

**CHF INTERNATIONAL**  
**ACCESS TO MICROFINANCE AND ENHANCED ENTERPRISE NICHES (AMEEN)**  
**SEMI-ANNUAL REPORT**  
**April 1, 2002 to September 30, 2002**

Cooperative Agreement No.: 268-A-00-98-00113  
Contractor: Cooperative Housing Foundation (CHF)  
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**SECTION I - CONTRACTOR REPORT: BACKGROUND AND PROGRESS OF  
MAJOR ACTIVITIES**

**ELEMENT 1 - BACKGROUND**

The AMEEN program continues to work toward its goals of: (1) enhancing access to microfinancial services for the low income sector of the population, and microentrepreneurs in particular; (2) enhancing the institutional capacity of private commercial banks to deliver microfinancial products; and (3) creating and supporting a financially sustainable microfinance service organization by the end of the AMEEN 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 AMEEN operations with a partnership agreement with the Jammal Trust Bank (JTB) in March 1999: the bank assumed 25 percent of the capital-risk while CHF assumed 75 percent. The interest revenue was 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 which stands to-date). 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 began negotiations with another potential partner toward the end of 2000 which led to a second agreement with Credit Libanais (one of Lebanon's major banks) in March 2001. Credit Libanais made available US \$1 million whereby the bank covers 100 percent of the loan capital and provides CHF with a 36 percent share of the interest (10 percent of the 28 percent) 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.

In terms of program design, AMEEN has been uniquely adapted to meet client needs based on: findings from CHF's initial demand study in preparation for the initial business plan; lessons learned over the past three years of program implementation which led to program modifications; and the results of a recent market assessment. The market assessment survey, covering all of Lebanon, documented the demand for home improvement loans, general microfinance loans, as well as customer satisfaction of current loan recipients. The survey

sample, comprising 1071 observations, was randomly selected from among the AMEEN client base as well as non-borrower entrepreneurs and non-entrepreneurs. Several regions were surveyed where the AMEEN program operates through the JTB and Credit Libanais branch networks, and in new regions where the AMEEN program plans to expand. The results of the market research provided direction for the design of new products and signals for improved service opportunities through the AMEEN program.

AMEEN 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 loans up to a maximum of \$3,000.
- The repayment period (maturity) ranges from 4 months to 1 year.
- Loans are granted at 28 percent interest rate based on a declining balance with a 3 percent commission fee 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 bank from which they borrow. Both JTB and Credit Libanais waive all account charges and have reduced the minimum opening account balance to \$50 or less for these clients.
- 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 fiscal year 2002 for the AMEEN program was enhancing our capacity to handle the expansion with Credit Libanais and increased operations with JTB in a total of 40 bank branches. By the end of September 2002, CHF was implementing the program in 14 JTB branches and 26 Credit Libanais branches in all regions throughout Lebanon. Expanded outreach is underway with more than one bank interested in potential partnership with CHF to incorporate the lending program into their operations.*
2. *As part of capacity building efforts, AMEEN acquired an MIS program being designed by Delta Informatics. The software development company has housed a programmer in the AMEEN office for the past three months to ensure that the program is specifically tailored to AMEEN's programmatic needs. The MIS program tracks client-related data including all financial record transfers, as well as socio-economic data acquired through client applications. The final software testing should be complete and reporting available before the end of the calendar year.*

3. *Lending under the AMEEN program through both JTB and CL has expanded beyond the greater Beirut area throughout the whole of South Lebanon, including the cities of Sidon, Ghaziyeh, Nabatiyeh, and Tyre, and in the towns of Bint Jbail and Marjoun, as well as in the North in the city of Tripoli and the Akkar region. The most recent expansion included the towns of Chtoura, Zahleh, Jib Jineen, and Rashaya in the Beqaa in mid FY02. This expansion included further promotion of the program in the areas covered by USAID's rural cluster programs. Direct coordination with the CHF/REDI program and other partners was continuously explored.*
4. *The AMEEN team grew over the past year and in particular the past six months at a fast pace. The team underwent capacity-building training at the end of the calendar year to enhance the staff's understanding of the Mission, as well as the vision and objectives of the AMEEN program. Several technical trainings took place over the year for the loan officers. Two key members of the AMEEN management team, Ziad Halaby and Mostafa Khalifey, attended an intensive microfinance training course in Boulder, Colorado in July 2002.*
5. *Throughout the fiscal year the CHF/AMEEN team provided routine training for Credit Libanais and JTB branch managers both at branches in the newly expanded program areas, and at the banks' head offices.*
6. *Currently the program staff comprises thirteen administrative staff: program director (Mayada Baydas), operations manger (Ruby Al-Salem), program coordinator (Mostafa Khalifeh), South area loan supervisor (Bassam Jardali), Beirut area supervisor (Mohamed Jeradi), North area supervisor (Ghassan Haidar), Beqaa area supervisor (Abdo Jaroush), financial manager (Ziad Halaby) and financial officer (Solove Diab), program assistants (Hala Mikdashi and Rola Sweid), MIS officer (Mohamad Mniemneh), and driver (Abed El-Rahman Zagloul).*

The program has a total of *twenty-eight loan officers* working throughout Lebanon with our two partner banks. The operations manager, program coordinator, area supervisors, 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 during the second part of this fiscal year as the program expands further within the regions it currently operates, as well as in new markets.

7. *The AMEEN program has achieved its targeted milestones in terms of outreach to-date and continues to have a very good portfolio quality. The demand for AMEEN loans continues to be strong, and the program is currently operating through 40 bank branches. The CHF-JTB and CHF-CL loan committees continue to meet on a weekly basis. Decisions regarding loan applications are made unanimously and information is relayed to the branches to disburse the approved loans.*

### **ELEMENT 3 - RESULTS**

As of September 30, 2002, a total of 11,583 loans were approved, of which 10,716 were disbursed. The total value of disbursed AMEEN loans reached approximately US \$12.8 million. *The outstanding principal by the end of the period was US \$4 million with 5,488 active clients.* A total of 5,228 loans have been paid in full, with close to a 60 percent renewal or client retention rate. The average loan size was approximately US \$1,200 for an average term of 11 months. *The program's client base consists of 30 percent female borrowers. The 30-day repayment rate to-date is 99.5 percent and the 30-day portfolio at risk 0.7 percent.* The few incidences of delinquency are being followed up very carefully.

### **ELEMENT 4 - PERFORMANCE**

During the second part of FY 2002, 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 fourth year of AMEEN program operations has been the expansion with the Credit Libanais and sustained growth with the Jammal Trust Bank.

### **ELEMENT 5 - FUTURE ACTIVITIES**

During the next fiscal year (FY) 2003, *CHF will proceed to expand the program to attain a large scale of outreach and depth in the communities compatible with the program's goals and objectives.* It is projected that the AMEEN group will have approximately 40 loan officers by the mid-FY03 and the program will further expand its operations through both JTB and Credit Libanais branches, as well as potentially through a new partnership with a third bank.

The AMEEN program has lent out its entire capital base of US \$1.2 million, plus an additional \$100,000 in loans from the MacArthur funds lent to the program by CHF/HQ. The capital fund is a revolving fund and the capital that has been repaid is being 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 \$12.8 million to-date using the \$1.2 million capital grant from USAID. CHF's current projections are that the program will lend a total of \$9.3 million during FY03, including additional capital support of \$500,000 provided to CHF during the second part of FY02, and additional funds from Credit Libanais (exceeding the \$1 million originally agreed upon).* This expansion is necessary to allow the program to meet its projections and reach operational sustainability targets set for the very near future.

*CHF is exploring the expansion of the AMEEN program elsewhere 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 agreement with JTB has yet to be finalized, but the market potential is strong and the outlook seems positive.

*Efforts toward transforming the project into a local commercial entity are underway. This entity will take the form of a local service company that will continue to conduct the same operations that the AMEEN program is currently undertaking. Establishing the local entity will allow CHF to meet its programmatic goal of self-sustainability. In addition, CHF will also abide by the Lebanese law as a local company, and not just as a branch of an international NGO, and thus prepare to establish itself as a financial company. Registration of the local commercial company should be complete before the end of the calendar year.*

## **SECTION II - ADMINISTRATIVE INFORMATION**

Total level of effort for the current reporting period, April 1, 2002 to September 30, 2002, is 246 person-months.

Total estimated operational cost for the current reporting period is approximately \$600,000.