

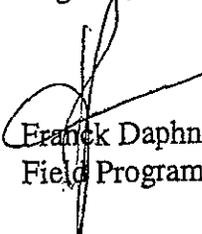
Dear Mr. Sloan:

Attached please find a copy of CHF's quarterly report for the Municipal Credit Program for Family Sanitation covering the reporting period of October 1, 2001 to December 31, 2001.

We have also sent an original copy of the report through the mail. The quarterly financial report, Standard Form 269A, will follow within the next month.

Please feel free to contact me should you have any questions or concerns. Thank you for your attention to this matter.

Regards,


Frank Daphnis, Jr., Director
Field Program Management

cc: USAID/CDIE, Washington, DC 20523-6701

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condition of households in the municipalities of Nacaome, Choloteca, and San Lorenzo with particular emphasis on children's health.

Specific objectives of the sanitation credit program are 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; and
- Help low income households build appropriate sanitation facilities to connect with the recently installed municipal sewer systems.

The Municipal Credit Program for Family Sanitation was originally designed to disburse 558 loans for sewer connections 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 implement in Choloteca instead of Choloma. It is now estimated that a larger percentage of the sanitation loans will be given in Choloteca. In addition, in May of 2000 CHF obtained approval to enter San Lorenzo to place approximately 100 loans for home improvement and sanitation with an emphasis on home improvement for many families who were affected by the Hurricane. A revolving loan fund has been established that was originally expected to fund a total of 754 loans after two years and over 1,000 loans within six years.

The 1,000-loan mark was reached in second quarter 2001, several years ahead of schedule.

The goal of the program amendments which cover 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 amendments 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 amendments will allow an additional 417 families to receive home repair/improvement loans (\$600 average loan size) during the USAID funded phase of the program. A revolving loan fund has been established that will be mixed with the sanitation credit revolving fund. Together, these two program funds will continue to lend money in Nacaome, Choloteca, and San Lorenzo for sanitation and home improvement

construction. It is also expected that the program will expand into other USAID priority municipalities as the demand for loans is met in the first three municipalities.

C. Current Core Activities

Monthly activities continue to focus on loan placement and loan recovery. As of the 30th of December 31, 2001 1,209 loans for sanitation and home improvement had been placed in the cities of Choluteca, Nacaome and San Lorenzo, Honduras. This is 209 loans over the 6-year goal of 1000.

A field visit by USAID was conducted this quarter with excellent results. USAID was able to see first hand the significant impact that this program is having on the health and well being of its beneficiaries. One notable project was a \$900 loan to a young family that provided the young couple with the funds necessary to build a simple brick home on their parents' land, thus allowing the family to move out of their decaying house made of sticks and mud that they shared with several extended family members. Working on weekends and at night on the construction of the house to save costs, this young couple was able to build a complete two-room house.

CHF continues to promote the program in new neighborhoods and is now focusing its efforts on families with a slightly higher average monthly income. In the past, CHF limited the beneficiaries to those families that earned a combined family income of less than \$530 a month. It has been determined, however, that there is a need within families that earn slightly more than \$530 a month. Many times, these families are comprised of extended family members and several children and their actual income per family member is low. In addition, it is to the municipalities' benefit and the overall well-being of the community that everyone connects to the sewer system and completes other home improvement projects.

CHF continues to monitor the program costs and income to ensure that financial sustainability is reached in the shortest amount of time possible. Operational sustainability has been achieved and one of the critical factors for reaching financial sustainability is the actual size of the loan portfolio. Many of the costs associated with running the program are fixed and need to be spread out over a larger income base to reduce the cost per loan. CHF has been transferring loan funds from other programs to the municipal credit program and hopes to receive additional capital from USAID in 2002. The average loan portfolio balance needed to sustain this program is estimated at \$650,000. The current average is approximately \$500,000.

Cumulative Quantitative Indicators for all Three Municipalities

Loan Disbursements:

Number of loans disbursed this quarter: 111

Cumulative: 1209

Amount of loans disbursed this quarter: \$94,814.38

Cumulative: \$845,034.76

Sanitation facilities constructed this quarter: 11
Sanitation units, bathrooms, wash facility with septic tank: 6
Sanitation units, bathrooms, wash facility, and connection to sewer: 4
Sanitation units, bathrooms, wash facility: 1
Elevated water storage tank: 0

Home Improvements: 100

Construction and Employment Generated:

Number of person months employment generated: 164 Cumulative: 1,806

Health and Sanitation Education:

Health and Sanitation workshops held this quarter: 35 Cumulative: 293

Participants in health and sanitation education this quarter: 250 Cumulative: 3,881

Municipal Development:

During the last quarter, CHF negotiated with the mayors of each municipality to move the loan promoters onto the CHF payroll. This was done to ensure that there would be no interruption of program activities during the transition to new mayors in January. Instead of paying the mayors a percentage of the interest generated each month, CHF is paying a flat fee for the use of the office space and supplies.

Once the new mayors are sworn in, CHF will work with each of them to present the program, discuss the program benefits to the municipality and obtain a commitment from each mayor to support the program in the manner in which they find appropriate. At the very least, CHF would like to have the mayors' verbal support of the program in addition to some logistical support on occasion.

The program continues to help in the development of each municipality by supporting connections to the municipal sewer and water systems, reducing sewage in the streets and responding to the needs of the general population.

Counterpart:

CHF had an initial counterpart commitment of \$50,000 in loan funds, and the municipalities were expected to contribute \$104,191 in in-kind contribution. Subsequent amendments increased this commitment by the same percentage in all but the \$200,000 amendment in 2000. To date, \$418,441 has been provided by CHF and the municipalities in the form of CHF loan capital, in-kind contributions, program reflows and materials and equipment. The counterpart contribution clearly exceeds the expectations of the program with counterpart reaching 49.3% of the amount obligated by USAID.

D. Current Buy-Ins

None

E. Current Sub-Contracting Activities

None

F. Performance

All quantifiable goals for the program have been met including the number of loans to be disbursed and counterpart contribution. The number of people who have received health and sanitation education has passed the 3,000 mark, a number much greater than originally projected.

The strengthening of the municipalities is an on going process that has shown positive results to date. That said, the biggest challenge of the program is working through the municipal offices. It is a constant challenge to convince the mayors to manage the program in an expedient and non-partial manner.

G. Statement of Work

The statement of work has not changed.