



COOPERATIVE HOUSING FOUNDATION
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**ACCESS TO MICROFINANCE AND
ENHANCED ENTERPRISE NICHES
(AMEEN)**

SEMI-ANNUAL PERFORMANCE REPORT

Cooperative Agreement No. 268-A-00-98-00113

April 1, 2000 - September 30, 2000

**SUBMITTED TO:
UNITED STATES AGENCY FOR INTERNATIONAL
DEVELOPMENT**

**COOPERATIVE HOUSING FOUNDATION (CHF)
SEMI-ANNUAL REPORT TO USAID
ACCESS TO MICROFINANCE AND ENHANCED ENTERPRISE NICHES (AMEEN)**

Grant Number: Cooperative Agreement No. 268-A-00-98-00113
Contractor: Cooperative Housing Foundation

SECTION I - CONTRACTOR REPORT

BACKGROUND AND PROGRESS OF MAJOR ACTIVITIES

ELEMENT 1 - BACKGROUND

The purpose of the AMEEN program is to: (1) Enhance the access to microfinancial services for the low income group of the population, and micro-entrepreneurs in particular; (2) Enhance the institutional capacity of private commercial banks to deliver microfinancial products; and (3) Create and support a financially sustainable organization by the end of the project.

The Cooperative Housing Foundation (CHF), in partnership with the Jammal Trust Bank (JTB), is implementing the AMEEN Program in support of USAID's Strategic Objective #1: "Reconstruction and Expanded Economic Opportunity"; and Intermediate Result 1.2: "Small and Microenterprises enhanced". Under the original CHF-JTB agreement, dated March 1999, the bank commenced the partnership by assuming 25 percent of the capital risk while CHF assumed 75 percent, with the interest revenue being split respectively and the commission shared equally. As of June 1, 2000, JTB increased its capital risk share up to 50 percent and CHF decreased its share proportionally to 50 percent. Moreover, under the new agreement, CHF earns 54.5 percent of the interest revenue and 100 percent of the commission to cover its share of the costs of running the program.

The program design is based on the findings of the CHF initial market assessment and on CHF's agreement with JTB. The AMEEN Program therefore provides access to microfinancial services along the following key parameters:

- Loans are extended to individual borrowers or enterprises generally employing 5 workers or less.
- Loans range from \$500 to \$2,000, with an expected average of \$1,300, for first time borrowers. Repeat borrowers may access up to \$3,000.
- The repayment period (maturity) ranges from 6 months to one year.
- Loans are granted at 28 percent interest rate based on a declining balance with 3 percent commission fees charged up-front.
- Loans are extended to businesses that have been in existence for at least one year.

- Each loan agreement is between the client and JTB.
- Clients are encouraged to open savings accounts with JTB. JTB waives all account charges and has reduced its minimum opening account balance to \$50.
- Collateral and collateral substitutes (including guarantors) are used to secure the loans.

ELEMENT 2 - CURRENT CORE ACTIVITIES

First, the main undertaking that marked the second fiscal year of the AMEEN program was the new agreement with JTB. On April 19, 2000, *CHF and JTB signed an equal capital contribution and risk sharing agreement*. This coincided with the disbursement of the first loan under the AMEEN program in April, 1999. Lending is currently concentrated in the greater Beirut area extending to the eastern and southern suburbs, and in the South in the city of Sidon, and the towns of Ghaziyeh, Nabatiyeh, and Tyre. The current expansion plan aims to extend the program services to the North, to Tripoli and its neighboring towns in the fall 2000, as well to Beqaa early in 2001.

Second, CHF submitted a proposal to USAID/Lebanon in June 2000, and the AMEEN program was awarded additional funding in the amount of US \$866,496. The additional funding represented US\$350,000 in capital grant and US\$516,496 in operational grant. The funding was made available as of July 2000 and allowed an extension of the initial agreement through September 30, 2001. The AMEEN program requires additional capitalization to fulfill its share of the agreement with its current banking partner as the program grows and continues to expand. Moreover, CHF has initiated discussions with other interested parties among the commercial banking sector who have expressed interest in the program given the track record to-date.

Third, currently the program staff comprises of seven *administrative staff* including program director (Mayada Baydas), program coordinator (Mostafa Khalifeh), South area loan supervisor (Bassam Jardali), financial manager (Ziad Halaby) on one-year leave replaced by financial officer (Solove Diab), program assistant (Hala Mikdashi), MIS officer (Mohamad Mniemneh), and driver (Abed El-Rahman Zagloul). Currently the program has a total of ten *loan officers* working through out the various regions. Close supervision and continued training for the loan officers is provided mainly by the program coordinator and program director. Recruiting loan supervisors and loan officers is an on-going process. Potential candidates will be joining in the near future as the program expands.

Fourth, the *CHF-JTB loan committee continues to meet regularly on a weekly basis*. Decisions regarding loan applications are made and information is relayed to the branches to disburse the approved loans. The demand for the AMEEN loans continues to be strong. The AMEEN program has achieved its targeted milestones for its second year of operation and continues to have a very good portfolio quality.

Fifth, communications with JTB management are undertaken to discuss *delays and problems encountered in processing and disbursing the AMEEN loans at the JTB branch level*. JTB management has been committed and supportive of the program, however implementation through the JTB branch level leaves room for enhancing the efficiency of the mechanism through

which the AMEEN services should be provided.

Sixth, the *new management information system* (MIS) officer has been instrumental in reviewing the data received from the bank and maintaining the program database. The use of the new MIS software (Micro2000) is still under revision.

Seventh, the *performance based incentive scheme* has been in effect for the AMEEN program loan officers as of the beginning of the second fiscal year. The system is allowing the loan officers to be well compensated for their extra effort in expanding the program outreach while maintaining a quality portfolio.

ELEMENT 3 - RESULTS

As of September 30, 2000, a total of 1750 loans were approved, of which 1600 were disbursed. The total value of the disbursed AMEEN loans reached US \$2.1 Million where the principal outstanding by the end of the period was US \$1.1 Million with a total number of about 1200 active clients. A total of 428 loans have been paid off, with about 60 percent renewal or client retention rate. The average loan size was just about US \$1,300 with an average term of 11 months. The program has also reached a 25 percent female borrowers among the pool of its clientele. The 30-day repayment rate to-date is just about 100 percent. The few incidences of delinquency have not exceeded a few days.

ELEMENT 4 - PERFORMANCE

During the second six months of the second fiscal year of operation of the AMEEN program, CHF proceeded in conformity with the statement of work as detailed in the CHF/AMEEN Business Plan presented to USAID on December 15, 1998 and the proposal submitted on June 15, 2000. A very important feature that characterizes the second year of the AMEEN operations has been the increase in JTB capital contribution and risk share up to 50 percent.

ELEMENT 5 - FUTURE ACTIVITIES

During the coming six months of operation of the AMEEN program, CHF will proceed to expand the program to attain a large scale of outreach compatible with the program goals and objectives. It is projected that the AMEEN group will have about 12 loan officers by early FY01 and the program will be operational in most parts of the country, particularly where JTB branches exist.

The AMEEN program has lent out its capital base of US \$ 850,000. The capital fund is a revolving fund and the capital repaid has been put to use in expanding the program loan portfolio. CHF's proposal to USAID/Lebanon, which included the revised financial projections that take into account the 50 percent contribution on part of JTB, was only partially funded. The level of funding required to allow the program to reach operational and financial sustainability is

yet to be fulfilled from alternative sources.

CHF is attempting to bring on additional private sector contribution into the program by attracting other interested commercial banks. The establishment of a financial company is also an alternative that CHF/AMEEN might undertake in the near future.

SECTION II - ADMINISTRATIVE INFORMATION

Total level of effort for the period April, 2000 - September, 2000: 90 person-months.

Total estimated operational cost as of end of September 2000: \$539,622.