

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

October 22, 2001

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 continues to focus on: (1) Enhancing the access to microfinancial services for the low income group of the population, and micro entrepreneurs in particular; (2) Enhancing the institutional capacity of private commercial banks to deliver microfinancial products; and (3) Creating and supporting a financially sustainable organization by the end of the project. The Cooperative Housing Foundation (CHF) 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".

CHF commenced its operations with a partnership agreement with the Jammal Trust Bank (JTB) in March 1999, where the bank assumed 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, an agreement that stands to-date. Moreover, under the new equal capital contribution 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.

CHF commenced negotiations with another potential partner in the end of 2000 that led to a second agreement with the Credit Libanais, one of the major banks in the country, in March 2001. The Credit Libanais made available US \$ 1 Million whereby the bank covers 100% of the loan capital and provides CHF with 36 percent share of the interest (10% of the 28%) and 100 percent of the commission revenues. CHF is providing the bank a guarantee that obligates CHF to absorb 10 percent of any losses up to US \$ 100,000 and share equally in losses thereafter.

Currently, the program design is based on the findings of the CHF initial demand study in preparation of the initial business plan, modifications based on the lessons learnt over the past three years, and results of the recent market assessment. The most recent market assessment survey covered the whole of Lebanon, both where the AMEEN program is currently operational and new regions for potential expansion. The survey documented demand for home

improvement loans, general microfinance loans, as well as current customer satisfaction. The sample comprising of 1071 observations was randomly selected from the AMEEN client base as well as non-borrower entrepreneurs and non-entrepreneurs. Several regions where the AMEEN program is operational through the JTB and Credit Libanais branch network were included in the study as well as new regions where the AMEEN program plans to expand were surveyed. The results of the market research provided direction for the design of new products and signals for improved service through the AMEEN program. The AMEEN Program currently provides access to general microfinancial services along the following key parameters:

- Loans are extended to individual borrowers or enterprises generally employing 5 workers or less.
- Loans range from \$300 to \$2,000, with an expected average of \$1,250, for first time borrowers. Repeat borrowers may access up to \$3,000.
- The repayment period (maturity) ranges from 4 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, or low-income employees.
- Each loan agreement is between the client and the bank, either JTB or Credit Libanais.
- Clients are encouraged to open savings accounts with the banks. Both JTB and Credit Libanais waive all account charges and have reduced the minimum opening account balance to \$50 or less.
- Collateral and collateral substitutes (including guarantors) are used to secure the loans.

ELEMENT 2 - CURRENT CORE ACTIVITIES

1. The main undertaking that marked the second half of the third fiscal year of the AMEEN program was the implementation of the new agreement with Credit Libanais. By early April 2001, CHF and Credit Libanais had signed an agreement where by the bank provides 100% of the loan capital. *The first loan disbursements with the Credit Libanais took place in May 2001.*
2. Lending under the AMEEN program has also expanded beyond the greater Beirut area and the whole of the South of Lebanon including the cities of Sidon, Ghaziyeh, Nabatiyeh, and Tyre, to the greater South to include the towns of Bint Jbail and Marjooun, as well as the North in the city of Tripoli and the Akar area. The current expansion plan aims to extend the program to Mount Lebanon and the Beqaa early in 2002.
3. The AMEEN team conducted a market assessment to better understand the demand of its clientele as well as new clients in current areas of operation as well as new ones. A sample of 1071 observations was randomly selected and the results yielded information that assisted in modifying the loan product that the program offers to include general microfinance loans.

4. CHF/AMEEN team provided on going training for the Credit Libanais branch managers in new areas and an overall training for the JTB home-office and branch staff throughout the second part of the third fiscal year.
5. Currently the program staff comprises of *eight administrative staff* including program director (Mayada Baydas), program coordinator (Mostafa Khalifeh), South area loan supervisor (Bassam Jardali), Beirut area supervisor (Mohamed Jeradi), financial manager (Ziad Halaby) and financial officer (Solove Diab), program assistant (Hala Mikdashi), MIS officer (Mohamad Mniemneh), and driver (Abed El-Rahman Zagloul). The program has a total of *twenty one loan officers* working through out the various regions with the two partner banks. The program coordinator, loan supervisor, and program director provide close supervision of and continued training for the loan officers. Recruiting loan supervisors and loan officers is an on-going process as the program continues to expand. Additional loan officers will be joining the program in the future as the program expands further within the regions it currently operates in and in new regions in the country with both partners.
6. The *CHF-JTB and CHF-CL loan committees continue to meet regularly on a weekly basis*. Decisions regarding loan applications are made unanimously and information is relayed to the branches to disburse the approved loans. The AMEEN program is currently operational through 22 bank branches through both partners. The demand for the AMEEN loans continues to be strong. The AMEEN program has achieved its targeted milestones for its third year of operation and continues to have a very good portfolio quality.
7. *The program continues to rely on in-house MIS* to review and process the information received from the bank and maintain the program database. CHF/HQ is in the process of supporting the AMEEN program to purchase an MIS package that should be delivered to the field in the first half of the fiscal year 2002.

ELEMENT 3 - RESULTS

As of September 30, 2001, a total of 5127 loans were approved, of which 4783 were disbursed. The total value of the disbursed AMEEN loans reached just about US \$6 million where the *outstanding principal by the end of the period was US \$2.2 Million with a total number of 2802 active clients*. A total of 1981 loans have been paid off, with about 55 percent renewal or client retention rate. The average loan size was just about US \$1,250 with an average term of 11 months. The program has also reached a 31 percent female borrowers among the pool of its clientele. The 30-day repayment rate to-date is just about 99.5 percent and the 30-day portfolio at risk 0.9 percent. The few incidences of delinquency are being followed up very carefully.

ELEMENT 4 - PERFORMANCE

During the second months of the third fiscal year of operation of the AMEEN program, CHF proceeded in conformity with the statement of work as detailed in the first CHF/AMEEN

Business Plan presented to USAID on December 15, 1998 and the second updated Business Plan presented to USAID on December 15, 2000. A very important feature that characterizes the third year of the AMEEN program operations has been the new partnership with the Credit Libanais.

ELEMENT 5 - FUTURE ACTIVITIES

During the first part of the fourth fiscal year or 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 25 loan officers by the beginning of calendar year 2002 and the program will be operational in most parts of the country, both through JTB and Credit Libanais branches.

The AMEEN program has lent out its capital base of US \$ 850,000 plus an additional \$100,000 in loan from the MacArthur funds lent to the program by CHF/HQ. The capital fund is a revolving fund and the capital repaid has been put to use in expanding the program loan portfolio. The capital re-flows along with the JTB contribution have allowed the AMEEN program to disburse to-date \$5.9 Million using the \$850,000 capital grant. *CHF's current plan projects that the program will lend close to another \$7 Million during FY02* including additional capital support of \$850,000 provided to CHF as well as additional funds over the allocated \$1 million provided by the Credit Libanais. This expansion is necessary to allow the program to follow through its projections and reach operational and financial sustainability targets set for the end of FY02.

CHF is currently undertaking an institutional capacity review based on which several matters will be followed up carefully. *Among the scheduled activities is the addition of an operations manager who will join the program in the first part of FY02, a team building and training retreat that is planned for the first part of FY02, review of all program manuals of operation, and purchase of an MIS package that should be in house by mid FY02.*

CHF is exploring the *expansion of the AMEEN program further in the Middle East Region.* The Jammal Trust Bank has been interested in partnering with CHF to expand the AMEEN program to its branches in Egypt. The AMEEN program director and Senior Program Manager from CHF/HQ undertook an assessment of JTB branch network in July 2001 to explore the potential. The agreement with JTB is yet to be finalized but the market potential is strong and the outlook seems positive.

The *establishment of a local commercial entity*, such as a local service company that will continue to undertake the same operations that the AMEEN program is currently providing, continues to be a pending proposal. The local entity will allow CHF to follow through on its plan to abide by the Lebanese rules and regulations as a local entity and not only as a branch of an international NGO and prepare for the establishment of a financial company in the future.

SECTION II - ADMINISTRATIVE INFORMATION

Total level of effort for the period April 1, 2001 – September 30, 2001: 150 person-months.

Total estimated operational cost as of end of September 30, 2001: \$1.54 million.

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October 20, 2001

Mr. Jeffery Bell
 Regional Contracting Officer
 USAID / American Embassy
 P.O. Box 354
 Amman 11118
 Jordan

*Letter faxed
 to Mayada
 body emailed to
 her for delivery*

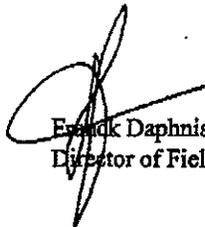
Re: Award Number: Agreement Number 268-A-00-98-00113
 Cooperative Housing Foundation

Dear Mr. Bell,

On behalf of the Cooperative Housing Foundation (CHF) I am pleased to submit a copy of our fourth Semi-Annual Report covering the initiation and set-up activities of the Access to Microfinance and Enhanced Enterprise Niches (AMEEN) program. This report summarizes activities undertaken during the period April 1, 2001 through September 30, 2001.

Please do not hesitate to call Mayada Baydas, the Project Director for AMEEN or Senior Program Officer Jesse Frupp, if you have any questions or require clarification on any aspect of this report.

Sincerely,



Erynn Daphnis
 Director of Field Program Management

Enclosure

cc: Ghassan Jammous - USAID/Lebanon
 Ernest Rojas- USAID Washington DC
 Monique Cohen - USAID Prime Office
 USAID/PPC/CDE/
 Mayada Baydas, Project Director AMEEN

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October 20, 2001

Mr. Jeffery Bell
 Regional Contracting Officer
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 Amman 11118
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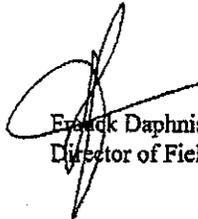
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Sincerely,



Ernest Daphnis
 Director of Field Program Management

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 Ernest Rojas- USAID Washington DC
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 USAID/PPC/CDIE/
 Mayada Baydas, Project Director AMEEN