

Housing Microfinance: Final Evaluation Report

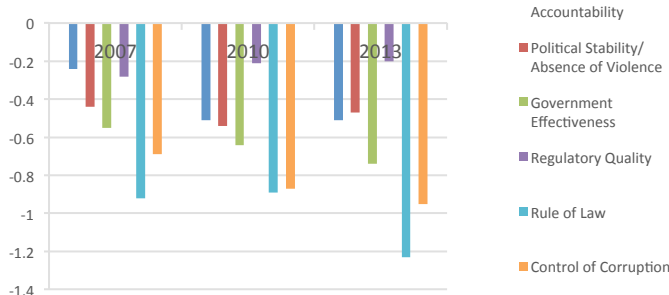
COMIXMUL, Honduras

1. Development relevance

Economic and poverty context:ⁱ Honduras is a middle to low income country. More than two thirds of its population is living in poverty and five out of every ten people is living in extreme poverty. In rural zones, 60% of households suffer from extreme poverty. Wealth and income disparity remain a constant challenge (see also MPI figure). After the 2008-2009 economic crisis, the country experienced a moderate recuperation, driven by public investment, exports and high amounts of remittances. Nevertheless, the country's growth in GDP fell to 2,5% in 2013 and was expected at 2,8% in 2014. The high incidence of violence and crime remains a major challenge and has eroded citizens' confidence in the rule of law (see governance figure). It is estimated that the annual costs of violence account for about 10% of the country's GDP. Vulnerability to external shocks poses an additional challenge; for example, in the last two decades the agricultural sector has lost nearly a third of its acquisition power, largely due to a decrease in the value of key export crops such as bananas and coffee. All of the above is further exacerbated by the impact of natural phenomena such as hurricanes and drought.

Economic indicators	
Population (2013)	8'097'688
GDP growth (2013)	2,5%
Inflation (2013)	5,2%
Trade balance (% of GDP, 2013)	-19,9%
Foreign direct investment (net) (% of GDP) (2013)	0,19%
Net official development assistance and official aid received (% of GDP) (2013)	3,4%
Workers' remittances (% of GDP) (2013)	16,90%
Economic freedom Index ⁱⁱ (Rank among 185 countries) (2013)	116
Poverty indicators	
GDP per capita (current USD) (2013)	2'291
Gini Index (2011)	57,4%
Multidimensional Poverty Index (1=poor, 0=not poor) (2011/12)	0,072
International (2011) and National poverty headcount ratio (2013)	16,5%; 64,5%
Rural poverty headcount ratio at national poverty line (2013)	68,50%

GOVERNANCE INDICATORS

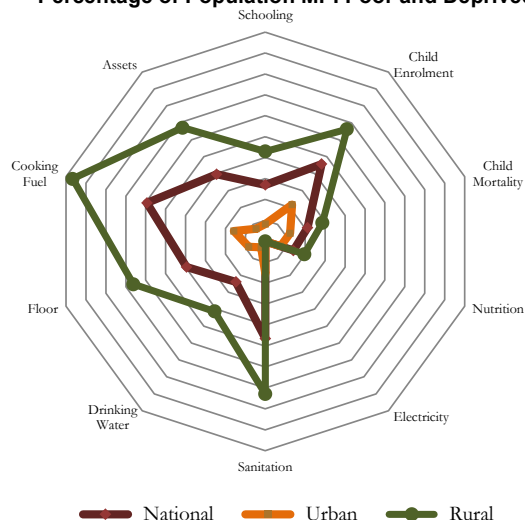


The country faces a housing deficit of 1'600'000 units, with 974'400 units having qualitative deficits (e.g. lack of proper roof, floor, wall or basic services as potable water), and 625'600 relating to quantitative deficits (i.e. need to be built).ⁱⁱⁱ Real estate is currently inaccessible to the poorest sectors.

Financial sector context: Thanks to the strengthening of the regulatory framework and financial system infrastructure over the past years, the performance of the financial institutions has improved. Still, Honduras has one of the lower levels of financial inclusion in all Latin America. In 2014, 32% of the population aged 15+ had an account, 14% had formal savings and 10% formal borrowing.

Microfinance is a growing industry, but the necessary standards, formalization, and regulation to support its expansion is limited.^{iv} Informal collectors and creditors have the advantage of being close to the population and can offer immediate service, but their compliance with consumer protection is unknown. Many of these institutions are not part of any industry association that helps defining good governance and best practices. This situation is improving as more programs are being offered by credit agencies like *Organización de Desarrollo Empresarial Femenino* (ODEF), but further support, commitment, and involvement from government institutions are needed in order to ensure client protection.

Percentage of Population MPI Poor and Deprived



Partner Financial Institution: *La Cooperativa Mixta Mujeres Unidas Limitada* (COMIXMUL^v) began in 1986 as a credit project launched by 12 women who later formed a cooperative which obtained legal status from the National Cooperative Registry in 1991. COMIXMUL is a limited liability cooperative of undefined duration, with administrative, functional and technical autonomy and complete control over its own capital/assets, as governed by the Cooperative Law of Honduras and its respective regulations. It is

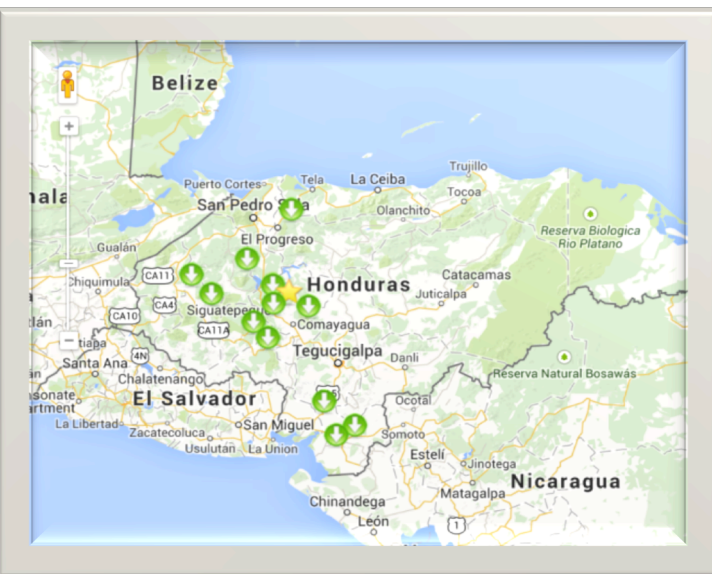
Swiss Capacity Building Facility

supervised by the *Comisión de Bancos y Seguros del Gobierno de Honduras* (Bank and Insurance Commission of the Government). The cooperative's development was driven by the struggle to overcome the limitations and difficulties faced by Honduran women. Its main objective is to improve the social, economic and cultural conditions of its members, through savings and credit. The

COMIXMUL	2010	2013	2014	2017
Total assets (in USD)	28,7 m	74,2 m	76,6 m	137,8 m
Credit portfolio (in USD)	20,3 m	50,5 m	54,4 m	109,6 m
Total clients	19'314	28'286	30'440	50'275
Total staff	188	314	277	370
Total branches	10	13	13	13

cooperative's head office is located in Siguatepeque, Comayagua, and has 13 branches in 13 respective departments and more than 30'759 members as of end of 2013.

In 2006, COMIXMUL decided to create a parallel development institution called *Fundación para el Desarrollo Integral de la Mujer y la Familia* (FUDEIMFA^{vi}) for operating non-financial projects and programs. Through FUDEIMFA, modular training programs have been developed for the management and strengthening of microenterprises among the cooperatives members, as well as programs for establishing orchards and integrated health programs such as *Access to Health and Essential Medicines*, with the support of the government's *Cooperación al Desarrollo* fund, and in response to the large gaps in the health care sector in terms of organization, budget and resource management in general.



2. Intervention approach and additionality

In October 2013, COMIXMUL received a USD 1 million loan from the MicroBuild Fund which included technical support financed by the SCBF, led and executed by Habitat's Centre for Innovation in Shelter and Finance (CISF) with the goal of accompanying COMIXMUL in the process of redesigning, launching and implementing a housing microfinance product that included construction technical assistance. The intervention provided support in the following areas:

- 1) Market study and client satisfaction survey:** The studies revealed a high demand for housing finance as well as the needs, preferences and capacities of the potential clients (e.g. progressive housing construction, short terms and low amounts). Additionally, they showed the client's interest to receive basic technical assistance in construction.
- 2) Redesign of the existing housing loan** according to the demand and socio-economic characteristics of the target population (amount of USD 150-5'000; interest rate of 16-24% annually including costs for construction technical assistance; term until 36 months) as well as introduction of construction technical assistance. The latter includes housing diagnostic, the basic aspects of defining each client's particular improvement plan; cost estimations; taking photographs before and after construction; as well as construction supervision. Moreover, tools for the provision of construction technical assistance and technical booklets for the most common housing improvements have been designed, and a construction technical advisor has been contracted.
- 3) Pilot planning and implementation**
- 4) Training** on the improved product, marketing and construction technical assistance (see figure)
- 5) Pilot monitoring and evaluation**



Training workshop with COMIXMUL staff, Taulabe.

Training	COMIXMUL	FUDEIMFA
Training of Trainers	3	2
Credit Analysts and Marketing Staff	23	0
Foreman Training	7	0
TOTAL	33	2

The approach focused on understanding the needs, preferences and capacities of the potential clients of housing

microfinance. Furthermore, it was implemented through active participation of the institution's staff members and FUNDEIMFA.

3. Results achieved

3.1 Client level

As of end of December 2014, 1'730'000 Lempiras (approximately USD 79'686) were granted for a total of 31 credits, 80% of which were placed in the Taulabé branch and 20% in the Siguatepeque branch. The goal of the pilot project – to place 300 credits for housing improvements with construction technical assistance – has not been achieved due to poor administrative decisions made by the cooperative after the project had initiated: a) Delays in the coordination of the market survey postponed the beginning of the pilot to May 2014; b) In July 2014, the project leader for housing microfinance and the person responsible for construction technical assistance were removed from their positions. Only the latter was replaced and still provides support to clients. And the main reason: c) Starting in September 2013, the cooperative's directors invested about USD 4,5 million of COMIXMUL's capital in a hospital causing thereby institutional illiquidity and an institutional crisis. This decision – unforeseen and neither informed – forced the cooperative to cease to solicit and approve credit applications for housing improvements and other lines of financing.

In the final evaluation of the pilot, five clients were visited, and their credit files reviewed as well as the documentation and forms related to construction technical assistance. The clients deeply appreciated the orientation provided by the loan officer and the technical construction advisor. It helped clients make good decisions and to prioritize the construction improvement according to what increased quality of life. For example, there were clients who wanted to build a new kitchen but there was more urgency in repairing the roof, or for an electrical installation, etc. Clients felt valued by the technical support and they were confident that they were reliably investing their money. Moreover, the evaluation showed that the quality of the construction executed by the clients was acceptable. The work executed by the masons ranged from average to very good. Generally speaking, the route taken to achieve each of Habitat for Humanity's Housing Quality Standards (regarding design, durability, water, sanitation and secure tenure, etc.) was satisfactory.

Outreach of COMIXMUL	2010	2013	2014	2017
Number of borrowers	11'407	17'103	16'604	34'654
Number of female borrowers	11'407	17'103	16'604	34'654
Rural borrowers	5'905	7'421	6'318	16'634
Average loan balance per borrower (in USD)	1623	2'880	3'727	3'167
Number of depositors	19'314	28'386	30'440	50'275
Number of female depositors	19'314	28'386	30'440	50'275
Average deposit balance per depositor (in USD)	173	205	146	376

Client stories

Mrs. Mirian Janeth Palma Varilla

Family Characteristics & Loan Conditions	
Family Members	3 (mother, father and son)
Activity	Agriculture
Context	Rural
Loan Amount	25'000 Lempiras (USD 1'250)
Interest Rate	2% monthly
Term	24 months
Guarantee	Personal (2 guarantors)
Type of Improvement	House foundations

"We have been living for 10 months in a small room in my mother in laws house. Recently, she gave us a piece of land, and we decided to become independent. Now we are living our dream: we build our own house. My husband is a farmer, so we did not have any other loan and no experience at all. Our payment capacity is limited, but we are responsible and work hard. COMIXMUL trusted us and lent us USD 1'250 to begin the construction of our house. My husband and uncle are building the house. My husband is also preparing the adobe blocks. There are plenty of things to do. The entire construction will take time. We are extremely grateful for this loan; someone deposited trust in us, and we can realize our dream."



Mrs. Miliseth Elvina Alvarado Garcia

Family Characteristics & Loan Conditions	
Family Members	3 (mother, father and son)
Activity	Commercial (Mini Grocery Store)
Context	Peri-Urban
Loan Amount	35'000 Lempiras (USD 1'750)

"Our mini-store is the main income source of our family; it is placed within our house. We have always lived very uncomfortably for the small space, but our mini-store has been our priority. With this loan we are building an additional space that will allow moving the mini-store, letting our home be more comfortable eventually, and my son will have his own room. All this effort is worthwhile to provide a better future to our son. Later we plan to remodel our kitchen. We are grateful to COMIXMUL for this enormous help and the trust. This improvement will allow us to repay the loan and live in better conditions."



3.2 Partner financial institution level

Despite the acute financial and institutional crisis caused by the hospital investment, the majority of the marketing and credit analysts, as well as the branch managers of the pilot locations are still interested in providing housing improvement credits with construction technical assistance services to its members – not only in response to the high demand, but also because these credits have generated opportunities to acquire new cooperative members. They are convinced of the importance of the product for their clients and the methodological focus of progressive or "step-by-step" housing improvements aligned with the economic needs and capacities of clients.

The intervention served to strengthen staff and institutional capacity to promote this line of credit. The construction technical advisor is familiar with the key activities of the construction technical assistance cycle, has a proactive approach, and designed additional support and follow-up instruments beyond those originally proposed by the consultants.

Thus, the advancement of housing microfinance will strictly depend on the institution's capacity to resolve the institutional and illiquidity crisis. It is for this reason that those at the forefront of the cooperative are applying for a loan with a local bank.

4. Lessons learnt and further challenges

- **Institutional:** COMIXMUL's biggest challenge is to resolve its situation of illiquidity in order to respond to the demand — not only in terms of housing improvement credits, but other lines of credit as well — and to not further damage its image of solidity, which could in turn provoke a "stampede" among members and worsen the present and future situation of the organization. At the close of this report, COMIXMUL has been taken over by the *Comisión de Bancos y Seguros del Gobierno de Honduras*, and the board and management team have been dismissed.

The success of a project does not solely depend on professionalism and the expertise provided by the external consultants, but also on the transparency and the quality of decisions made over time by the board members or management team of the implementing institution that are unbeknownst to the consultants.

- **Staff – construction technical advisor and credit analysts:** A low number of placements allows for personalized, exclusive and detailed attention by the technical advisor to each client. However, as the number of cases increases, greater participation from the credit analysts will be needed in order to keep up with the basic aspects of the construction technical assistance, and to ensure that the technical advisor can focus on the structural improvements. Thus, training and the involvement of the credit analysts in the housing product and construction technical assistance will be key for the housing product's positioning and up-scaling, as well as for increased client satisfaction.
- **Construction Technical Assistance:** It is key to include in the client records the support provided by the technical advisor in order to systematically document the approach taken with each client and the visible results of the construction technical assistance.

For the five cases visited, the construction technical assistance could be enriched by additional services such as blueprints and budget verification (i.e. the credit analyst validates the consistence of the budget prepared by the mason with the table costs designed by the technical advisor of COMIXMUL), which leverage/impact some aspects related to efficiency and construction costs, and, in turn, client satisfaction.

In the context of the wide gamma of housing improvements requested, it is important to differentiate the type of construction technical assistance required in order to provide a differentiated service in accordance with the improvement's level of complexity (non-structural, structural, new basic housing unit, land purchase, etc.). The former implies an adjustment to the roles and responsibilities of those involved, particularly the technical advisor and credit analysts.

ⁱ <http://www.bancomundial.org/es/country/honduras/overview>

ⁱⁱ <http://www.heritage.org/index/country/honduras>

ⁱⁱⁱ <http://www.agn.com.gt/index.php/world/business/item/9978-d%C3%A9ficit-habitacional-en-honduras-supera-mill%C3%B3n-y-medio-de-viviendas>

^{iv} <http://www.bcie.org/uploaded/content/article/1944368211.pdf>

^v <http://www.centerforfinancialinclusion.org/client-protection-library-listing/382-summary-of-client-protection-in-honduras>

^v <http://www.comixmul.hn/index.php/historia-comixmul>

^{vi} <http://fudeimfa.org/index-082salud.html>