



CHEMONICS INTERNATIONAL INC.



**INITIATIVE FOR SUSTAINABLE & ACCESSIBLE MICROFINANCE INDUSTRY
ISAMI**

April 2001 Monthly Report

Contract No. OUT-PCE-I-802-99-00007-00

Submitted To:
Mr. Johny Zeidan

Submitted By:
Charles Taylor, COP
Imad Hamze, Deputy COP

May 2001



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Introduction

This monthly report represents the activities of FS IQC Task Order # 802, “The Building a Microfinance Industry in the West Bank and Gaza” project, known now as the ISAMI project, for the month of April 2001. The report highlights significant work undertaken and accomplishments realized, outlines major challenges and opportunities encountered, offers proposed responses to those challenges, and summarize planned activities for the following month.

Through this task order, USAID is supporting a program of technical assistance and training to develop a sustainable microlending industry in the West Bank and Gaza, targeting its strategic objective “*expanded private sector economic opportunities.*” Chemonics International is implementing the project to enhance the potential for rapid growth of micro lending and to make the availability of this product and other related financial services a permanent and sustainable feature in the region¹. Goals of the project include:

1. *To improve cooperation between microfinance practitioners* by establishing an industry association that promotes best practice principles and entry into the market by commercial banks.
2. *To strengthen microfinance skills* in the region through the establishment of a viable training program housed, sponsored, and accredited by a local/ regional institution.
3. *To increase the demand for microfinance services* through public awareness of the benefits and values of microfinance and to advocate for public policy and banking reforms.
4. *To create operational linkages between microfinance programs* through the merger of NGO programs and their cooperation with commercial banks.
5. *To develop credit advisory services* through a sustainable privately-owned credit bureau that maintains accurate credit backgrounds of existing and potential clients.
6. *To improve the understanding of microfinance programs in WB/G* through studies, seminars and applied research.
7. *To improve the efficiency and appropriateness of financial services* by helping microfinance programs develop new products and reorganize themselves into formal microfinance institutions (MFIs) capable of mobilizing local capital.

¹. The project fits within USAID Strategic Objective “expanded private sector economic opportunities” and will directly contribute to Intermediate Result 1.1 “increased access to financial services by the private sector”.

SECTION I

Activities

The month of April has witnessed an escalation in the security situation. Israel, in its efforts to curb the *Intifada*, continued shelling Palestinian cities, expanding settlements, intensifying flying checkpoints, and demolishing houses. The ISAMI project is determined to achieve its goals. From its offices in Dahiat Al Bareid, the ISAMI team is working as usual to meet the dates of the life of the project workplan. The major activities that occurred during this reporting period are outlined below by component.

1. Microcredit Forum

The major activity planned for the month of May is holding the first meeting of the microfinance forum. An invitation was sent to the managers of microfinance programs and to banks who might be interested in the future in downscaling their lending to meet the needs of the microenterprises in the country. This meeting will be held in Ramallah on May 9th. (See Annex B for the invitation letter).

The Chief of Party is finalizing a concept paper for this prospective forum. This concept paper will be in its final form soon to be available for the forum/meeting.

2. Training

Advanced Microfinance Course & Human Resource Development

In an effort to benefit from the experiences of other countries, the Deputy Chief of Party visited the AMIR project in Amman, Jordan. During the 5 working day visit, the Deputy Chief of Party met with key AMIR staff to learn from their experiences regarding the formation of a credit bureau and credit association, as well as gather studies and research that could be used in the West Bank and Gaza. Also he investigated the possibility of having the Institute of Banking Studies (IBS) trainers come to the West Bank to deliver their advanced microlending course. Other issues of mutual concern were also discussed (See trip report in Annex A).

IBS and ISAMI agreed to schedule the advanced course in microlending from June 7th to 17th. The Home Office will handle the final contract and its terms.

Besides learning from the experiences of AMIR, ISAMI is in contact with two expatriate trainers, now working in Amman, for a possible training course on human resource development. The conclusion of these contacts will come to light when the training plan with Shorebank is finalized.

3. Advocacy and Public Awareness

ISAMI team has also reviewed and prioritized tasks from an initial communication plan prepared by Chemonics Home Office that provides the project with recommendations of certain communication tasks to be taken while the *Intifada* continues. This plan includes several tasks, with each addressed to a particular audience. The audience is partners, policy makers, influential groups, forum members, the public, the media, and others.

4. Operational Linkages

ISAMI has brokered two meetings between banks and NGOs working in microfinance. One meeting was held between Arab Committee for Agricultural Development (ACAD) and the Jordan National Bank, and another meeting was held between UNRWA and the Palestinian Banking Corporation (PBC initially). Both meetings were informative to the parties and results of such attempts for possible linkages still remain to be seen.

5. Credit Bureau

The credit bureau may be stalled because the Palestinian Monetary Authority (PMA) objects to the formation of a privately owned organization, which would contradict the terms of the project contract. MFIs remain interested in the initiative.

6. Studies, Seminars, and Analyses

The AMIR project will send ISAMI several studies and concept papers that can benefit the microfinance industry in the West Bank and Gaza.

Moreover, the project has started the establishment of a microfinance library where publications and studies from various microlending bodies around the world will be purchased to be available for researchers, practitioners of microfinance, and others.

7. Financial Services

Contacts have been made with the Arab Bank and the Bank of Jordan to plan for new financial services. The project may assist the Arab Bank to establish a formal microfinance subsidiary capable of mobilizing savings. There is also interest in developing new products and services. Investigations may include the use of SmartCard technology, because it is a cost-effective way to improve program outreach while maintaining a complete and verifiable audit trail.

SECTION II

Administration and Procurement

1. Office

On April 15th, thieves broke into the office and stole the fax, photocopier, telephones, computers, and other valuable office equipment. The project's activities were not halted by the theft and employees were able to continue work. The Home Office sent a replacement printer and laptop computer to the Field Office with Ms. Sarah Nelson, the project administrator.

To avoid any future thefts, metal shields and new stronger locks now reinforce the office doors. The project has also hired a night guard to provide extra security at night.

2. Procurement

It is understood that the computer equipment procured by the Home Office will arrive to the ISAMI project during the month of May 2001. Meanwhile, the project rented one PC for the month of May. The office manager is in contact with our suppliers to replace the stolen items.

3. Transportation

The project has two vehicles in the pool to serve the project's needs. Both cars are rented and managed according to USAID policies.

SECTION III

PERSONNEL

1- Level of Effort

Long term	Period	Days Worked
Mr. Imad Hamze, Deputy Chief of Party	April	22
Mr. Amr Khilfeh, Financial Analyst	April	22
Ms. Lorraine Anabtawi	April	22
Ms. Ruba El-Ghoul	April	22
Short term		
Mr. Charles Taylor, Chief of Party	April	16
Ms. Sarah Nelson, Project Administrator	April	6

2- Recruitment

Guard

In line with its efforts to take extra security measures in light of the recent burglary incident, the project has contracted a night guard. The guard will also take care of cleaning the office premises.

Secretary

Due to the workload, the ISAMI project team has agreed to have a secretary join their team. Massar was informed and they will start the recruitment procedures.

Driver

The driver's contract was changed from a daily subcontractor to an employee of the project through Massar.

SECTION IV

Coordination

In the month of April, the Deputy Resident Advisor and the Financial Analyst met Ms. Haifa Baramki, the director of the Birzeit University Center for Continuing Education. The center has several impressive training programs and future cooperation is very possible. Other meetings are planned to take place with the Palestinian Center for Banking Studies and Research.

Annex A

Trip Report to Jordan April 1-April 5 & April 16, 2001

The Deputy Chief of Party (DCP), Imad Hamze, completed the scope of work (See SOW in annex A1) during the period of April 1 and April 16, 2001. The purpose of the mission was to learn from the experiences of the “Access to Microfinance & Improved Implementation of Policy Reform”(the AMIR project) in the following: 1) the microfinance association in Jordan, 2) the creation of a Credit Bureau, 3) studies and research in the field of microlending, and 4) microfinance training courses.

In the five working days of the missions, the DCP visited the AMIR project and held meetings with the Sustainable Microfinance Initiative (SMI) staff, public awareness and training manager, heads of MFIs, trainers, consultants related to the AMIR project, and freelancer trainers in human resource development. (See Annex AII for lists of people met).

The following are the conclusion of the mission:

The Credit Association

In its efforts to start a credit association, the AMIR project, throughout the past year or so, has organized monthly meetings for around 16 people who participated in the TOT course delivered by Shorebank. These people are heads of MFIs, freelancers interested in microfinance, lenders from commercial Banks, in addition to a lawyer who volunteered to provide the needed support for the forum.

The meetings were intended to set the structure for a credit association in Jordan. The meetings or “forum” had different committees that looked into certain issues vital for the prospective association. Some committees looked into the legal status of an association, and the legislations under the Ministry of Interior. Others looked at experiences from other countries and made publications from these experiences available for the forum.

AMIR acted as the facilitators in these meetings, and they provided a secretary to take the minutes of these meetings.

After several meetings, 4 members of the forum decided they will form an association alone, and they adopted the bylaws produced by the forum. Therefore the association was exclusively formed from 4 MFIs, where as the others in the forum who didn't fit the criteria (mainly the NGO should be a specialized MFI not doing other activities besides micro finance) put by the association members.

The 4 members of the association submitted business plans and got loan capital funds from USAID. The strengths, weaknesses, opportunities available, and threats faced by the association are explained as follows:

Strength

- All members follow the “best lending practices” (See Annex AIII). They are either micro-lending NGOs or micro-lending companies.
- Each of the 4 MFIs got a loan capital fund from USAID.
- They will benefit from the MIS consultancy paid by AMIR and will use the same MIS when it is ready.
- Two of the four are talking about merging to economize on the MIS, benefit from the economy of scale by having a wider outreach, and the non-local MFI (CHF) will be registered with the other as a local one.

The director of one of the MFIs who was active in the forum but her organization couldn't join the association, said that what happened is harmful to the industry and pointed out the following weaknesses:

Weaknesses

- No diversity
- Compete with each other for funds and clients
- No help or cooperation with the others outside the association
- Formed a kind of oligopoly supported by USAID
- Created a bitter atmosphere in the industry

Opportunities

- Open up the association to other Microlenders interested in joining.
- Help weaker MFIs not following the “best lending practices” to develop a good business plan to be able to sustain and help the micro entrepreneurs in Jordan

Threats

- Not being able to continue in such an atmosphere at the long run
- Being fought against by the other microlenders
- Not able to meet regularly as an association

AMIR has contracted the consulting group Talal Abu Ghazali International (TAG), to find the appropriate MIS system that could be used by the members of the association. TAG won the bid for this task and is working on finding the best and most appropriate MIS. (DCP gave FATEN's contacts in case TAG needs their consultation regarding an MIS).

The Credit Bureau

Meetings took place also at the offices of the Tallal Abu Ghazali Consulting company where the credit Bureau and other IT issues were discussed. TAG have won the bid to find an MIS for the association. TAG will look for an appropriate MIS to be sold to the association members. Mr. Nassereddine, and Mr. Abdul Wahhab were met.

Moreover, TAG was chosen to establish a Credit Bureau. They paid a share of the capital (More than 1.5 million dollars). TAG expressed great interest in helping us in the West Bank and Gaza to start a Credit Bureau.

Before relaying the task of the Credit Bureau to TAG, AMIR did several tasks as a preparation such as a review of the current law, a preliminary market research, a round table and a study tour for the management of TAG on countries where a privately owned credit bureau is established. (See Credit Bureau Timeline document. A hard copy document produced by AMIR).

Studies and Research

AMIR has a many publications that could be of help to the project in the West Bank and Gaza. Ms. Hanadi Derhalli, the administrative assistant will send the material chosen by the DCP by DHL. This material includes, besides the market research, and other concept papers, a plan of action in the public awareness campaign. Other publications by AMIR can be reached as follows:

Sustainable Microfinance Initiative News Releases:

- [First Regional Microfinance Training Program Concludes \(Amman-September 4, 2000\)](#)
- [Sustainable Microfinance Training Program Sets Industry Standard Credential for Microfinance Practitioners \(April 9, 2000\)](#)
- [Hillary Rodham Clinton and Her Majesty Queen Rania Abdullah to present awards at the first annual Jordan Microentrepreneurs Awards Ceremony](#)
- [USAID-Funded AMIR Program Award \\$6 Million to Microfinance Institutions \(April 20, 1999\)](#)
- [Jordanian Microfinance Specialists Gain Training Expertise: AMIR and IBS Launch "Training of the Trainer" Program \(July 25, 1999\)](#)
- [Sustainable Microfinance Training Program Launched \(September 18, 1999\)](#)

- [AMIR Holds Training on Sustainable Microfinance Lending Programs: USAID Sponsors 5-Day Training in Aqaba \(March 7, 1999\)](#)
- [Jordan National Bank Launches Microfinance Company](#)
- [Climate for Establishing a Credit Bureau in Jordan Positive](#)
- [USAID-Funded Jordan Micro Credit Company Opens Under Patronage of Her Majesty Queen Noor](#)

Sustainable Microfinance Initiative Documents & Publications:

- [Sustainable Microfinance Brochure](#) (English .pdf)
- [Successful Entrepreneurs Booklet](#) (English .pdf)

Training in the West Bank

Several meetings also took place with heads of MFIs, trainers and with the coordinator of the trainers affairs, Dr. Mohammad Al Jaafari.

In his second trip, the Deputy Chief of Party needed to meet with the training head and with the trainers to finalize and reach an agreement on dates, costs and material. The trainers had a serious concern regarding the security situation in the West Bank and had the idea that fighting was going on everywhere. The DCP answered their questions and explained how the micro lending project staff are doing, and how the Seminar by Shorebank was successful in a very difficult time. They all agreed that a visit to deliver the course is worth doing starting around the 7th of June.

The Institute for Banking Studies (IBS) expressed to us through AMIR their happiness to offer the Advanced course during the coming June (10 working days including the exam).

Recommendations Regarding Training

- 1- Go for the advanced course in microfinance and invite those who could be trainers to participate (Heads of MFIs, Credit heads at banks, freelancers interested in the field, and known trainers in the West Bank).
- 2- Try to get trainees from Gaza with the help of USAID (to get the travel permit to leave Gaza).
- 3- Plan for a TOT as soon as possible and have the AMIR training material available for us to be used by these local trainers to deliver the basic and advanced courses in the future.

- 4- Coordinate or investigate the possibility of cooperation in delivering the training with the Institute of Banks in Palestine, the Ber Zeit University or with any other prominent local institution that can take over the training responsibility and cooperate with the prospective Microlending Association when Chemonics is phasing out.
- 5- Start discussions with Shorebank asap for the delivery of the TOT course.

Regarding the Association

- 1- Learn from the experience of the association in Jordan and try to help the microlending industry as a whole. Be prepared to avoid the formation of oligopolies in the industry like that of Jordan.
- 2- Make sure to help those microlenders who need help in developing a business plan based on the best lending practices and geared towards sustainability.
- 3- Learn from the experience of the Ahli Micro Credit Company (AMCC) to help the banks form a microlending subsidiary. (See Ahli organizational manual. A hard copy document by AMCC).

Regarding the Credit Bureau

- 1- Work more with JZ to feel what the PMA plans regarding the Credit Bureau.
- 2- A public awareness plan to PMA and others of how Credit Bureaus in the world work. A learning trip to see how this has succeeded in certain countries (USA or other countries) could be beneficial.
- 3- Look at the Talal Abu Ghazaleh expression of interest and study the possibility of having them or others implement this Bureau. (They are ready to invest money time, and they claim to have the needed connections to start it here).

Other Issues

- 1- Learn from the studies and research in Jordan in the fields of Methodology used, expected results etc..
- 2- Put a plan of action regarding the public awareness campaign and try to get the sponsoring of a prominent Palestinian figure that could help facilitate our work in the future. In Jordan, the industry is lucky to have the Queen as the International spokesperson for microlending. In Palestine, an active woman respected by the society and by the PNA is needed.

Annex AI

Scope of Work

Mission to Jordan

Deputy Chief of Party: Imad Hamze

PURPOSE

Meet with AMIR project personnel to discuss microfinance training program, credit bureau, and credit association.

TERMS OF REFERENCE

- Discuss the current microfinance training program, which AMIR established and is offered in Jordan. This will include ways to make the program available to microfinance practitioners in the West Bank and Gaza.
- Discuss the research and information gathered by the AMIR project regarding a proposed Jordanian credit bureau and how the research can be applied to the proposed credit bureau for the West Bank and Gaza.
- Discuss AMIR's experience and research regarding starting a microfinance association in Jordan and identify ways that this experience can be used create a microfinance association in the West Bank and Gaza.

LEVEL-OF-EFFORT

5 days of level of effort are required for this SOW.

TIMING

This assignment will take place April 1, 2001 to April 5, 2001

Mission two: April 16, 2001

Annex AII
List of People Met

Organization	People Met	
AMIR	James Whitaker	
	Terry Kristalsky	
	Jamil El Wheidi	
	Hanadi Derhalli	
	Rawan Tell	
	Tanna Price	
	Sameera Qadoura	Manager Public Awareness & Training
MFIs		
Jordan Micro Credit Company	Qais Al-Qatamin	Executive Director
CHF's Southern Jordan Access to Credit Project	Rafael Jabba	Country Director
AHLI Microfinancing Company	Ghassan Abuyaghi	General Manager
	Yousef Kandah	Assistant General Manager
Microfund For Women	Nevin Sharaf	General Manager
The Jordan Hashemite Fund for Human Development	Reem Fariz	Director Small Business Development Center
Trainers in Microfinance Contracted by AMIR/IBS		
Central Bank of Jordan	Dr. Mohammad Al-Jafari	Financial Economist Open Market Operations Dept.
Islamic International Arab Bank	Mahdi Kilani	Sr. Finance & Investment Officer
Near East Foundation	Majdi Al Qorom	Program Manager
Trainers in Human Resource Development		
Freelencer	Keneth Donaldson	
Freelencer	Steve	
Other Consultants contracted by AMIR		
Talal Abu Ghazaleh International	Mustafa Nasereddine	Executive Director
	Abdul Wahhab Khalil	IT consultant

Annex AIII

Best Lending Practices

Principle 1: Offer Services that Fit the Preferences of Low-Income Entrepreneurs

- Give short-term loans
- Give small loans
- Give repeat loans
- Allow relatively unrestricted use
- Be customer friendly

Principle 2: Streamline Operations to Reduce Costs

- Highly streamline operations
- Standardize the lending process
- Decentralize loan approval
- Maintain inexpensive offices
- Select staff from local communities

Principle 3: Motivate Clients to Repay Loans

- Do not require formal collateral
- Use character references or group lending with joint liability to motivate repayments
- Use incentives for prompt repayment
- Develop a public image that signals seriousness about loan collection

Principle 4: Charge Full-Cost Interest Rates and Fees

- Recover the costs of the loan. Small loan sizes and personalized service result in costs per loan that require interest rates significantly higher than commercial banks (although significantly lower than informal sector rates).
- Expect repayment. Low-income entrepreneurs have shown a willingness and ability to pay interest rates higher than commercial banks for services that fit their needs.

Annex AIV Advanced Microlending Course

Advanced Training in Microfinance



Course Outline

Moving the organization toward full sustainability with a deeper understanding of the costs and trade-offs involved is the underlying theme of the Advanced Course. The focus is on managing a growing program, and setting up the systems and performance measures to constantly detect problems and opportunities. Managing credit and savings growth are addressed with more complexity. The course ends with a panel discussion of experts who will each give an overview of their experience, followed by questions from the group.

List of Modules:

- Introduction to Sustainability
- Profitability and Sustainability
- Managing Credit –Controlling Risk
- Growing and Managing Savings
- Managing Staff and Building a Strong Organization
- Forecasting and Budgeting
- Management Information Systems (MIS)
- Applying Your Skills
- Discussion Session with Experts



Sustainable Microfinance Training Program Partner

Institute of Banking Studies

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Annex B
Invitation Letter for First Meeting of Forum

Dear Sir/Madam,

The “Initiative for Sustainable and Accessible Microfinance Industry” (ISAMI) Project, funded by the United States Agency for International Development (USAID), aims to enhance the potential for rapid growth of microlending, and to make the availability of this product and other related financial services a permanent and sustainable feature in the West Bank and Gaza.

ISAMI Project would like to invite you to attend its first meeting, at the

Grand Park Hotel (Cleopatra Hall)
on Wednesday the 9th of May 2001 at 3:00 pm

The meeting aims at introducing a Microfinance Forum that would provide attendees the opportunity to share experiences during the current political situation and to develop solutions that would not otherwise be feasible.

The main objectives of the forum will be to:

- 1) promote a set of micro credit best practices standards for the West Bank and Gaza,
- 2) be the primary networking and participation mechanism for the project,
- 3) advocate for legal and policy reforms through targeted research and coordinated appeals to the government,
- 4) promote the proliferation of new tools and technology to improve the efficiency and outreach of programs.

ISAMI Project will work with this forum to the greatest extent possible and attempt to aid it in reaching its goals to the maximum, and will develop a merit based accreditation system to help transparent and efficient microfinance programs gain better access to donor funding.

In that regard, we appreciate you sending us topics you believe should be discussed in the first meeting, and please find attached a copy of some topics we suggest need to be addressed in that meeting too.

Your attendance is of great importance to us and will help maximize the outcome of this meeting.

Thank you for your kind cooperation, we are looking forward to meeting you soon,

Sincerely,

Charles Taylor
Chief of Party