

Phone conversation between Al Majmoua (Alia Farhat, Business Development Manager) and GiveWell (Natalie Stone) on July 13, 2010

GiveWell: What percentage of clients have dropped out of the program each year? How does Al Majmoua calculate this rate? Can Al Majmoua share reports on why clients drop out?

Al Majmoua: We compute our drop out rate on a monthly basis, using the standard Mix Market formula. It is usually around 25%. We analyze the trends in the drop out rate on a semi-annual basis to allow us to account for clients who took a short break from credit, but return to the program within a few months. I will send you data on what this rate has been in the past.

Until now we didn't have a systematic exit survey. We are now designing a survey to be administered to exit clients. Previously, we were receiving feedback from exit clients through focus groups. I will send you reports from those focus group sessions. Before that, loan officers were administering exit surveys to clients, which resulted in biased information. Our new survey will be administered by people who do not normally work in the field.

GiveWell: What interest rates and fees does Al Majmoua charge its loan clients? What is the repayment schedule? Is there a savings requirement?

Al Majmoua: I will send you a table with details on the interest rate for each of our loan products. Each loan product is different, but rates are generally in the range of 1% - 1.5% flat interest per month. We have only one fee, which is a \$5 per loan fee that covers loan write-off and a funeral benefit in the case of a client's death.

We are not allowed to take deposits from clients. We do encourage clients to save, but we cannot force them. They save with other institutions, such as formal banks.

GiveWell: Does Al Majmoua have data on its clients' standard of living?

Al Majmoua: We are starting to systematically collect and store this information in our MIS now. We were chosen by Oxfam Novib to implement social performance management. In the past we have collected standard of living data as part of the loan application, but have not compiled the data. We will be able to provide aggregated standard of living data in 6 months.

GiveWell: How does Al Majmoua track its repayment rate?

Al Majmoua: We compare scheduled repayments to repayments due in a month. Our non-repayment rate is below 2%.

GiveWell: Is there a process for monitoring whether procedures for preventing over-indebtedness are effective?

Al Majmoua: When clients apply for a loan, we spend time gathering information about their debt status. With the client's permission, we consult the client's wholesale suppliers to determine the client's repayment history with the supplier.

We do not have a credit bureau. This is a problem because we do not have a way to see if clients are borrowing from other microfinance institutions, or even from formal sources, as microfinance institutions in Lebanon are not allowed to have access to central bank credit data. We are trying to develop a memorandum of understanding among microfinance institutions, based on a model from Jordan, to share data with each other.

We teach clients about the risks of accumulating a lot of debt through our business development services, and provide them, through the distribution of a client protection letter, with supplemental information based on the SMART campaign principals.

GiveWell: How do you protect clients from harassment from loan officers?

Al Majmoua: We signed the SMART campaign client protection principals. We distribute an official letter to all clients with all principals and acceptable loan officer practices. We sit down with clients to explain the letter's contents to them in simple terms. We explain that loan officers are not allowed to take any money from clients, they can't pressure them to take another loan, and they must respect the client's confidentiality. There is a complete module of training that we provide to our loan officers that deals with these issue.

We are currently designing a redress procedure to allow clients to report violations of the principals. At the end of the letter, we provide a hotline number, and follow up on complaints and institute corrective action where appropriate. We are currently finalizing the procedures and testing the hotline as a pilot program in a couple of branches.

GiveWell: How much in additional donations could Al Majmoua productively use in the next year? What would such donations be used for?

Al Majmoua: Al Majmoua is currently in an expansion phase. At the end of 2008 we had about 12,000 clients. At the end of 2009, we had about 18,000, and currently we have about 20,000 clients. We are in need of loan capital financing. We could easily absorb 1 million dollars in loan capital in 2011.

One of our objectives for the coming two years is to focus on youth entrepreneurship. The youth program could cost half a million to one million dollars especially if it is coupled with non-financial services such as entrepreneurship training, start-up businesses training, financial education, basic management training, and awareness sessions for building life skills and confidence. We have started to design this and have been receiving technical assistance from a number of organizations like Save the Children. At this point, we just lack financing. We need both loan capital and an additional 10% of what loan capital we receive for non-financial programs.